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Secondary Inflation

By MELCHIOR PALYI

Dr. Palyi remarks that although "money printing" on behalf of Government has terminated, heritage of a secondary inflation is with us in form of accumulated purchasing power and depleted supplies. Sees danger in mechanism of credit expansion, which permits $10 billion of new deposits to create $40 billions of loans without impairing bank reserves. Says bank deposit volume is bound to rise even if no bonds are converted into cash and no control can be effective that is compatible with maintenance of cheap money. Urges private corporate and municipal spending be kept within narrow bounds.

Our primary inflation, the "money-printing" on behalf of the Government, has terminated (supposedly). But its heritage stays with us, consisting of accumulated purchasing power in the hands of the public—individuals, non-financial business units, private and municipal organizations—which approaches the staggering figure of $250 billions, having risen six-fold during the Roosevelt-Truman era. In the meantime, the population has grown by some 10 millions; prices have almost doubled; savings are far more widely distributed than they used to be; depression and war have engendered new hoarding habits, factors which should have the effect of enhancing the desire for

Dr. Melchior Palyi

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Pennsylvania Securities Section on pages 76 and 77.

Competition and Monopoly In Organized Labor Markets

By THOMAS J. ANDERSON, JR.
Associate Professor of Economics, New York University

Professor Anderson cites labor monopolies and restraints on industrial competition which have become widespread in American economy. Lists union restraints on competition between (1) individual workers; (2) unions; (3) union and self-employed workers; and (4) local and non-resident workers. Concludes that (a) restraints on competition practiced by unions undermine interests of both public and workers; (b) closed shop should be prohibited or strictly regulated; (c) principle of market scarcity, emphasized by unions, seriously threatens standards of living; (d) legislation should be enacted restraining labor, as counterpart of present anti-trust laws.

Veto of the Case Bill defers for some time adoption of a more comprehensive national policy on labor organizations and their practices. In the meantime careful consideration should be given to many aspects of such organizations and to their numerous effects on the economy of the Nation. Outstanding among their effects, in the writer's judgment, are the influences which they bring to bear upon competition in labor markets—and in some cases upon competition in commodity markets. Some of the more important of these influences are outlined briefly in this article.

T. J. Anderson, Jr.

As some of these influences of labor organizations on the competitive system are noted, it should be kept in mind that "perfect competition" is not a prerequisite of a satisfactory market-type economy. On the other hand, it should be remembered that restraints upon competition, or monopoly positions, which interfere significantly with production and exchange of goods or with technological progress, constitute substantial burdens upon national economic welfare and progress.

Competition Between Members of a Union

A basic objective of unions is to place certain restraints upon competition between individual members in order that the group can bargain more effectively with the employer.

Among standard union practices which are intended to restrain competition between members of the same union are union rules aimed at standardization of wage rates, of working time during a given work period, and of the speed of work.

The restraining effects of such practices on competition between individual workers in a union are obvious. Standardization of wage rates eliminates price competition on the supply side of the labor market as far as that supply is controlled by the union's membership. Standardization of the work period (hours per day, etc.) prevents indirect price competition by means of supplying a greater amount of labor-time at

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Holland's American Investments

By WILLIAM SLEE
Economist, New York Correspondent of "Het Financieele Dagblad" of Amsterdam

Dr. Slee predicts that there will be no flooding of Wall Street by Dutch-held American securities, as they are all owned and controlled privately. Believes although our bull market may stimulate considerable profit-taking, selling will be done carefully and in less than anticipated volume. Denies possibility of liquidation through a centralized agency, or any other counterpart of British technique.

The arrival of Mr. Carel F. Overhoff, President of the Amsterdam Stock Exchange, has received considerable attention from the New York press, in view of an expected "liquidation" of Holland's American securities.

Holland's need of dollars to finance its American imports for its reconstruction program, time and again has brought about speculation as to when Holland was going to sell, and how much it would sell.

Mr. Overhoff's arrival in New York—after consultations with Finance Minister Lieftinck—was more or less regarded as the moment of the take-off.

No doubt American press representatives must have felt disappointed when Mr. Overhoff told them during a press conference in the New York Stock Exchange that he could neither mention the amount of Dutch holdings of American securities, nor of the proposed sales.

William Slee

However, this should not be considered as too surprising. Mr.

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UN OBSERVATIONS

By A. WILFRED MAY

First anniversary of San Francisco Charter formulation marked by deep disillusionment over initial results. Public's present cynicism largely caused by previous excessive bally-hooing, and by the glossing-over of the Veto's true implications, at Dumbarton Oaks, Yalta, and San Francisco. Continuing unwillingness of any of Big Powers to sacrifice sovereignty and "imperialist protection" to joint global government, remains basic obstacle.

At this time of the Bikini bomb demonstration, which coincides with the first anniversary of the UN Charter's completion and the Organization's exodus from its initial American scene at Hunter College, the public's stock-taking of first-year results is, generally accompanied by great disappointment. But, although disillusionment over UN's present position is undoubtedly well-warranted, it is further greatly intensified by the over-optimism that was generated by the well-meaning, though dangerous, fanfare at San Francisco. If the public had really understood the basic problems and unsolvable schisms that were uncovered at Dumbarton Oaks, Yalta, and San Francisco, its cynicism ensuing from the negative results of commission and omission at Hunter would not have been so severe.

A. Wilfred May

The outstanding example of such a problem has been, and is, *national sovereignty*. The preservation of sovereign protection from "outside" interference, the implications of which must be recognized as directly antithetical to the entire basic spirit of any international organization that is to function effectively, pervaded these Charter-formulating Conferences, at their outset and during their every deliberation.

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Bases of Common Stock Valuatiou

By LOUIS ROTH

Economist, Lawyer, C.P.A.

Dr. Roth asserts that equity security appraisal should be based on a "composite" which includes all of the following factors: (1) market action; (2) book value; (3) equity worth; (4) exchange or conversion elements; (5) liquidating value; (6) earnings; and (7) dividend yield. He urges that "expert opinion value reports," based on such composite, be widely disseminated; as education of the lay investor is necessary for stabilzation of prices, for progress of the national economy, and democracy's preservation.

Only few investors and traders realize that the value of equities may be expressed in so many different terms, namely: Market Value; Book Value; Equity Value; Exchange or Conversion Value; Liquidation Value; Earning Value; Dividend or Yield Value. All have different meanings and more or less different weight in the economic appraisal of securities. But all of them together constitute the most reliable basis of judgment of true value which I prefer to designate as **composite** value. Those constituents of composite value which are of comparatively less moment in the judgment of the whole, and which require more technical and minute analyses will be omitted from discussion in this article. In discussing, however, those items that are more familiar to the reader, misconceptions will be pointed out as to their real significance in security valuation, and that investors and traders are frequently deluded, often intentionally, by those who delude them. The first and most familiar term is:

Louis Roth

Market Value

The market value of a security is its price. This market price generally has no stability and is dependent purely upon the daily fluctuating supply and demand. The "law of supply and demand" which is said to determine price is a very familiar economic term but it is generally misused with a sense of finality as though it were a natural law, unalterable by human interference. Actually, not only are supply and demand capable of being manipulated, to raise or depress the price, but monopoly control and statutory price regulation can and do make the "law" entirely inoperative. This deviation from the "law" is becoming more commonly recognized.

Market valuation of a security, especially that of a common stock, partakes of the character of investment only to a very low degree. The most creditable thing that may be said is that to some extent it is based upon anticipation of earnings. But to a far greater extent is it based, in a rising market, upon the expectation of profit.

Some of the chief elements unwarrantly stimulating the public's bull market buying are: exaggerated reports of earnings; mergers of and consolidations with subsidiaries; stock splitting and higher dividend payments with the expressed purpose of creating a broader market for the stock; and stock dividends to distribute surplus exempt from income tax.

Stock Split

Few people realize that, other things remaining unchanged, a stock split in two makes the real value of each share only half as much as the value of the unsplit share. It is true, indeed, that a low priced stock has a better chance to rise because it makes a much stronger appeal to specu-

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The National Advisory Council—Its Power and Influence

(Last of a Series of Three Articles)

By HERBERT M. BRATTER

Mr. Bratter, in this final installment of his analysis of NAC, points out strong political and economic influence Committee may exercise in foreign financial transactions, such as private and governmental loans made abroad. Sees possibility of NAC using powers to foster or support foreign military might as well as fixing terms of loans made by U. S. or World Bank. Attacks secrecy of NAC deliberations and calls attention to duplication of powers of NAC by other government agencies. Concludes NAC's work is not to decide whether nation is to embark on lending program, but to determine where to allocate loans if made.

(III)

The report of National Advisory Council transmitted to Congress by the President in March, apparently having in mind such demands as that we should get bases from Britain in exchange for making the then pending loan, said: ". . . the question has been raised whether in the making of foreign loans this country is making an adequate attempt to get economic, political and financial concessions in return for the loans. No sovereign nation will in return for a loan grant concessions which impair its sovereignty, endanger its security, or arouse the opposition of its people, and, of course, the United States has no disposition to seek such concessions." It does not follow from this statement that NAC considers loan requests without relation to other economic and political considerations sought by this country. The outstanding evidence that it takes other things into account is the Anglo-American financial agreement.

Herbert M. Bratter

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The Closely Held Corporation Looks Ahead

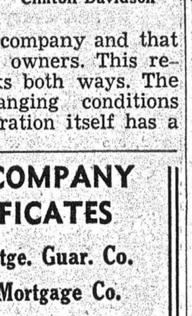
BY CLINTON DAVIDSON

President, Management Planning, Inc., New York

Asserting planning by small corporations and their owners should be inseparable, Mr. Davidson urges following factors be borne in mind: (1) future of corporations is extremely uncertain; (2) financial preparedness for future stress now is unprecedentedly easy and cheap; (3) new capital hence should be raised in adequate amounts and risklessly; (4) mergers and consolidations should be effected for smoothing production, distribution and earnings fluctuations; (5) management-ownership incentives should be provided; (6) personal estate problems of large stockholders must be considered; and (7) all sources of additional capital must be closely analyzed by the controller.

According to Greek mythology, Achille's mother dunked him in magic waters to make him forever invulnerable—but in doing so she left his heel untreated, and the arrow which finally slew him pierced this vital spot.

The Achille's heel of the closely held corporation is the "spot" that its own doting parents tend to overlook—the relationship between the financial welfare of the company and that of its principal owners. This relationship works both ways. The impact of changing conditions upon the corporation itself has a direct effect upon the owners, for obvious reasons. The reverse is also true, because if the owners of closely held corporations do not properly prepare for their own uncertain futures, the corporations will be affected adversely in many ways. Here is a case in point:



Clinton Davidson

The president of a company, all

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SEC Arguments for Control of 'Unregistered Companies' Unsound

By JAMES MURRAY

Holding that corporate information issued by SEC has not helped ordinary investor, but benefits only few that have facilities to interpret data, author cites cases where reports issued under Public Utility Holding Act have caused heavy losses to security holders. Contends corporate managers, in absence of SEC control, "do not spend their time trying to outwit or swindle stockholders," and the general investor is not capable of judging corporation policies. Asserts periodic company reports are often misleading and misused, and that good managers will leave companies because of interference and SEC regulations. Concludes that instead of amplifying SEC powers, Congress should re-examine intent and operation of present law.

The proposal is to amend the Securities Exchange Act of 1934 to include companies with assets of $3 million or more and 300 or more stockholders. This, it is stated, would "extend to investors in certain unregistered securities the protection now enjoyed by investors in securities which are registered by their issuers with this Commission." Further it is claimed that a double standard now exists and that the effect has been for 13 years "to afford various essential protections to investors in certain companies while leaving unprotected the investors who buy and sell securities issued by other companies of comparable size, importance

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"Counter" Groups Studying SEC Recommendation to Congress

R. Victor Mosley, Chairman of Corporate Committee of National Security Traders Association, sends out letter to officers of Association asking for views on SEC's proposal to bring small corporations with unlisted securities under certain provisions of Securities Exchange Act of 1934. Board of Governors of New York Security Dealers Association instructs Committee on Public Relations, headed by Frank Dunne, to investigate effect of SEC's suggestion on over-the-counter market and investing public and to make any recommendations for action it feels necessary. Entire over-the-counter market aroused over matter.

Two trade associations representing a broad cross-section of dealers and traders in the over-the-countter market have launched separate but parallel investigations into the probable effects of legislation affecting their business which the Securities and Exchange Commission has asked Congress to enact.

The two associations—the National Security Traders Association and the New York Security Dealers Association—though inclined to see some merit in the SEC's proposal are disturbed over the adverse results to their members which they feel are inevitable.

The legislation sought would bring the small corporations—that is, those with assets exceeding $3,000,000 and having more than 300 security holders—with "unlisted" securities under certain provisions of the Securities Exchange Act of 1934.

A letter has been sent to the officers, the members of the executive council and of the corporate committee of the National Security Traders Association by R. Victor Mosley, of Stroud & Co., Inc., of Philadelphia, chair-

(Continued on page 113)

World Bank Policies and Foreign Exchange Problems

By ERNEST H. WEINWURM

Author Sees World Bank as biggest long-term foreign lender greatly concerned with foreign exchange developments. Says scope of its own activities will be limited, however, and consist mainly of co-operative efforts to strengthen the foreign exchange position of its borrowers. Holds World Bank will depend largely on policies of lending countries in maintaining level of foreign credits. Feels National Advisory Council would be appropriate agency to watch foreign credit level in the United States and to make recommendations to assure its maintenance. Believes this would greatly strengthen international trust in stability of foreign credit policies of the United States.

The World Bank, in a mere formal sense will not be immediately concerned with foreign exchange problems. As a lending agency, it will be interested mainly in the financial standing and the solvency of its borrowers. However, such a viewpoint would be far away from reality. For as a practical matter almost every loan of the World Bank will involve transfers of currency and thus problems of foreign exchange. Therefore, the World Bank will have to keep in mind at all times the ability of its debtors to discharge their obligations not only in local currency but also in the currencies of the lending countries and this will generally mean in United States dollars.


Ernest H. Weinwurm

As a result, the World Bank will be geratly interested in working our policies as will assist its debtors to raise the necessary amounts of foreign exchange without undue hardship to their national economies. Lack of such a policy might weaken debtors

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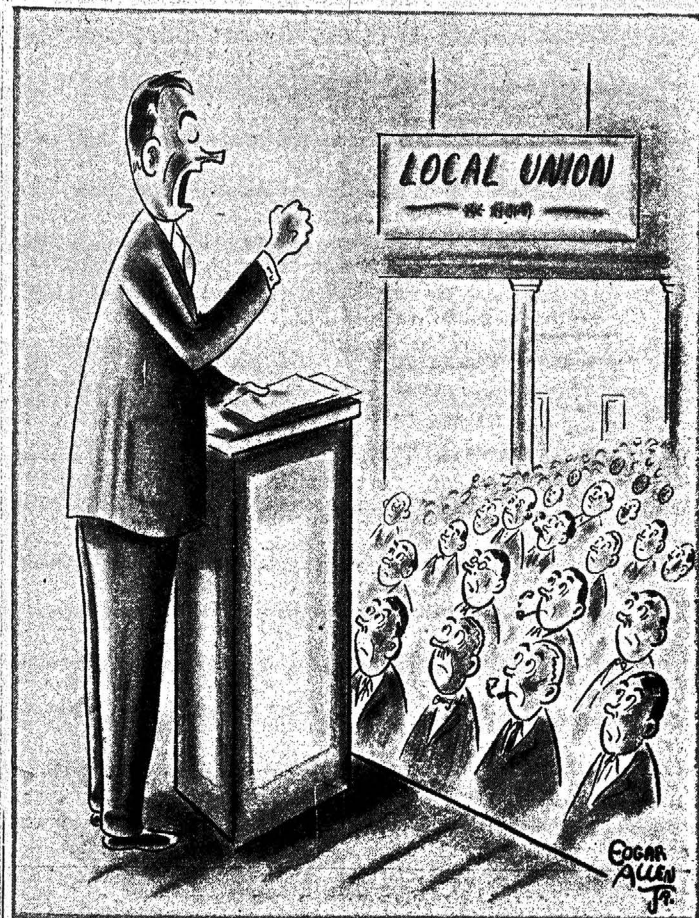
BUSINESS BUZZ



"—And We Must Fight the Danger of Inflation With Higher Wages—Higher Wages!!"

Craven-Ellis and Cortney Clash on Keynes Theory

William Craven-Ellis, former Conservative member of Parliament, disputes views expressed in Philip Cortney's articles in "Chronicle." Defends Britain's adoption of managed currency system and attacks Bretton Woods agreements as a return to gold currency basis. Mr. Cortney replies, stating that we must not be hypnotized into making the gold standard a scapegoat.

William Craven-Ellis, British financier and Conservative member of Parliament for Southampton from 1931 to 1945, has written a letter to Philip Cortney, Vice-Chairman and Treasurer of Coty, Inc., in disagreement with Mr. Cortney's articles on the late Lord Keynes' monetary theories which appeared in the "Chronicle" issues of Feb. 8 and 15, 1945. The articles were subsequently published in a booklet entitled "The Economic and Political Consequences of Lord Keynes' Theories." Mr. Cortney has replied thereto, and we herewith give both communications:

Letter of Mr. Craven-Ellis to Mr. Cortney

21st June, 1946.

Philip Cortney, Esq.,
Vice-Chairman and Treasurer of Coty, Inc.,
423 West 55th Street,
New York, 19, N. Y., U. S. A.

Dear Sir,

I very much appreciate your sending me a copy of your booklet entitled "The Economic and Political Consequences of Lord Keynes'

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Lilley & Co. Admits Swann to Partnership

PHILADELPHIA, PA.—John D. Swann, Jr., has been admitted to general partnership in Lilley & Co., Packard Building, members of the Philadelphia Stock Exchange. Mr. Swann, who has recently been on war duty, has been with the firm in the stock department for some time.

Hardy & Co. to Admit

Hardy & Co., 30 Broad Street, New York City, members of the New York Stock Exchange, will admit Jack Marquesee to limited partnership in the firm on July 11th. Mr. Marquesee has been with the firm for many years.

Heimerdinger & Straus Admits Kurt Wechsler

Heimerdinger & Straus, 50 Broad Street, New York City, members National Association of Security Dealers, Inc., announces that Kurt Wechsler has been admitted to general partnership and that Leonard Heimerdinger has retired as a general and became a limited partner, effective today.

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Other Publications
Bank and Quotation Record—Mth..$25 yr.
Monthly Earnings Record—Mth.....$25 yr.

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

Truman Vetoes OPA Extension Bill

President asserts bill will lead to sharp and widespread price increases and cause renewed demands for further wage increases. Holds it would retard rather than increase production. Attacks the Taft Amendment enforcing profit margins and recommends new bill which would extend present stabilization program a full year with continuation of subsidies. In radio address, he repeats his objections given to Congress and appeals to business and the public to mantain status quo of prices. Asks OPA employees to remain on job.

On Saturday, June 29, President Harry S. Truman, just one day before the OPA expired by statutory limitation, returned the Act for its extension to Congress with his veto message. In this message, the President attacked the bill as being ineffective against inflation and maintained it would lead to a new wage-price spiral. He specifically attacked the amendments inserted in the bill by the Republican Senators Taft and Wherry as "compelling needless price increases amounting to many billions of dollars," and urged immediate authorization of Congress for a continuation of present price control setup. On a roll call in the House of Representatives, following the reading of the message, the overriding of the veto was lost by a margin of 38 votes.

President Truman

The text of the veto message follows:

To the House of Representatives:

I am returning without my approval H. R. 6,042 amending the price control laws and extending them for another year.

The choice which H. R. 6,042 presents is not a choice between continued price stability and inflation. It is a choice between inflation with a statute and inflation without one. The bill continues the Government's responsibility to stabilize the economy and at the same time it destroys the Government's power to do so.

If this bill were allowed to become law, the American people would believe that they were protected by a workable price control law. But they would not be protected and they would soon come to a bitter realization of that truth. It is only fair to tell them the facts now.

The lesson from our own experience after the last war, disastrous as it was to our farmers, our workers, our manufacturers, our distributors, and our consumers, has been too easily obscured by the annoyances and irritations and the occasional inequities of price control. The fact that inflation has already gutted the economy of country after country all over the world should shake our comfortable assurance that such a catastrophe cannot happen here.

For five years we have proved that inflation can be prevented. It still can be prevented if we

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Senator Taft Defends Vetoed OPA Bill

In radio address, he accuses President of causing chaos by the veto, and of disregarding Democratic leaders by following advice of Chester Bowles and the PAC. Calls President's attacks on him unfair, and asserts he has helped in creating and maintaining OPA. Says Congress wanted OPA improved and contends that bill, as passed, would prevent speculative price rises. Refutes President's prediction of price advances as "wild guesses," and expresses hope that price control will be continued.

Senator Robert A. Taft, of Ohio, whose amendment to the OPA extension bill was mentioned by President Truman in his radio address on June 29 as inflationary and ineffective in price control, answered the President in a radio address on Sunday evening, June 30. The text of Senator Taft's address follows:

Robert A. Taft

Yesterday President Truman vetoed the bill to extend his own power to fix prices and rents. Last night he defended his action by what amounted to a long personal attack on me, because I had some part in drafting one of the various amendments to the bill.

His whole broadcast had the aspect of a partisan political attack and apparently was drafted by the Office of Price Administration, the chief of which is Mr. Paul Porter, who was the publicity chief for the Democratic National Committee in the last campaign.

Mr. Truman omitted to state that this bill was adopted by a Democratic Congress. There are 236 Democrats to 190 Republicans in the House of Representatives and fifty-six Democrats to forty Republicans in the Senate. He was strongly urged to sign the bill by the Democratic Speaker of the House, the Democratic floor leader of the House, the Democratic leader of the Senate and the Democratic President pro tem of the Senate.

He disregarded their advice and followed the advice of Chester Bowles and the Political Action Committees. The personal attack on me is merely a smoke screen to conceal the real forces behind his action. As a matter of fact, I have always supported price control as essential in the war period.

I believe we would be better off to continue it for six months longer, although like every other person who believes in the Ameri-

(Continued on page 90)

Philadelphia Nat'l Bank Appoints Two

PHILADELPHIA, PA.—Archibald DeB. Johnson, heretofore Assistant Vice-President, has been elected Vice-President, and Charles H. Hoeflich has been appointed Assistant Cashier of The Philadelphia National Bank.

Luckhurst Incorporates

Luckhurst & Company, 40 Exchange Place, New York City is now doing business as a corporation with Douglas J. Luckhurst, President; Leonard Rosin, Treasurer, and Herbert Singer, Secretary. All were formerly partners in the firm.

"I Am Not Afraid of the Future!"

By CHESTER BOWLES*

Director of Economic Stabilization

Retiring official, in farewell broadcast, states despite price advances, which he predicts are likely to induce an inflation spiral, he is not afraid of future. Contends price controls were effective, and accuses Congress of yielding to pressures in passing an impossible bill. Lauds President Truman's veto, and denies desiring to make price control permanent or perpetuate himself in office. Says he resigned because of personal objections to him in Congress, and maintains only full and not partial price controls can be effective. Urges continuation of fight for price control.

This is my last broadcast to you as Director of Economic Stabilization. I appreciate the opportunity which the National Broadcasting Company has given to me to outline my ideas on the difficult problems which face us—and to thank all of you who have given so much help and encouragement to the stabilization program and to me personally.

Chester Bowles

The last few days have been uneasy ones for every family in the country. I know the haunting fear that crept into millions of homes last Saturday afternoon at the news that Congress had allowed price controls and rent controls to expire. I think I know how shocked you have been by the wild price and rent increases that started to explode all over the country yesterday morning.

During the last 24 hours, considerable bitterness has been directed against the narrow, special interest groups and the selfish or misguided individuals who brought this situation upon us.

But, in my opinion, this is no time for name-calling. This is no time for hysteria. The delays, the misrepresentation and the fumbling of the last few months are now so much water over the dam. We must look for the answers to the present situation coolly and soberly.

I, for one, am not afraid of the future. I will admit that the present situation is disturbing. It is discouraging and it is so wholly unnecessary. But at least the issues have been made abundantly clear. I am confident that the an-

(Continued on page 117)

*Radio broadcast by Mr. Bowles over the National Broadcasitng Company Network, July 2, 1946.

Kalb, Voorhis & Co. Introductory Brochure

The procedure usually followed when a new brokerage firm is formed is for the firm to make a formal announcement listing its address, exchange affiliations and members. But the New York Stock Exchange firm of Kalb, Voorhis & Co., which commenced business July 1 at 15 Broad Street, New York City, besides following this usual custom, has also introduced itself by means of a brochure describing the firm's facilities and services and containing biographical sketches, facsimile signatures and portraits of its six partners. The cover of the brochure is embellished with the new emblem signifying membership in the New York Stock Exchange, which the Exchange recently approved. This is the first time the emblem has been displayed.

The brochure announces that in addition to executing orders on the New York Stock Exchange and the Curb, Kalb, Voorhis & Co. will maintain a comprehensive research service, over-the-counter, trading and arbitrage departments and engage in corporate financing alone and in association with other firms.

The services of the new firm are directed primarily toward institutional clients and professional investors, especially banks and trust companies, investment trusts, endowed funds, insurance companies and investment dealers. Members of the firm are John Kalb, Peter A. H. Voorhis, John C. Newsome, Spencer Phillips, Gilbert H. Wehmann and Louis Orchin. Each has formerly been associated either as a partner or a department manager with other New York Stock Exchange firms.

Szymczak to Conduct Banking Seminar

Governor M. S. Szymczak of the Federal Reserve Board will conduct a seminar on central banking at the School of Government, George Washington University, Washington, D. C., beginning in the fall of 1946.

Mosher Advises Manufacturers on Prices

Letter to members of NAM urges a flood of production and warns that Administration will seek to put blame on business for price rises. Wants each manufacturer to make price policy known to people.

Ira Mosher, Chairman of the Board of the National Association of Manufacturers sent out on July 2 the following letter to the 15,000 members of the organization:

Dear Mr. (NAM member):

You and every producer in this country will be judged for years to come by the price policies adopted in the immediate future.

Ira Mosher

President Truman has chosen to veto all price controls rather than sign a bill which limited the power of OPA. This in itself is no great tragedy because elimination of price controls on manufactured goods *will* encourage the flood of production that is needed to prevent inflation. But the administration also will seek to put the blame on business for any price increases that do occur.

Therefore, I am urging you and every member of NAM to *make your price policy* known to the people, by newspaper advertising, radio time, statements to the press, or whatever method best fits your own company's story. Let us reassure the American people that American industry will take no short-sighted advantage of the temporarily disrupted price control situation. *I would particularly appreciate receiving a copy of any statement or advertisement you may sponsor.*

The left-wing propagandists who fought for perpetuation of price control have charged that business and industry would seize any opportunity to charge exorbitant prices and reap inordinate profits. Your answer to that slanderous charge must be action—action that will make industry's price policy crystal clear to the American people. If we do not take such action, our enterprise system will be severely condemned, and another long step will be taken toward a totally regimented economy.

The people have heard President Truman's views on the removal of price controls. They are looking now to you asking, "Where do we go from here?" Let them know where you stand. Provide the leadership that people are waiting for. Prove, once and for all, that American industry is capable of true statesmanship.

Sincerely yours,

IRA MOSHER,
Chairman of the Board.

Meat Institute Reports Increased Supplies

Says industry is striving to restore normal distribution system and holds price rise may reach 12 cents above fictional price of 35 cents per pound set by OPA. Says time will be required for live stock to be made into meat, since industry has been badly mauled under OPA and black market.

Improved receipts today of livestock at the country's leading markets mean more meat starting on the way to consumers, according to the American Meat Institute.

"While this is a time of seasonally low receipts," the institute said, "the number of meat animals arriving in markets is encouraging, and if the trend continues there should be gradual improvement in meat supplies for consumers.

"Cattle receipts of 48,000 today at 12 leading markets compared with a week ago were up 45% and were 62% greater than on Monday, also, on this second day after OPA removal of price controls, 105,400 hogs were received at these same markets compared with 16,000 a week ago and only 19,000 on Monday.

"Meanwhile, prices are expected to seek competitive levels which will narrow the 12 cents a pound gap between the fictional OPA ceiling prices, at which average consumers have been able to get little or no meat at all, and the actual cost of meat to consumers who could find it. Many people have been paying 5 cents per pound in the cost of subsidies for tremendous quantities of meat they did not enjoy. These subsidies, which now are ended, were inaugurated in 1943 to absorb the cost of the 10% reduction in prices under the so-called 'Rollback.'

"In addition, according to reliable, independent, nationwide surveys, many consumers who have been able to get meat have been paying an average black market premium of 7 cents a pound for meat of all kinds and grades. Thus, many consumers, in order to get meat, actualy have been paying average prices of 47 cents a pound for meat, this being 12 cents more than the average OPA fiction-ceiling price of 35 cents per pound.

"It should be realized it takes a little time for livestock to be made into meat and distributed. The meat industry is exercising every effort to restore its distribution system to normal operating efficiency. The entire situation now depends on the number of animals coming to market.

Criticizes Federal Reserve Monetary Control Plan

National City Bank says it manifests old dilemma of wanting to control debt monetization and credit expansion, and at the same time keep interest rates low. Holds present Federal Reserve control powers are adequate if used, and that credit control is linked to a balanced budget, with surplus for retiring debt.

The July monthly "Bank Letter" of the National City Bank of New York contains an analysis and criticism of the recently announced proposals of the Board of Governors of the Federal Reserve System to prevent credit and monetary inflation through additional regulations regarding bank reserves and the purchase and holding by banks of government bonds. The section of the "Bank Letter" covering this topic follows:

In June the long-awaited report to Congress by the Board of Governors of the Federal Reserve System on postwar credit policy was made public. This report, which is embodied in the Board's regular annual report for 1945, is an important document, analyzing the present monetary situation and inflationary pressures, outlining the policies deemed appropriate for the postwar period, and proposing new and extensive powers for control over the banking system. The statement is of interest not only to bankers, but to everyone who is concerned about the working out of a monetary and credit program that will be able to play its proper part in restraining inflation and promoting stability, without at the same time involving us in a new maze of controls that would carry us further down the road of government regimentation.

The report begins with an excellent portrayal of the basic causes of inflationary pressures. It reviews the war financing and shows how, in consequence, the country's supply of currency and bank deposits usable as cash has vastly increased, and "is and will continue for an indefinite time to be much in excess of available goods." It declares forthrightly that, under such conditions, and 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."

How, then, does the Board propose that the Government "stop and reverse" these processes?

There is, first, the program now under way of using Treasury surplus cash built up by the Victory Loan to retire debt, primarily that held by the banks. This, as the Board points out, is anti-inflationary in reducing bank deposits that are potential spending power.

Second, the Government should not only balance its budget, but strive for a surplus, so that debt retirement, begun out of Victory Loan surpluses, can be carried forward. To this end, the Board recommends "prudent" economy and avoidance of further "general reduction" of taxes.

Present Control Powers Held Inadequate

But such measures, the Board contends, will not be sufficient. For, even at best, these processes of reducing the redundant money supply will be "slow and gradual," and there is always danger that they may be offset by expansion of credit in other directions. This brings us to the nub of the Board's argument, 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."

Why is this the case? One reason, as the Board explains, is its "assurance to the Treasury that the rate of ⅞% on one-year certificates will be maintained, if necessary, through open market operations," which "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 the Board declares to be "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."

Yet because of this policy, the Board goes on to say, "it is possible . . . 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 cerdit." This means, in turn, that "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

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Comments on Federal Reserve Report

E. J. Schlesinger says public is losing more than Treasury is saving by low interest rates. E. C. Randolph, of Trenton Banking Corporation, says recent Federal Reserve Report is a sad commentary on intelligence and willingness of commercial bankers to play fair with beneficiaries of trust funds.

Edwin J. Schlesinger, investment counsel of New York City, has furnished the "Chronicle" with a copy of the following letter written to the Board of Governors of the Federal Reserve System regarding the Board's interest policy as announced in the recent report to Congress:

June 27, 1946

Board of Governors
Federal Reserve System
Washington 25, D. C.

Gentlemen:

I have read the text of the Annual Report of the Board of Governors of the Federal Reserve System for 1945 which has been transmitted to the Congress in advance of the publication of the complete text of the report.

In connection with the various statements you made in the report, I am prompted to quote the following which is from the letter I sent Hon. Henry Morgenthau, Jr., on Sept. 18, 1937:

"For several years I have been carefully following the Treasury's policy in respect to cheap money, and have had my original views constantly confirmed. I refer to the fact that in my opinion interest rates as far back as January, 1935, should have been permitted to seek their normal levels.

"I do not seem to be able to get away from the feeling that the pegging of interest will have no different results than the pegging of commodity prices. The example of copper, in particular, comes constantly to my mind. Reference is made to the price of copper which after reaching 24¾ cents c. i. f. was pegged at 18 cents on the way down. When the peg was finally forced out copper broke 5 cents; and I doubt very much whether this would have happened if the price had been permitted to reach its true level without any artificial hindrances.

"I am mindful of the fact that the Treasury through its policy of cheap money is doubtless saving considerable sums in the shape of interest on its obligations. How-

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Stein Bros. & Boyce Admit E. E. McClure

BALTIMORE, MD.—E. Elwood McClure will become a general partner in the firm of Stein Bros.

E. Elwood McClure

& Boyce, 6 South Calvert Street, members of the New York Stock Exchange, effective July 1, 1946.

Mr. McClure's admission to the firm was previously reported in the "Chronicle" of June 20.

Frank Treston Joins Jenks, Kirkland & Co.

PHILADELPHIA, PA. — Jenks, Kirkland & Co., 1421 Chestnut Street, members of the New York and Philadelphia Stock Exchanges, announce that Frank G. Treston, since 1923 Assistant Treasurer of Land Title Bank & Trust Company, Philadelphia, has become associated with their firm. In addition, W. Lloyd Harding, John Phillip Hart and William N. Whelan have qualified as registered representatives of Jenks, Kirkland & Co.

Paul Howe Partner In A. W. Dougherty

PHILADELPHIA, PA. — A. Webster Dougherty & Co., 1421 Chestnut Street, announces that Paul D. Howe became a general partner in the firm as of July 1. Mr. Howe was formerly with the local office of Auchincloss, Parker & Redpath specializing in stock and bond trading.

Sikes & Co. Formed In San Antonio, Tex.

SAN ANTONIO, TEX.—Announcement is made of the formation of Sikes & Co., Inc., with offices in the National Bank of Commerce Building, to deal in municipal bonds. Principals of the firm are W. Travis Sikes and Harley Carswell. Mr. Sikes has been Manager of the Bond Department of Dewar, Robertson, & Pancoast for the past five years and Mr. Carswell has been associated with the same organization since returning from active duty with the U. S. Navy.

Siegel & Co. Formed

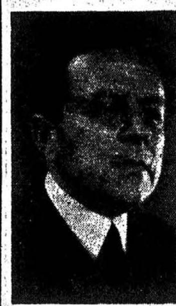
Isaac Siegel and A. Robert Silver, both members of the New York Stock Exchange, have formed Siegel & Co. with offices at 39 Broadway, New York City. Both were formerly active as individual floor brokers.

Is Britain Linked to Wall Street?

By PAUL EINZIG

London observer holds that main reason for British unpopularity of Anglo-American Loan Agreement is fear that it will bind Britain's economy to U. S. and there will be no escape from effects of boom or slump in Wall Street. Discount adverse effects of rigid currency valuation and abandonment of sterling area and bilateral arrangements.

LONDON, ENG.—The prospects of the ratification of the dollar loan by Congress in the immediate future is viewed with satisfaction in official circles harassed by the nightmare of running short of the dollars needed for food and essential raw materials. In spite of the improvement of the trade balance, the Government would not feel safe unless and until it has assumed possession of the proceeds of the loan.



Paul Einzig

There is very little rejoicing, however, outside official circles. The loan was regarded by the British public as a necessary evil even six months ago, when the foreign exchange outlook appeared to be much worse than it does now. As a result of the improvement of exports, the view that it is an evil without being necessary has gained ground. And while an eleventh-hour refusal of ratification by the House of Representatives would come as a shock, feelings about it would certainly be mingled with relief.

The terms of the new agreement about the price of rubber have increased the unpopularity of the loan in British business circles. It is felt that the fixing of the price at only about 50% above pre-war level, compared

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Officials of Fund and World Bank

(Eleventh of a Series)

N. SUNDARESAN

India's Executive Director of the Bank

Mr. N. Sundaresan is India's appointed executive director of the World Bank. He is also alternate executive director of the Fund, having been chosen for the latter position by the executive director, Mr. Joshi. The arrangement with Mr. Joshi is reciprocal, since Mr. Joshi is Mr. Sundaresan's alternate on the Bank. Prior to coming to Washington this year, Mr. Sundaresan was an officer of the Indian Audit and Accounts Service, which he joined in 1920. He served in the Finance Department of the Government of India until 1924.

N. O. Sundaresan

Mr. Sunradesan's subsequent history is varied. At the British Empire Exhibition at Wembley he was secretary to the Commissioner for India. In 1926 he became assistant to the Indian Controller of Currency. Eight years later he transferred to the budget division of the Finance Department.

In 1937 Sundaresan went to Burma as Assistant Auditor General to set up the Audit Department of the Government of Burma. In April 1941 he returned to India as Deputy Financial Advisor to the Department of War Supplies. He transferred to the main secretariat of the Finance Department as Deputy Secretary in charge of the central government's budget. He was appointed Joint Secretary of the Finance Department in 1944.

Mr. Sundaresan was responsible for the plan for the compensation of the public for damage sustained in connection with the explosions in the Bombay Docks in April 1944. He was instrumental in the preparation of the ordinances passed in February 1946 to demonetize the large-denomination currency notes as a measure against black-market operators.

In addition to his present posts mentioned above, Mr. Sundaresan also is alternate to India's governor of the Fund and Bank, and holds as well the post of financial counsellor to the Indian Agency General at Washington.

Malcolm B. Epstein With Scherck, Richter Company

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, MO.—Malcolm B. Epstein has become associated with Scherck, Richter Company, Landreth Building. Mr. Epstein has been serving in the armed forces. Prior thereto he was in charge of the Jefferson City, Mo. office of A. G. Edwards & Sons and H. L. Ruppert & Co.

Appoints Committee to Work With NAC

President Truman appoints 13 industrialists and bankers to report on financing of international reconstruction. Says a citizens' committee is required because our foreign trade must be privately handled and financed.

On June 26, President Harry S. Truman issued the following statement: I have appointed a committee of industrialists and bankers to make a report and recommendation on the financing of international reconstruction. They will work closely with the National Advisory Council, which has the duty of formulating our national policy on foreign lending.

I have appointed this committee of citizens of knowledge and experience because our foreign trade, export and import, must in the long run be privately handled and privately financed if it is to serve well this country and world economy.

It is true that for the immediate present Governmental help is needed in order to get our foreign trade under way. But I am anxious that there shall be the fullest cooperation between the Governmental agencies and private industry and finance. Our common aim is the return of our foreign commerce and investments to private channels as soon as possible.

The committee which I have appointed is as follows:

Herbert H. Pease, President, New Britain Machine Co., New Britain, Conn.

Champ Carry, President, Pullman-Standard Car Manufacturing Corp., Chicago, Illinois.

Walter J. Cummings, Chairman, Continental-Illinois National Bank and Trust Co., Chicago, Illinois.

L. M. Giannini, President, Bank of America, San Francisco, California.

Paul G. Hoffman, President, Studebaker Corporation, South Bend, Indiana.

Edward Hopkinson, Jr., Partner, Drexel and Company, Philadelphia, Pa.

Fowler McCormick, Chairman, International Harvester Co., Chicago, Ill.

Irving S. Olds, Chariman, U. S. Steel Corp., New York, N. Y.

Gordon S. Rentschler, Chairman, National City Bank of New York, New York, N. Y.

A. W. Robertson, Chairman, Westinghouse Electric Corp., Pittsburgh, Pennsylvania.

Winthrop W. Aldrich, Chairman, The Chase National Bank of the City of New York, New York, N. Y.

Tom K. Smith, President, The Boatmen's National Bank of St. Louis, St. Louis, Mo.

Scheffmeyer, McKinney

Scheffmeyer, McKinney & Co., 26 Broadway, New York City, members of the New York Stock Exchange, will admit Edwin S. McKinney and Eva Moody McKinney to limited partnership as of July 11th.

William Becker With Adams Trading Dept.

CHICAGO, ILL.—William J. Becker has become associated with Adams & Co., 231 South LaSalle Street, in their trading department, it was announced by Jefferson K. Hoshor, President. Mr. Becker has been well known on LaSalle Street for more than 15 years. He has recently been with Glore, Forgan & Co.

Dealer-Broker Investment Recommendations and Literature

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

Amott Baker Realty Bond Price Averages—Index on 200 leading eastern issues—Amott, Baker & Co., Inc., 150 Broadway, New York 7, N. Y.

Fire & Casualty Insurance Stocks—Comparison and analysis of 56 companies in convenient tabular form—White & Company, Mississippi Valley Trust Bldg., St. Louis, Mo.

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.

"Local Notes"—Data on interesting situations in the Kentucky area—Bankers Bond Co., Inc., Kentucky Home Life Building, Louisville 2, Ky.

New York City Banks—Comparison and analysis for second quarter of 1946 on 19 New York City banks—Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y.

Paper Industry — Discussion of outlook which offers attractive opportunities for selected speculative commitments in paper company shares—Ira Haupt & Co., 111 Broadway, New York 6, N. Y.

Railroad Equipment Certificates—Valuation and appraisal—Stroud & Co., Inc., 123 South Broad Street, Philadelphia, Pa.

Also available are a valuation and appraisal of **City of Philadelphia Bonds** and a compilation of **Pennsylvania Legal Bonds.**

Small Capitalization Equities for Appreciation—List of interesting situations listed on the New York Stock Exchange and New York Curb Exchange—Joseph Faroll & Co., 29 Broadway, New York 6, N. Y.

Special Suggestions — Three stocks—a growth dividend payer, a sound appreciation issue, and a more speculative issue—information on request—Blair F. Claybaugh & Co., 52 Wall Street, New York 5, N. Y.

Speculative Railroad Equities—Study indicating improved outlook—H. Hentz & Co., 60 Beaver Street, New York 4, N. Y.

Also the **Fortnightly Investment Letter** listing several interesting situations.

Yarn About 850,000 Busy Spindles—Study of Berk-Sheer Fabrics—Scherck, Richter Company, Landreth Building, St. Louis 2, Mo.

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 Hardware Corporation—Special report — Walston Hoffman & Goodwin, 265 Montgomery Street, San Francisco 4, Calif.

Also available are recent detailed reports on **Boston Herald Traveler Corp.; Bunker Hill & Sullivan Mining; Cliffs Corporation; Pacific Gas & Electric Company; Rheem Manufacturing Company.**

American Insulator Corp of Delaware — Statistical study — Peter Barken, 32 Broadway, New York 4, 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; Barcalo; Haloid.**

Bank of the Manhattan Company—Study—Geyer & Co., Inc., 67 Wall Street, New York 5, N. Y.

Barcalo Manufacturing Co. — Bulletin report—Ward & Co., 120 Broadway, New York 5, N. Y.

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

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

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

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

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

Container Corporation of America—Analytical study — Seasongood & Haas, 63 Wall Street, New York 5, N. Y.

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

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

Electric Boat Company—Detailed discussion of interesting issue —Arnhold and S. Bleichroeder, Inc., 30 Broad Street, New York 4, N. Y.

Empire District Electric—Memorandum—Buckley Brothers, 1420 Walnut St., Philadelphia 2, Pa.

Also available are memoranda on **Eastern Corporation** and **Western Light & Telephone.**

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.

McLellan Stores Company—Summary and analysis—J. R. Williston & Co., 115 Broadway, New York 6, N. Y.

Also available is a leaflet of current comment on the general market situation.

Miller Manufacturing Co.—Study of company and wholly owned subsidiaries—for dealers only—Comstock & Co., 231 South La Salle Street, Chicago 4, Ill.

National By-Products, Inc.—Memorandum on leading producer of inedible grease, protein feeds and hides—Graefe and Company, Equitable Building, Des Moines 9, Iowa.

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—Daytor Haigney & Co., 75 Federal Street Boston 10, Mass.

Northwest Leather—Analysis — Raymond & Co., 148 State Street, Boston 9, Mass. Also available are analyses on **Sterling Motors, Buda, Pollak.**

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 current issue of **Highlights of Wall Street** discussing several interesting situations.

Queens Borough Gas & Electric Co.—Analysis—New York Hanseatic Corporation, 120 Broadway, New York 5, N. Y.

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

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.**

Sterling Incorporated—Study of attractive situation — Hayden, Stone & Co., 25 Broad Street, New York 4, N. Y.

Schenley Distillers Corporation—Brochure of articles they have been running in the Chronicle—write to Mark Merit, in care of **Schenley Distillers Corporation,** 350 Fifth Avenue, New York 1, N. Y.

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

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.**

New York Stock Exch. Annual Golf Tourney

Members of the New York Stock Exchange held their 47th annual Golf Tournament on July 2 at the Winged Foot Golf Club, in Mamaroneck.

Robert J. Jacobson, of Luke H. Rose & Co., won with a low gross of 74. The other winner was Arthur Lamborn, of De Coppet & Doremus, who won the Charles R. Gay Cup presented by the former President of the Exchange, with a score of 87, handicap 22, and low net of 65. Runners up to Mr. Jacobson for low gross were Edwin Crandell and Edward Nesbitt each with a score of 76. Runner up for low net was James Meehan, of M. J. Meehan & Co., with a score of 81-15-66.

Approximately 150 members participated in the competition, the first foursome teeing off at 9:30 a.m. and the last at 4:30 p.m. 150 additional members, a number of whom left for Winged Foot in a special bus after the close of the day's market, attended the evening dinner which climaxed the tournament.

Emil Schram, President of the Exchange; John A. Coleman, Adler, Coleman & Co., Chairman of the Board, and Robert L. Stott and Robert P. Boylan, Governors, were among the players.

Mr. Coleman presented Mr. Schram with a set of clubs and a golf bag.

Schafer Bros. Resumes Active Business

Schafer Bros. announces the resumption of active business with the return from the armed services of Edward Schafer, Jr., and Oscar S. Schafer and the admission to the firm as a limited partner of Milton L. Levy. The firm is opening a new office at 61 Broadway, New York City.

Edward Schafer, Jr., served as a First Lieutenant in the air corps, and Oscar S. Schafer served as a Major with the 29th Tactical Air Command in the European Theatre. Milton L. Levy was a Major, A. U. S. and served as Post Exchange Officer of the New York Port of Embarkation.

Schafer Bros. is one of the oldest member firms of the New York Stock Exchange. It was founded Jan. 1, 1860, by Samuel and Simon Schafer and has conducted a general investment commission business uninterruptedly as members of the New York Stock Exchange since that time. Edward, Jr., and Oscar S. Schafer are grandsons of the original founders. Edward Schafer, Jr., floor partner of the firm, has been a member of the New York Stock Exchange since 1929.

NYSE Governors Hear Arguments On Corporate Membership

John A. Coleman, Chairman of Board of Governors, releases statements of Amyas Ames, partner of Kidder, Peabody, in favor, and of George R. Kantzler, of E. F. Hutton & Co., against proposition. General membership meetings with respect to the proposal are scheduled for July 17 and 24, and Board of Governors will take up matter on Sept. 5.

John A. Coleman, Chairman of the Board of Governors of the New York Stock Exchange, recently released statements of Amyas Ames, a partner of Kidder, Peabody & Co., and of George R. Kantzler, partner of E. F. Hutton & Co., made at a meeting arranged by the Associations of Stock Exchange Firms and held May 22, at which Governors of the Association and Governors of the New York Stock Exchange were present. Purpose of the meeting was to discuss the proposal to permit corporate membership in the Exchange. Referring to the meeting, Mr. Coleman stated as follows:


John A. Coleman

"The Board of Governors of the Exchange felt that members and allied members should have the benefit of the views expressed by Messrs. Ames and Kantzler in order that they might have all the information available with respect to the proposal to permit member corporations. A copy of their statement is attached.

"Two meetings will be held in New York to which all members and allied members are invited and at which questions with respect to the proposal to permit member corporations will be welcomed. These meetings will take place in the Room of the Board of Governors on the Sixth Floor of the Exchange Building at 3:15 o'clock p.m., on Wednesday, July 17, 1946, and Wednesday, July 24, 1946. Every member and allied member is urged to attend one of these meetings which will be along identical lines.

"It is the present intention of the Board of Governors of the Exchange to determine at its meeting to be held on Thursday, Sept. 5, 1946, whether or not to submit to the membership for vote amendments to the Constitution to permit member corporations."

Mr. Ames' Arguments

Amyas Ames in his statement favoring the proposed amendments to the constitution of the Exchange pointed out that fourteen registered exchages permit corporation to hold memberships and that there was no connection in the securities business between size and the corporate form of organization.

"Many opponents of the right of member firms to incorporate," Mr. Ames stated, "have been influenced in their thinking by the fear that the corporate structure would lead to further development of the chain store system in the securities business. I must admit that I have a well-developed dislike of bigness, and if that were the issue, I would be opposed to the admission of corporate members. I believe sincerely, that the securities business should provide a personalized service, and that it should be a profession rather than an industrial machine.

"After all, we are talking of the securities business—a highly personalized business — not General Motors or U. S. Steel, and therefore, I believe the most reliable evidence available to us is the record of developments in our own field.

"First, the biggest firm in the securities business is a member partnership, bigger by over $6,300,000 than the largest potential member corporation.

"Second, the ten largest partnerships are bigger in the ratio of 5 to 3 than the ten largest corporations.

"Third, the ten smallest partnerships show average capital of $30,000; the ten smallest corporations show average capital of $26,000.

"Fourth, the average partnership is bigger in the ratio of 3 to 2.

"So if bigness is the issue, the record shows that it is here in the partnership form. The problem of unfair competition occasioned by size alone is a separate problem, equally applicable to member firms and member corporations. If either the member firm or the member corporation grows to such a size as to create unfair competition, that problem will have to be attacked separately. However, the records show that there is no direct connection in the security business between size and the corporate form.

"I believe it is important in discussing size to determine how it came to the securities business. The big member firms grew out of periods of adversity, very low volume and hard times. Members carried on as best they could for as long as they could, for this is a highly personalized business and every man likes to be his own boss. But the period of adversity was too long. The reserves were not adequate, so that the firms combined, bringing about for the first time the really large partnership. Hard times will come again and then once again the question will be, how strong is the small member? We believe that with the corporate form, members both large and small will be helped in putting their financial houses in such order that they will not be forced into mergers during lean years, but rather will be able to continue their independent existence. We feel, there-

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Customers and Competitors In Latin America

By ARTHUR A. KRON*

Executive Vice-President and Treasurer Gotham Advertising Co.

Mr. Kron, who recently returned from tour of Latin America, asserts that it appears other nations will receive most of benefits of our schemes to manipulate the economies of these countries so they will buy more American merchandise. Holds Latin American peoples are not ready for higher living standards, and claims reciprocal trade agreements with these countries are negated by import restrictions. Urges closer business and cultural relations between the Americas and cautions regarding growing competition from European producers, due to OPA and other restrictions on trade.

As our chairman has told you, it is a little over two weeks since I arrived back in New York from a trip that took me completely around Latin America, stopping in 17 countries during a period of four months.


Arthur A. Kron

I called on practically all the principal media—talked with the distributors of our clients—checked into the efforts and progress of our competition — and learned all I could about the attitude of the different governments and the peoples of the various countries toward our nation and its exporters. And I learned a little, too, about some of the products we should import from them.

This was not my first trip into Latin American countries, nor will it be my last. But the significance of what I observed has made a deep and lasting impression, full of hope for the future, yet apprehensive because carelessness in tactics, lack of understanding, and government neglect, all on our part, may whisk away for decades, maybe forever, the greatest opportunity we have ever had to build a brotherhood with those whom we now loosely call our "Good Neighbors."

I think that, by and large, we take ourselves much too seriously when we talk about and plan and

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*Address by Mr. Kron before the Export Advertising Association, New York City, June 26, 1946.

NSTA Notes

TWIN CITY BOND TRADERS CLUB

The President of the Twin City Bond Traders Club, William J. Lau, of C. S. Ashmun & Company, Minneapolis, announces that the organization's annual Golf Tournament and Field Day will be held at Keller Golf Course, St. Paul, Thursday, July 25, 1946. The Entertainment Committee in charge of arrangements consists of:

E. Byron Kairies—Merrill Lynch, Pierce, Fenner & Beane, Minneapolis.

George V. Jackish—Harris Upham & Company, Minneapolis.

Robert M. Rice—R. M. Rice & Company, Minneapolis.

There will be numerous golf prizes and a fine array of valuable gifts distributed as door prizes. All dealers and traders are cordially invited to attend this affair.

SECURITY TRADERS ASSOCIATION OF DETROIT & MICHIGAN

The Securities Traders Association of Detroit & Michigan, Inc., will hold their annual Summer Golf Party and Outing Friday, July 12, at the Western Golf and Country Club. The Traders will entertain out-of-town guests and their own members the night before with a buffet dinner and cocktail party at the Savoyard Club. Guest fee, $10. Paul I. Moreland, of Moreland & Company, is President of the club, while the committee in charge of arrangements is Claude G. Porter, of Mercier, McDowell & Dolphyn, Chairman; Douglas H. Campbell, of First Michigan Corporation; H. Terry Snowday, of E. H. Rollins & Sons Inc., and Don W. Miller, of McDonald-Moore & Co.

BOND CLUB OF LOUISVILLE

At the regular monthly meeting of the Bond Club of Louisville, the following officers were elected to serve for the following year:

President—John D. Faison, The Bankers Bond Co.

Vice-President—William O. Alden, O'Neal, Alden & Co.

Secretary—Henry Christman, James C. Willson & Co.

Treasurer—Alexander Hamilton, Stein Bros. & Boyce.

National Committeemen—Berwyn T. Moore, Berwyn T. Moore & Co.; Mrs. Ora M. Ferguson, Merrill Lynch, Pierce, Fenner & Beane.

J. S. Barr Incorporates

ITHACA, N. Y.—J. S. Barr & Co., Savings Bank Building, is now doing business as a corporation. Officers are Joseph S. Barr, President; Priscilla S. Barr, Vice-President; Ernest S. Terrill, Secretary-Treasurer; and Marion T. Barr, Assistant Secretary. Mr. Barr was formerly proprietor of the firm with which Mr. Terrill was also associated.

Bales in Lubbock

LUBBOCK, TEX.—Robert B. Bales is engaging in the securities business from offices at 916 Main Street.

Pennsylvania Brevities

The Philadelphia "story" was certainly a best seller, despite the relatively poor "notices" it received in some quarters prior to its actual appearance. We have reference, of course, to the marked success that attended the recent award by the Pennsylvania metropolis of approximately $30,000,000 bonds.

Now a flotation of that size, by a public agency, even in these times when the volume of unemployed cash is at fantastically high levels, is not to be taken too lightly. This is additionally true when it is considered that the borrower in question is by no means a stranger to the investment market. For, while Philadelphia has not been particularly prolifigate in the past in its credit operations, it nevertheless follows that a lot of cash (via borrowing) is required in the development of such an important industrial and residential area.

When the Philadelphia fiscal officers opened bids on the $29,050,000 bonds (all of which, incidentally, were being sold for new capital purposes), they were in receipt of tenders from two syndicates. These groups, however, represented probably the strongest aggregations ever represented in the competition for a municipal flotation. Each unit had its share of the outstanding names in the financial industry.

Emerging the winner for the business at hand (and by not too great a comfortable margin, moreover), was a syndicate headed by the National City Bank of New York, with other principal participants being Halsey, Stuart & Co., Lehman Bros., Blyth & Co., The First Boston Corp., Northern Trust Co., Chicago, and the Bank of America National Trust & Savings Association of San Francisco.

The group specified interest rates ranging from $1\frac{1}{4}$% to 4% for the bonds, which mature serially from 1947 to 1996 inclusive, with the bid providing a net interest cost to the city of no more than 1.5959%. This contrasts with the net cost of 1.6216% contained in the unsuccessful tender entered by an aggregation managed by Drexel & Co., and including, among others, the Chase National Bank, Bankers Trust Co., Chemical Bank & Trust Co., Harriman Ripley & Co., Smith, Barney & Co., Kidder, Peabody & Co., and Mellon Securities Corp.

Immediately upon receiving the award, the successful National City Bank account re-offered the bonds for public subscription, with the scale ranging from 0.30% to a dollar price of 99. Investors lost little time in placing their orders, with the result that the deal proved an immediate sell-out.

* * *

The largest branch banking system in the city of Pittsburgh began operations on July 1 as the Peoples First National Bank & Trust Co., a consolidation of the First National Bank at Pittsburgh and the Peoples-Pittsburgh Trust Co. The new institution will rank among the first 50 of the nation's 15,000 banks and will serve over 275,000 customers. Its capital exceeds $28,000,000, while its total resources approximate $400,000,000. Robert C. Downie is President and Chief Executive Officer and Frank F. Brooks is Chairman of the board.

* * *

On June 28, an underwriting syndicate, which included, among others, Stroud & Co., Inc., Graham, Parsons & Co. and Wurts, Dulles & Co., of Philadelphia, and Thomas & Co., A. E. Masten & Co., Fauset, Steele & Co. and Phillips, Schmertz & Robinson of Pittsburgh, on June 28 formally offered $23,500,000 of Pennsylvania Electric Co. first mortgage bonds, $2\frac{3}{4}$% series due 1976, at 102.47% and accrued interest. On the same date, an issue of 101,000 shares of $100 par value of 3.70% cumulative preferred stock, series C, of Pennsylvania Electric Co. was offered at $102.50 per share (and accrued dividend from June 1, 1946) by another syndicate which included, among others, Drexel & Co. and Butcher & Sherrerd, both of Philadelphia.

The net proceeds from this financing, together with the proceeds from the sale of $5,000,000 of instalment notes and the proceeds ($1,376,800) to be received from the sale of 68,843 shares of Pennsylvania Electric Co. common stock to Associated Electric Co., will be applied by the Pennsylvania company toward the payment to Pennsylvania Edison Co. of $42,451,400, being the purchase price for the acquisition by the Electric company from the Edison company of all the assets of the latter subject to certain liabilities.

* * *

On June 19, a syndicate which included, among others, Graham, Parsons & Co., E. W. Clark & Co., Wurts, Dulles & Co. and Yarnall & Co., all of Philadelphia, and Moore, Leonard & Lynch of Pittsburgh, offered $30,000,000 of Philadelphia Electric Power Co. first mortgage $2\frac{5}{8}$% bonds, due 1975, at 102.567% and accrued interest from July 1. 1946. These bonds are guaranteed unconditionally by endorsement as to payment of principal and interest by the Susquehanna Power Co., a wholly-owned subsidiary of Philadelphia Electric Power Co.

The sale of these bonds is a part of the company's refinancing program, which also includes (1) the issue and sale of $12,000,000 of its 10-year serial notes to certain banks and one insurance company at 100%, (2) the issue and sale to Philadelphia Electric Co., parent company, of 120,000 shares of common stock at par ($25 per share), and (3) the issue by the company of 242,000 shares of common stock in exchange for $6,050,000 principal amount of its 6% demand note presently held by the Philadelphia Electric Co., such exchange to be made upon redemption of the 8% cumulative preferred stock.

The net proceeds are to be used to (a) redeem on Aug. 1, 1946, at $105\frac{1}{2}$ all of the outstanding $29,731,000 first mortgage gold bonds, $5\frac{1}{2}$% series due 1972, and to redeem on or about Aug. 15, 1946, at $28 per share all of the outstanding 480,000 shares of 8% cumulative preferred stock, par $25 per share.

* * *

Edward G. Budd, President of The Budd Co., on June 20 announced that the company has completed arrangements for the offering to common stockholders of record June 21 of 540,573 new shares of common stock at $16 per share on the basis of one new share for each five shares held. Rights will expire on July 8. The net proceeds will be used to increase working capital and to finance purchases of additional machinery and equipment, etc.

Mr. Budd also announced that the Equitable Assurance Society of the United States has approved the purchase of $30,000,000 of $3\frac{5}{8}$% 15-year sinking fund debentures of The Budd Co. at par and accrued interest to the date of delivery.

* * *

Koppers Co., Inc., Pittsburgh, on June 18 announced that it had registered with the Securities and Exchange Commission an offering of 150,000 shares of new $100 par value cumulative preferred stock in exchange for the present outstanding $4\frac{3}{4}$% preferred stock, on a share for share basis. The common stockholders, at their meeting on July 5, will vote on approving the new issue. Mellon Securities Corp. will head an underwriting group which will offer to the public any of the new preferred stock not issued in exchange, the proceeds to be used to redeem any of the unexchanged shares of $4\frac{3}{4}$% preferred stock at $107.50 per share. Koppers also announced that the serial notes of 1944, bearing interest of 1.8% to 2.5%, of which $8,400,000 was outstanding on Dec. 31, 1945, had been paid and replaced by a new issue of serial bank notes of $8,000,000, bearing interest at 1.75%. In addition, the company stated that it had completed arrangements for borrowing $10,000,000 to finance expansion and provide working capital.

* * *

The United Corporation has applied to the SEC for authority to pay in full the accumulated and unpaid dividends on its $3 cumulative preference stock which as of July 1, 1946 amounted to $7.50 per share, or a total of $9,110,242 on the 1,214,699 shares outstanding.

If this petition is approved, a plan will be submitted to dispose of its holdings of Niagara Hudson Power Corp. common stock to United common stockholders. It is also planned to pay the regular quarterly dividend of 75 cents per share on the $3 preference stock on Oct. 1, next.

* * *

The Sun Ray Drug Co., of Philadelphia has acquired for approximately $358,000 the Media Drug Co., which has 14 stores in the Philadelphia area. Sun Ray also proposes to issue $2,000,000 of 15-year debentures, the proceeds of which are to be used to pay off a $1,050,000 bank loan, reimburse Sun Ray for funds spent in acquiring Media, and for improvements.

* * *

F. R. Marlier, President of Portable Products Corp. of Pittsburgh, on July 1 announced that this company has acquired the controling interest in the American Pad & Textile Co. of Greenfield, Ohio, which manufactures horse collar pads, marine life saving equipment, etc.

* * *

On June 20, the Philco Corp. registered with the Securities and Exchange Commission a new issue of 100,000 shares of preferred stock, series A, of $100 par value per share, which are to be offered publicly, the net proceeds to be used to finance a major part of the company's construction plan.

* * *

The SEC on June 11 approved the proposal of the Metropolitan Edison Co. to purchase all the outstanding capital stock and scrip of the Edison Illuminating Co. of Easton, Pa., from the Pennsylvania Power & Light Co.

* * *

The Pennsylvania RR. on June 26 declared a dividend of 50 cents per share on its capital stock, payable July 30 to holders of record July 6. This compares with $1 paid on April 13, last, $1.50 on Dec. 13, 1945, and $1 on June 27, 1945. It was pointed out that the dividend just declared has not been earned currently, but is being paid from earnings of prior years.

* * *

Janney & Co. of Philadelphia on June 20 offered 6,200 shares of common stock (no par value) of Boone County Coal Corp. at $25 per share. Of this issue, only $2,226\frac{1}{2}$ shares represented new financing, the other $3,973\frac{1}{2}$ shares were offered on behalf of the Weldon Corp. The net proceeds to the Boone corporaton will be added to treasury funds. The pro forma balance sheet as of April 30, 1946, after giving effect to the above financing and to the retirement as of April 1, 1946 of the preferred stock at 105 and dividends, showed total current assets of $769,638 and total current liabilities of $310,309.

Curb Maintains Position in Kaiser-Fraser Listing

In letter to Ernest Cornell, Ohio securities administrator, Edwin Posner, President of Curb, denies investment public can be misled by listing. Cites SEC registration, and holds public knows that enterprise is not in production. Says attitude taken in a stock exchange listing differs from that of a "Blue Sky" law administrator.

During a conference in Columbus, Ohio, between representatives of the New York Curb Exchange and the State Securities Commission of Ohio, at which the Exchange refused to withdraw the Kaiser-Fraser shares from trading on the ground that "the 34,000 holders of the stock would not be getting the protection they deserve," a letter, dated July 1 and written by Edwin Posner, President of the New York Curb Exchange, was personally delivered to Ernest Cornell, Chief of the Division of Securities of Ohio, which contained a defense of the ground for listing the issue. On June 17 (as noted in the "Chronicle" of June 20, p. 3351), Mr. Cornell threatened to prohibit dealings by Ohio brokers with the Curb Exchange in either Kaiser-Fraser shares or in all securities, on the ground that in the second public offerings of the shares, the price had been advanced from $10 to $20.25 per share. Mr. Cornell, at the end of the hearing at Columbus on July 2, made no decision in the matter.

Text of Curb Letter

The full text of Mr. Posner's letter of July 1, to Mr. Cornell, follows:

July 1, 1946

Hon. Ernest Cornell, Chief
Division of Securities,
614 Ohio Dept.'s of State Building,
Columbus 15, Ohio

Re: Kaiser-Fraser Corporation

Dear Mr. Cornell:

Your letter of June 17th was received by us during the afternoon of June 18th, about 24 hours after the national news agencies and New York City newspapers had deluged us with inquiries resulting from your release of a portion of the contents thereof. Naturally, not having received your letter, we were forced to answer all inquiries by stating that we could make no comment until it had been received.

The only portions of your letter which were carried in any of the newspapers which we have seen were the following:

"Your Exchange by listing certain unseasoned securities without earnings is misleading the general investing public. . . . It would seem to us that the listing of an unseasoned security without earnings as are the Kaiser-Fraser shares would tend to destroy the regulatory provisions of our Blue Sky laws."

Your statement as quoted above is the cause of considerable surprise on our part. No representation has ever been made by the New York Curb Exchange as a condition of acquiring "Blue Sky" exemption in Ohio, or for any other purpose, that only securities with a seasoned earnings record are eligible for listing. As a matter of fact, such statements as we have published in this regard, one of which will be quoted later, are directly opposite. Furthermore, although we do not profess to know the background of the securities laws of your State, we cannot conceive that it was contemplated that only securities which were seasoned earningswise would be eligible for sale to the residents of the State, which seems to be borne out by the fact that you qualified the original September, 1945, offering of Kaiser-Fraser stock and permitted its sale in your State shortly after the incorporation of the company.

As we understood the situation, the difficulty in qualifying the second offering in your State in January, 1946, arose not because of the lack of an earnings record per se, but for the reasons stated in your Mr. Van Hayde's letter of Jan. 8, 1946, to the attorneys representing the company, as follows:

"Ruling 21 of the Ohio Securities Act, Administrative Rulings has held that an offering to the public of shares of the same class at different prices is an offering made on grossly unfair terms unless there has been an intervening improvement in the financial status of the corporation between the dates of the two offerings."

As our Mr. Keena informed you in his letter of June 13, 1946, we can readily understand and appreciate your viewpoint in this regard, particularly in relationship to your function as a securities commission, which causes you to approach consideration of an application for qualification with a somewhat different viewpoint from that with which an Exchange considers a listing application. Mr. Keena discussed this phase in detail in his letter to you of April 22, 1946 in the Alaska Airlines case, wherein he stated:

"Basically, the problem in this case, and I assume in most cases which come before your Division, hinges upon the question of offering price. In other words, essentially your decision in practically every case comes down to a question of whether you should permit a certain security to be sold in your State at a specified price. We can realize that the determination of the proper price for any security is always a difficult problem which imposes serious responsibilities upon your Division, and we can readily appreciate and understand your views in the case of Alaska Airlines, Inc. and other similar cases which may come before you.

"This brings us back to the point discussed in Col. Lockwood's letter to you of June 21, 1945, 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 marketplace 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. Theoretically at least, if the issue has been overpriced in its original sale to the public, such fact should be reflected in subsequent dealings in the stock."

So much for the broad question of "Blue Sky" qualification versus stock exchange listing. As to Kaiser-Fraser Corporation specifically, you have requested us to furnish you with "complete details and the various steps which (we) took and the reasons why (we) listed the common shares of the Kaiser-Fraser Corporation, when (we) knew such shares at the second offering price could not be registered in Ohio."

The various steps which we took in listing the stock of this

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Marketing Leadership Needed

By HON. HENRY A. WALLACE*
Secretary of Commerce

Secretary Wallace urges marketing leadership expand and improve science of distribution and set sights to newer and higher horizons. Says nation is now in unusual good economic position and effort should be directed toward avoiding depressions on inflationary booms. Tells of plans for marketing research by Commerce Department and warns, unless incomes are increased and broadly distributed, one-sided and unequal deflation will set in and our free enterprise system will be threatened.

It is very clear that the business function of marketing is a particularly strategic function in keeping the life blood of our economic system circulating through all its parts—the life blood of active, healthy purchasing power that provides the demand that buys the production that makes the jobs that justify the wages and the profits. I like your definition of marketing as it is given in the Constitution of your Association—"marketing includes those business activities involved in the flow of goods and services from production to consumption."

Henry A. Wallace

According to this definition, you, as marketing men, are in a particularly strategic spot in our national economic machine. Since you are approaching the job of marketing in the scientific spirit, I know you have discovered that it is not a separate thing but is an integral part of the whole machine; and that your thinking, your basic analysis, has to embrace the whole economy.

It doesn't take an economist to understand the central fact of this integrated economic machine—the basic importance of the flow of purchasing power—the simple fact that if the purchasing power is not used either for consumption or investment, the flow of this business life blood will slow down. Your job, I take it, is to keep the life blood pumping.

Marketing men more than most

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*An address by Secy. Wallace at luncheon of the American Marketing Association, New York City, June 26, 1946.

What Is the Government Doing To Our Political System?

By HAROLD W. DODDS*
President of Princeton University

Leading educator calls attention to infections in our body politic arising out of development of "Big Government." Says we are confused by labor economists, farm economists, money economists, and the like, and more state enlarges its sphere of action, the greater the incentive for citizens to vote "with a view to their own pockets." Sees danger of party spirit developing into a "spirit of faction" and attacks pressure groups as leading to democracy's destruction. Urges more civic intelligence and virtue as foundation for democratic government.

The year I graduated from college, James Bryce published a little book of lectures, delivered at Yale University, entitled "Hindrances to Good Citizenship." He pointed out the familiar discrepancy between what the theory of democracy requires of its citizens and what the practice of democracy reveals. No other form of government demands such high intelligence, public spirit and virtue in its citizens. Yet everywhere, he observed, democracy had failed to live up to expectations.

Dr. Harold W. Dodds

The first hindrance to the success of democratic government to which he directed his attention was the sin of indolence. It consists in a neglect to inform oneself on public issues and vote and in an unwillingness to serve in public office. This apathy contradicts the basic assumption of classical democracy that the average man must be "an active, instructed and intelligent ruler of his country."

The second hindrance to good citizenship, Bryce pointed out, was private self-interest. Selfish considerations are always present in politics, as in other spheres of life. The rawest form is the outright bribery of voters and public

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*From an address by Dr. Dodds before Princeton National Alumni Association, Princeton, N. J., June 23, 1946.

Real Estate Securities

The new real estate public financing that we spoke of sometime ago was issued on July 2—entitled, Hilton Hotels Corporation. It consisted of 400,000 shares of common stock at $17.50 a share, amounting to $6,125,000, and 24,000 shares of 4% convertible preference stock at $50 a share, amounting to $1,200,000 (proceeds of the preferred went to C. N. Hilton, not the company). All of this financing is subject to a long-term debt of $25,339,315.23 plus $10,000,000 par value of first preferred stock which has been authorized but not yet issued.

The company owns or leases the following hotels in the following locations:

Name and Location—	Approx. Rooms
Stevens Hotel, Chicago, Ill.	2,700
Palmer House, Chicago, Ill.	2,245
Plaza Hotel, New York	1,035
*Dayton Biltmore, Dayton, Ohio	475
Town House, Los Angeles, Calif.	280
Hilton Hotel, Long Beach, Calif.	285
*Hilton Hotel, El Paso, Texas	295
Hilton Hotel, Lubbock, Texas	200
*Hilton Hotel, Albuquerque, N. Mex.	170

*Leaseholds.

The Roosevelt in New York, the Hilton in Longview, Texas, and the Palacio Hilton in Chihuahua, Mexico, which have sometimes been advertised as part of the "Hilton Hotel Chain," are not part of this new issue. However, the corporation is negotiating for an interest in the Palm Beach Biltmore Hotel in Palm Beach, Fla., the St. Francis Hotel in San Francisco, Calif., and the Ambassador Hotel in Los Angeles.

Based upon the balance sheets of the consolidating corporations as at March 31, 1946, and subject to the notes constituting an integral part of such balance sheets, after giving effect to the Agreement of Consolidation and after deducting the item of $325,000.52 for goodwill, which has been eliminated by a charge to surplus, $788,347.05 of prepaid expenses and deferred charges, a reserve for contingencies of $1,700,000 recently established by the board of directors of the company and leasehold improvements of $33,959.81, the net book value of the 1,145,285 shares of common stock outstanding upon consummation of the consolidation was $4.83 per share, or approximately 27.6% of the price of $17.50 at which the shares of common stock are being offered pursuant to the prospectus. Based upon the pro forma balance sheet of the company after giving effect to the sale of the 350,000 shares of common stock which are underwritten and the exchange of notes of the consolidating corporations for convertible preference stock up to June 26, 1946, and subject to the notes constituting an integral part of such balance sheet, the net book value of the 1,495,285 shares to be outstanding upon completion of such sale, after the same deductions as above, will be $7.38 per share, or approximately 42.17% of the price of $17.50 at which the shares of common stock are being offered pursuant to the prospectus.

Apparently, this new issue is being well received by the public . . . market at the close of business Wednesday was 18⅜ bid, offered at 18⅝, against the issue price of 17½. For more complete details we suggest securing a copy of the prospectus from the underwriters.

Toronto Exchange Re-Elects Officers

TORONTO, ONT. — Officers and members of the managing committee of the Toronto Stock Exchange were re-elected by acclamation at the annual meeting of the Exchange. J. B. White, J. B. White & Co., continues as President; R. J. Breckenridge, Breckenridge, McDonald & Co., is Vice-President; A. L. A. Richardson, Dickson, Jolliffee & Co., Secretary, and J. T. Cannon, J. P. Cannon & Co., Treasurer.

Members of the committee, also elected by acclamation are Gordon R. Bongard, Bongard & Co.; Frederick J. Crawford, F. J. Crawford & Co.; Frank G. Lawson, Lawson & Co.; W. G. Malcolm, A. E. Ames & Co.; and T. A. Richardson, T. A. Richardson & Co.

Feldmann & Gorey Now With Staff of Geyer

Geyer & Co., Inc. announces that Herman A. Feldmann has become associated with the firm's New York office, 67 Wall Street, and Walter C. Gorey has become connected with the San Francisco office in the Russ Building. Mr. Feldmann formerly was serving in the Supply Corps of the U. S. Naval Reserve with the rank of Commander. Mr. Gorey was a Captain in the Signal Corps of the U. S. Army.

Victor J. Brady With Buckley Bros. in L. A.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—Victor J. Brady has become associated with Buckley Brothers, members of the New York, Philadelphia and Los Angeles Stock Exchanges, in their office at 530 West Sixth Street. Mr. Brady, who has recently been on war duty, was formerly with A. G. Edwards & Sons for many years as Manager of the trading department of the New York office.

Curb Exchange Built Up By Courage and Foresight

Edwin Posner, in welcoming address at 25th anniversary dinner, extols work of men who brought organization to its present stature in the financial world. Asks for further cooperation to improve Exchange as a world marketplace.

In a welcoming address at the Twenty-fifth Anniversary Dinner of the New York Curb Exchange, held at the Waldorf-Astoria Hotel in New York City on June 27, Edwin Posner, the President and Chairman of the Board of Governors, extolled the work and courage of members, both past and present, who in good times and bad, brought the institution to its present position as a world marketplace. His remarks on the occasion follow:

Edwin Posner

If in the life of an individual or of an institution there comes a time when it may be honestly believed that something substantial, something worth while, has been accomplished, a sense of satisfaction is only natural. Particularly is there a feeling of just pride if a public service has been performed.

Such a moment is ours this evening. We are happy for what the Exchange is and for what it represents. It adds materially to our joy to have as guests so many who have helped us on our way. The entire membership welcomes you.

The life and history of the New York Curb Exchange are both interesting and colorful. I would like to tell you of its struggles, temporary setbacks, and ultimate success; but it would be presumptuous on my part to take up your time as I know you are waiting to hear those who are to follow me. Suffice it to say that we have lived through many trying periods, and that because of the courage, wisdom and foresight of the various men who led us through the years, we have arrived at our present stature in the financial world. May I name to you some of those who have given us their best efforts during good and bad times:

Edward R. McCormick, John W. Curtis, David U. Page, William S. Muller, Howard C. Sykes, E. Burd Grubb, Clarence A. Bettman, and Fred C. Moffat. Last but, in my opinion, by no means least, a true friend who has never been a member or officer of the exchange, but who, for almost twenty-five years, has guided us most ably with his kindly hand and keen mind. I refer to our beloved counsel, William A. Lockwood.

I would like now to express our thanks and appreciation to those of our staff who are here tonight, also celebrating at least twenty-five years of loyal service with the exchange.

Unfortunately, one who did yeoman work for the exchange in crucial days has passed on. Will you pause with me for a moment's silence out of respect to the most fearless, constructive, forthright individual I have ever known, the late Arthur Myles?

The present management of the exchange recognizes its debt to the leaders of the past. It is determined to carry on the traditions and principles which have earned for it the respect of the financial community. We realize that new conditions must be met with modern thought and an unbending will, not only to maintain, but also to improve the position of the exchange as a world marketplace. We need, and we ask, in this effort the constant cooperation of our members and of our friends.

I trust that this evening will be both educational and enjoyable to all of you who have been kind enough to come. Again, welcome and our thanks.

The New York Curb's 25th Anniversary

Celebrates with large dinner, at which Ferdinand Eberstadt, Ganson Purcell, Emil Schram, and President Posner are speakers.

The New York Curb Exchange celebrated the 25th anniversary of the transfer of its activities indoors, with a large dinner June 27 at the Waldorf Astoria, New York City. More than 1,000 guests attended, including Curb Exchange members, representatives of other markets throughout the nation, and a galaxy of prominent leaders in finance, industry, and government.

The principal address of the evening was made by Ferdinand Eberstadt of F. Eberstadt & Co., New York investment banking firm. Emil Schram, President of the New York Stock Exchange, Ganson Purcell, Chairman of the Securities and Exchange Commission, and Edwin Posner, President of the Curb Exchange, also spoke. The three addresses are given elsewhere in this issue.

Guests of honor of the Exchange seated at the triple dais were introduced to the gathering by William A. Lockwood, general counsel of the Curb Exchange. Those guests included, besides the speakers named above: Lt. Col. Carel F. Overhoff, President of the Amsterdam Stock Exchange; John A. Coleman, Chairman of New York Stock Exchange; Gen. Julius Ochs Adler, The New York "Times"; Col. Gilbert T. Hodges, The New York "Sun"; Edward C. Werle, Vice-Chairman, New York Curb Exchange; Robert K. McConnaughey, James J. Caffrey, Richard B. McEntire, all members of the Securities & Exchange Commission; and Edward F. Barrett and Benjamin F. Namm, Public Governors of the Curb Exchange.

Also Alexander Biddle, President Philadelphia Stock Exchange; J. Dorsey Brown, President Baltimore Stock Exchange; Philip B. Weld, President Commodity Exchange, Inc.; Frederick H. Silence, President, New York Coffee & Sugar Exchange; Ody H. Lamborn, President National Association Commodity Exchanges; Mathew G. Ibbotson, Vice-Chairman Montreal Curb Market; Jacques Forget, Vice-Chairman Montreal Stock Exchange; Frank J. Knell, President New York Cotton Exchange; Joseph Mersel, President New York Mercantile Exchange; William K. Barclay, Jr., President National Association of Securities Dealers; Clarence E. Unterberg, President New York Security Dealers Association; and E. Burd Grubb, William S. Muller, Fred C. Moffatt, Edward R. McCormick, Howard C. Sykes, Clarence A. Betman, John W. Curtis, and David U. Page, all former Presidents of the Curb Exchange.

Present at the dinner were thirteen charter members of the Curb Exchange employees, Twenty-Five Year Club.

The New York Stock Exchange and the Curb

By EMIL SCHRAM*

President of the New York Stock Exchange

Head of NYSE asserts Curb Exchange performs essential function in facilitating flow of capital and extols harmonious relations maintained with his own organization. Cites points of agreement among them and stresses that "their markets must remain free."

It is a very real pleasure indeed for me to bring the fraternal greetings of the New York Stock Exchange to its friend and neighbor, the New York Curb Exchange, on this historic occasion. The two exchanges have lived in amity and harmony; and I believe I am correct in saying their relations are closer and more cordial today than ever before.

Emil Schram

It is my misfortune not to have known you in your more colorful days. But I have listened to vivid descriptions of that era by some of your elders such as John Coleman and Bob Stott.

From the stories I have heard of the physical hardships you suffered when you were outdoors, I wonder that any of you could have survived. That you have done so is proof not only of your stamina, but of your increasing usefulness to the investing public and to the general economy. As you arrive at this important milestone, you are more virile than ever; you stand higher in the public esteem and you are doing a better job than ever before.

Your business rests upon a sound base. Your standards of business probity are high. Intelligent risk-taking is more and more taking the place of uninformed speculation. The manipulator is almost unknown. The days of inadequate information regarding the affairs of publicly-owned companies are passing. The principle of Government regulation is accepted.

The New York Curb Exchange performs an essential and vital function in facilitating the flow of capital into American industry

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*An address by Mr. Schram at the 25th Anniversary dinner of the N. Y. Curb Exchange, Waldorf-Astoria, New York City, June 27, 1946.

We Must Split the Atom of Peace

By FERDINAND EBERSTADT*

U. S. Associate on UN Atomic Energy Commission

Baruch aide declares only hope of solving atomic problem lies in abolishing war. Contrasts lack of progress in international political relations with our tremendous technical and scientific advances. Terming national sovereignty "a short sale," he calls on all nations to swap some of it for peace and prosperity.

I congratulate the New York Curb Exchange on this happy anniversary. Nowadays, when mere survivorship is a feat, you can well be proud to be so hale and hearty at such an advanced age. I am very happy indeed to have been honored with an invitation to join you in celebrating the passage of this significant milestone in history of your important institution.

Ferdinand Eberstadt

The relations of our firm to the New York Curb Exchange have always been close and friendly. We take pride in the fact that many of the issues that we have sponsored have found their public market on the Curb. We hope there will be many more.

The last twenty-five years have not been entirely free from difficult moments for all of us, including the Curb. However, all things considered, the Curb has done mighty well. At least it has run counter to a rather common experience in Wall Street be beginning rather than ending in the gutter.

Anniversaries are times for taking stock, times to reminisce about the past in the pleasant glow of retrospect. But also, they are times to take a look ahead.

What sort of prospectus can we draw up for the future?

Whatever good or bad characteristics Wall Streeters have, they do demand the facts and they do not hesitate to face them and to act accordingly. I was about to say that we are "from Missouri," but that phrase seems to have taken on a special meaning lately.

One fact of great significance is that the enormous progress of the last twenty-five years in the scientific and material fields has not been matched by corresponding advances in the field of human relations.

Contrast the very limited progress in international political relations and in domestic labor and industrial relations with our tremendous technical and scientific advances.

Our Material Advances

Our advances in the material things of life since the first World War have been astounding.

In the field of communications and entertainment, we have long since taken the miracle of radio for granted. Even its magic has been outdistanced by radar.

Television has become commercially practical. Many found this out by saving $100 on a ringside seat for the Louis-Conn fight.

Electronics, that mysterious and complicated science, performs a whole catalogue of new wonders.

We have mastered the control of temperature in our daily lives to the benefit of our health and comfort — air conditioning for homes, foods kept fresh by freezing, and now even whole meals cooked and frozen ready for quick defrosting and consumption.

A glance at an air map of the globe proves that world air travel is now a reality, not a vision.

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*From an address by Mr. Eberstadt at the Twenty-Fifth Anniversary Dinner of The N. Y. Curb Exchange.

Trinidad (BWI) Trust Co. First in Caribbean Area

The Trinidad Trust Co., Ltd., of Trinidad, B. W. I., which was incorporated on Jan. 21 of this year, is the first trust company established in the Caribbean area, according to advices from the company June 24, which also said:

"As commercial and industrial bankers, our interest will center on business activities in Trinidad, Tobago, Grenada, Barbados, British Guiana and Jamaica. An initial step has been taken in acquiring a favorable site in Georgetown, British Guiana, for the erection of a $120,000 cinema, plans for which are already well in hand. Following immediately upon this the company proposes building other cinemas in Barbados, Grenada and Jamaica, including other three second-run houses in Port-of-Spain. Sites for these proposed buildings are now being negotiated.

"Individual investors in our undertakings obtain sound property securities with guaranteed minimum interest of 5% per annum and which will be proportionately increased by profit-sharing."

The directors of the company are: R. Gokool (Managing Director); W. J. McLeish, Banker, Prof. Econ.; Dr. W. Stecher, LLD., Prof. Econ.; Dr. Sam Jurawan, M.D., L.R.C.P., L.R.C.S., L.R.F.P.S.

Subscriptions to 7/8% Ctfs.

The Treasury announced on June 25 the subscription figures and the basis of allotment for the offering of 7/8% Treasury Certificates of Indebtedness of Series F-1947 in exchange for Treasury Notes of Series D-1946, maturing July 1, 1946. The Treasury advices stated:

Reports received from the Federal Reserve Banks show that subscriptions aggregate $4,670,000,000. Subscriptions in amounts up to and including $25,000, totaling about $41,000,000, were allotted in full. Subscriptions in amounts over $25,000 were allotted 62% on a straight precentage basis, but not less than $25,000 to any one subscriber, with adjustments, where necessary, to the next highest $1,000.

Details as to subscriptions and allotments will be announced when final reports are received from the Federal Reserve Banks.

The offering was referred to in our issue of June 20, page 3409.

Holds Forced Wage Increases Nullified by Higher Prices

Guaranty Trust Co.'s "Survey" points out strikes are costly to labor and forced wage increases generally mean a rise in cost of living which affects workers in other industries as well as those obtaining pay rises. Says natural wage increases, arising from competition for employees and greater worker output, are a better basis for lasting progress than arbitrarily forced wage advances.

In the June 26 issue of "The Guaranty Survey," published monthly by the Guaranty Trust Co. of New York, there is an analysis of the effects of arbitrary increases in workers' wages as compared with wage advancements arising from increased productivity and the competition of employers for workers. The article, entitled "Do Forced Wage Rises Profit Labor?" reads as follows:

The threat of almost complete industrial paralysis that faced the country as a result of the coal and railway strikes marked the culmination (it is to be hoped) of a course of action based either on inadequate understanding of economic causes and effects or on disregard of their operation. The whole series of industrial disorders that has characterized the reconversion period to date can be traced in large measure to a wage-price policy designed to encourage wage increases while holding prices stationary, superimposed on a long-term labor policy designed to aid workers in obtaining higher wages and better working conditions. Both of these policies ostensibly had the commendable objective of improving the conditions of the workers. The reason these policies brought the nation to the verge of breakdown was not that their basic purpose was wrong but that their execution involved arbitrary action in opposition to natural economic forces.

Strikes Costly to Labor

The most tragic feature of the strike wave is its cost to the workers themselves. Hundreds of millions of dollars in wages have been lost. Not only the strikers but many other workers as well have been forced out of their jobs for long periods. The loss of output has reduced the distributive shares of the workers along with other groups. Reconversion has been delayed for months, with increased danger of the inflation that would cost labor incalculable sums—not only because the cost of living in inflationary periods outruns the rise in wage rates but also because such periods are followed by violent reactions resulting in mass unemployment.

A prominent labor leader declared recently that "workers do not like strikes, and try to avoid them." There is good reason for this attitude. A simple calculation is sufficient to show that strikes must result in very substantial gains in order to be worth while from the workers' standpoint. If there is a difference of as little as 5% between the workers' demand and the employer's offer, as is not infrequently the case, 20 days of work are required to make up the loss from each

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Blyth & Co. Offers General Cable Stocks

Blyth & Co., Inc., and associates offered to the public July 1 75,767 shares of 4% cumulative first preferred stock ($100 par), of General Cable Corp. and 75,767 shares of the company's 4% cumulative convertible second preferred stock ($50 par). The first preferred was priced at $100 per share and the second preferred at $50 per share.

The shares being offered represent the unexchanged portions of new issues of 150,000 shares of first preferred and 150,000 shares of second convertible preferred which were first offered in exchange to holders of the company's 7% cumulative preferred stock on the basis of one share of new first preferred and one share of new second convertible preferred, plus $12.50 in cash and accrued dividends, for each share of 7% preferred surrendered.

Proceeds from the public sale of the stock, together with treasury funds, will be applied to the redemption on Aug. 1 of all unexchanged shares of 7% preferred at $110 per share and accrued dividends amounting to $54.25 per share. Giving effect to the refinancing, the company will have outstanding only the two new classes of preferred stock and 1,898,614 shares of common stock, with a stated value of $1 per share.

Curb Maintains Position in Kaiser-Fraser Listing

(Continued from page 77)

company followed the usual pattern. Counsel representing the company had been in communication with the Director of our Department of Securities for some weeks prior to the formal filing of the listing application. They had several conferences concerning the form and content of the listing application and the various data to be submitted in support thereof, and preliminary drafts of the listing application had been presented and discussed.

The application and the various supporting documents were formally filed on June 10, 1946. A printed copy of the listing application is enclosed herewith. In addition to the enclosed listing application proper the applicant also submitted all of the various supporting documents and papers called for by our listing requirements, such as charter, by-laws, specimen stock certificates, certificate of distribution, listing agreements, etc., all of which are too voluminous to furnish to you, and in fact we only have one copy of each. However, we are enclosing a copy of our "Requirements for Original Listing Applications" pamphlet, and on pages 6, 7 and 8 thereof you will find a list of the papers required to be submitted in support of listing applications.

You will note that the enclosed listing application of Kaiser-Fraser Corporation is a so-called "short form" listing application to which is attached a copy of the prospectus used in connection with the registration of the latest offering of the company's stock under the Securities Act of 1933. You will also notice from page 2 of the enclosed listing requirements pamphlet that the rules of the Exchange permit of this procedure, which is also permitted by most other national securities exchanges, including the New York Stock Exchange. You will also notice that in its listing application the company brought the prospectus down to date by reciting on pages 2 and 3, "The more important developments of the corporation since Jan. 23, 1946, the date of its last public offering." Furthermore, the financial statements contained in the prospectus only ran to Nov. 30, 1945, and as our rules call for financial statements as of and to a date not more than 90 days prior to the date of the listing application, the company included in its listing application supplemental financial statements as of and to April 30, 1946, the balance sheet as of that date reflecting the receipt of the proceeds from the sale of 1,800,000 shares in January.

The application and supporting papers followed the usual routine of examination by our Securities Department, and the financial statements contained in the listing application and prospectus were examined as to form by the firm of independent certified public accountants which the New York Curb Exchange retains for this purpose.

The application was presented to the Committee on Listing at its regular meeting of June 11, accompanied by the usual resume or summary which the Director of our Department of Securities prepares for the Committee in connection with each original listing application. At that meeting the Committee voted to recommend the approval of the application to our Board of Governors.

The Board approved the listing application the following day, and authorized the filing with the Securities and Exchange Commission of the usual certification of the company's application for registration on this Exchange under the provisions of the Securities Exchange Act of 1934.

We believe that the above covers that portion of your letter in which you requested complete details as to the various steps which were taken by this Exchange.

You also requested a detailed statement of the reasons why our Committee on Listing and Board of Governors listed the shares. As we informed you in our letter of June 13, the New York Curb Exchange approved the listing application "after considering all factors in the Kaiser-Fraser case from the viewpoint of our usual approach to listing applications of this type." As hereinabove stated, there is no rule or policy of the New York Curb Exchange which precludes the listing of the stock of a corporation which lacks an earnings record, and this fact has been publicized upon many occasions, the latest being in a booklet which the New York Curb Exchange has recently published titled, "Advantages of Listing," a copy of which is enclosed. Your attention is particularly directed to the second paragraph on page 7 of the enclosed booklet reading as follows:

"The New York Curb Exchange has no rigid policy as to size of applicant corporations from the viewpoint of either assets or earning power. Each case is considered on its own merits. In certain cases, issues of corporations still in the development stage, and without demonstrated earning power, have been listed. In such cases the management of the company, the adequacy of its financing and its future prospects in its particular line are important."

The Committee considered the above factors in relationship to the Kaiser-Fraser application.

As to the management of the corporation, regardless of variations in individual personal opinions, there is no question as to the national prominence of the top personnel. The business histories of the individuals comprising such personnel, as set forth on pages 7, 8 and 9 of the enclosed prospectus attached to the listing application, disclose a substantial background in the automotive industry and other industrial enterprises.

As to the adequacy of financing of the company, I think a serious question in this regard could have been raised if application for listing had been made at the time of the original offering in September, 1945, when the company had raised or was in process of raising approximately $25,000,000. However, the second offering of last January raised an additional amount of approximately $35,000,000. We thought it a safe assumption that approximately $60,000,000 would be adequate to carry the company to the point of production.

As to the future prospects of this company, this is, of course, a matter of opinion. The listing of a security on an exchange (and I assume qualification under the "Blue Sky" laws of a State) is not considered as a guarantee of the future success of the issuing corporation, or that its securities will enhance in value. The very purpose of listing is to establish values in a free and open market. Regardless of the future of Kaiser-Fraser Corporation, the fact remains that in excess of 34,000 "public" stockholders have purchased in excess of 3,000,000 shares of the stock of this company, presumably on the basis of a favorable opinion of its future prospects.

The above summarizes the reasoning motivating the approval of the listing application by this Exchange. It is difficult to see in what manner "the general investing public" can be misled by our listing. Aside from the detailed information relative to the company on file and available to the public at this Exchange and the Securities and Exchange Commission, the fact that the enterprise was not in production, but was what might be termed an "industrial prospect," had been most widely commented upon in the press. No purchaser's eyes could be shut to this fact. There were no earnings and could have been none. But there were the published plans, the management, the capital and the hopes that cars would be produced and sold at a profit.

As you state in your letter, we know that the shares at the second offering price had not been registered in Ohio. However, as we indicated to you in our letter of June 13, we understood that the non-registration in your State applied to the terms of the offering which was made in January, but in view of the fact that all of the shares so offered had been sold we did not feel that our approval of the listing application would cause any difficulties in respect of the enforcement of your regulations in your State.

As the result of registration under the Securities Act of 1933, qualification under the "Blue Sky" laws of 28 States, and two nationwide public offerings, the shares had a widespread public distribution, and were being bought and sold daily. These stockholders and prospective purchasers were, in the opinion of the Committee on Listing and of the Governors of this Exchange, entitled to the advantages and protection of the competitive public auction market provided by Exchange listing, with all phases thereof in the open, including immediate publicity of sales on tickers and their publication in the newspapers, readily available knowledge of changing bid and asked quotations, execution of orders by members acting as agents at known commission rates, and all of the other advantages accruing from listing, as more fully set forth in the enclosed booklet.

We hope that this amplification of our letter of June 13 will satisfy you that the listing of the Kaiser-Fraser stock was in accordance with our established procedure, that the listing was in the public interest and that it will not have an injurious effect on the residents of your State.

Very truly yours,
Edwin Posner, President.

Self-Government for Canadian Security Dealers

By C. P. McTAGUE*
Chairman, Ontario Securities Commission

Canadian Securities Administrator, asserting members of securities business should organize for self-government, or otherwise they must be subjected to absolute control by a growing autocratic bureaucracy, urges Canadian brokers and dealers to cultivate public confidence. Warns against extending Canadian Securities offerings to U. S. in contravention of SEC and State laws and regulations. Says trend is toward government agency deciding constitutions and by-laws of dealers' organizations and depriving them of self-government unless "it is crystallized by legislation." Recommends dealers be given representation on the Ontario Securities Commission.

It is almost two months since I had the pleasure of addressing a meeting of the members of the Toronto Stock Exchange. There I put the proposition that Bay Street should organize for the purpose of participating in the government of the Securities business, or otherwise it would have to reconcile itself to absolute control by a bureaucracy which would inevitably grow more powerful and autocratic as time went by.

C. P. McTague

On that occasion I proposed the organization of three Associations by Acts of the Legislature, namely an I. D. A. Association, a Toronto Stock Exchange Association and a Security Dealers Association. I also proposed a new Securities Act which would provide for representation in its administration of representatives from the governing body of each of the three Associations. I shall not go further into details of that plan except to say that I pointed out that there was an overlapping and that some member houses of the I. D. A. were engaging in the Security Dealers' business and that some member houses of the Exchange were doing the same and that insofar as that business was concerned they would have to participate and be a part of the Security Dealers Association.

It has been my hope that both the I. D. A. and the Stock Exchange members would so par-

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*An address by Mr. McTague before the Investment Dealers Association of Canada, Thousand Islands Club, New York City, June 21, 1946.

Canadian Investment Dealers Meet

Hold convention at Thousand Island Club and hear reports of officers. Hon. C. P. McTague, Chairman of Ontario Securities Commission, delivered an address urging more self-government by security dealers.

The 30th annual meeting of the Investment Dealers Association of Canada was held at the Thousand Island Club, New York, during the week-end beginning June 21. The Association re-elected for a second term Arthur S. Torrey of Montreal as President, the by-laws having been amended to permit this procedure. J. W. G. Clark, executive assistant to the President of the association, said in a report to the members that now, as never before, is the time for company executives to make a frank and searching appraisal of their entire organization. If shortcomings or weakness he said are found everything should be done to purge them, regardless of cost.

The principal address at the meeting was made by Hon. C. P. McTague, Chairman of the Ontario Securities Commission, and is published in full in this issue. (See adjoining columns.)

Chase National Bank Promotes Six of Staff

The Chase National Bank has announced the following promotions in the official staff of the bank:

As Vice Presidents: Alfred W. Barth, Harold R. Robinson and Joseph E. Williams.

As Second Vice-Presidents: Frederick T. Burrows, Christopher J. Kelly and Edwin J. Smith.

All American Aviation Common Stock Offered

A group of underwriters headed by Van Alstyne, Noel & Co., Francis I. duPont & Co. and Courts & Co., on July 3 offered to the public a new issue of 100,000 shares of common stock, $1 par value, of All American Aviation, Inc., at $9.75 a share.

The net proceeds will be used to the extent of $560,000 for the purchase of new twin-engine aircraft to replace the present single engine type now in use. The balance will be used for additional organizational and communication expenses, for the manufacture of 25 Air Pick-Up units, and to create a reserve for future expansion in the event the company is granted new routes by the CAB which are currently under consideration.

Outstanding capitalization, after this new financing, consists of 513,660 shares of common stock, $1 par value.

Cullman to Admit O'Brien

Cullman Brothers, 161 Front St., New York City, members of the New York Stock Exchange, will admit Joseph T. O'Brien to partnership on July 11th. Mr. O'Brien has been with the firm for many years as manager.

FIC Banks Place Debs.

A successful offering of an issue of debentures for the Federal Intermediate Credit Banks was made June 20 by Charles R. Dunn, New York, fiscal agent for the banks. The financing consisted of $49,725,000 0.95% consolidated debentures dated July 1, 1946, and due April 1, 1947. The issue was placed at par. Of the proceeds $40,580,000 was used to retire a like amount of debentures maturing July 1, 1946, and $9,145,000 is new money. As of July 1, 1946, the total amount of debentures outstanding was $315,775,000.

Lloyd Lubetkin on Extended Trip to Coast

Lloyd E. Lubetkin, Treasurer of Seligman, Lubetkin & Co., 41 Broad Street, New York City, will leave on an extended trip to the West Coast on Monday, July 8th, via TWA Constellation.

Harry Shaw Dead

Harry J. Shaw, Vice-President of A. H. Bickmore & Company, Inc., 40 Exchange Place, New York City, died at his home at the age of seventy-two. Mr. Shaw was admitted to the New York Bar in 1900. He was a partner in the law firm of Patterson & Shaw until he joined A. H. Bickmore & Co. in 1906.

Howard Teal in Wilmington

WILMINGTON, DEL.—Howard M. Teal is engaging in a securities business from offices at 910 West Street.

Depressions Hit Top and Bottom Incomes Hardest

Study published by National Bureau of Economic Research also shows that inequalities increase as depressions deepen, but decrease during booms.

Family incomes in the very low and very high income groups tend to suffer more than the intermediate brackets during major depressions, according to "Changes in Income Distribution During the Great Depression," a study published by the National Bureau of Economic Research. At the same time, there is a tendency for income inequalities in general to increase as a depression deepens, except at the very top of the income scale. In periods of business expansion, the trend apparently is reversed, on the basis of such partial evidence as is available.

The new volume, the work of Horst Mendershausen, member of the faculty of Bennington College, is based mostly on the Financial Survey of Urban Housing made by the Department of Commerce in 1934 as a Civil Works Administration project. Data as to family income in 1929 and in 1933 were collected by this survey from over 300,000 families in 33 medium and large-size cities, income being reported for both 1929 and 1933 for more than 200,000 identical families. A basic table shows, for each of 33 cities, the particular income group in 1929 and 1933 into which each of these 200,000-odd families fell.

Upper-Bracket Incomes Are Hard Hit by Depressions

The tendency for the incomes of upper-bracket families to be particularly hard hit by depressions apparently reflects the special character of the income of those in the highest brackets.

The top incomes are derived, the report shows, far more than those immediately beneath, from property. Such income, especially when in the form of dividends and capital gains, fluctuates much more severely with changing business conditions than the salaries upon which other high-income families depend. Consequently the topmost incomes tend to fall more during depressions than those of the groups immediately beneath, thus reducing the gap between the two.

Reasons for Increased Low-Income Inequalities

The increased inequality during depressions of incomes in the lower groups and the particular severity of the income decline in the very lowest appear to have three causes.

In the first place, there is ordinarily a very sharp income gap between those receiving even the lowest pay and the unemployed who receive nothing at all. The passing of many families across the line into the latter group thus accentuates income inequalities in times of depression.

In the second place, both unemployment and reduced pay rates are likely to fall less heavily upon the upper strata of the working classes than on the lower, unskilled segment. The upper group tends to be composed of skilled or supervisory labor. Such workers, in the words of the study, "are 'fixed assets' to their employers, since their presence is necessary even for below-capacity production and they cannot be replaced as easily as unskilled workers. therefore skilled and supervisory workers are more firmly attached to their employers and retain their jobs longer than the unskilled. It

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Sees Menace in Reduced Earnings

Malcolm P. Ferguson, newly elected President of Bendix Aviation, holds sustained earning power of corporations is essential to prosperity and is chief reliance of world in reconstruction period. Says industry is forced to operate as if nation were in a dire emergency.

Calling upon the American people to "keep their eye on the ball," Malcolm P. Ferguson, newly elected president of Bendix Aviation Corporation, told stockholders at the annual meeting at South Bend, Ind., on June 26, that "The earning power of American industry is the chief reliance of the world in this reconstruction period. But it is not automatic and is now seriously threatened.

M. P. Ferguson

"There is tremendous significance in the recent announcement of the New York Stock Exchange that the first quarter earnings of this year reported by 475 leading American companies are down an average of 37½% from a year ago," Mr. Ferguson pointed out. "Moreover, 110 of the 475, or almost one-quarter of them, had losses after taxes.

"The strength of the United States is in its mass production. But if it does not operate smoothly and continuously, mass production becomes a white elephant of huge expense rather than profit.

"What the American economic system does in the next few years," Ferguson said, "may well determine whether individuals will continue to be free to choose their livelihoods and handle their own money as they wish, or whether the State will undertake to plan and run their lives for them.

"We must not lose sight of the fact that profits are indispensable. Our successful industrial system creates payrolls and supports taxes. It provides funds for the research that produces new and better things for more people. The expansion of America's productive system has largely come about through plowing back profits from operations. Today hundreds of thousands of GIs are starting small businesses hoping that they too will grow through the accumulation of profits. It is well worth remembering that that is how the corporations of today first got their start.

"In their own interest, the American people should keep their eye on the ball, namely, the healthy, profitable condition of American industry as a whole.

"It is no secret that production of consumer goods and the output of suppliers that goes into this production, have lagged alarmingly since V-J Day.

"Some readjustment of wages to meet the increased cost of living has certainly been justifiable, but if that higher standard of living we all want is to come about, industry—both small and large—must be capable of passing on its success to all.

"Industry today is being forced to operate as if the country were in the midst of a dire national emergency. On the contrary, these days could and should be normal times and prosperous times, for we have shortages to make up, family incomes to support, and a huge national debt to reduce through taxes on corporate and individual earnings. Moreover, our people have the money to buy, with total savings of 81 billion dollars in war bonds, savings accounts, and checking accounts.

"During the war we could not tolerate interruptions in production because they jeopardized lives and victory. We must realize that the sapping of our industrial strength in peacetime can also be a major catastrophe. We must not let it happen. If production of durable consumer goods, and of the basic industries supplying raw materials were free to prosper in a free economy, American industry could operate successfully and give real security to the American people. This is the time-tested way for us to assure a quick comeback."

Robert D. Miller With E. W. Thomas & Co.

CHICAGO, ILL. — Robert D. Miller has become associated with the corpration buying department of E. W. Thomas & Co., 135 South La Salle Street. Mr. Miller for the past fifteen years has been associated with Halsey, Stuart & Co. as security analyst.

Willys-Overland Motors Conv. Pfd. Stk. Offered

An underwriting group headed by Kuhn, Loeb & Co. and E. H. Rollins & Sons Inc., on July 1 offered to the public 149,121 shares of $4.50 cumulative convertible preferred stock, series A, of Willys-Overland Motors, Inc., at $100 a share and accrued dividend from July 1, 1946. The shares represent the unsubscribed portion of a new issue of preferred stock which was offered to the company's common stockholders.

Each share of preferred stock is convertible into common stock as follows: to and including Dec. 31, 1948, into 3¾ shares, the equivalent of $26⅔ per common share; thereafter and to June 30, 1951, into 3⅓ common shares, the equivalent of $30 a common share, and thereafter to Dec. 31, 1953, into 3 shares, the equivalent of $33⅓ per common share.

The offering is part of a $21,000,000 financing program designed to provide funds for expansion and integration of the company's manufacturing facilities. It is proposed to allocate approximately $14,300,000 for improvements at the Toledo plant, including machinery, tooling, installation and equipment rearrangement; $3,700,000 to reimburse the treasury for the recent purchase of the Wilson Foundry & Machine Company at Pontiac, Mich.; $2,300,000 for the acquisition from Willys Real Estate Realization Corporation of land and buildings adjoining the present Toledo plant, and $700,000 for new machinery and equipment for the West Coast assembly plant at Los Angeles, Cal.

The financing plan also provided for an offering of 310,290 new shares of common stock to common stockholders. The stock was priced at $20 a share and offered in the ratio of one new share of common stock for each eight shares of common stock held. Willys Real Estate Realization Corp. agreed, without charge, to purchase any unsubscribed common shares at the offering price to common stockholders. Willys Real Estate Corp., together with its parent, Empire Securities, Inc. and its subsidiary, Willys-Overland Branches, Inc., owned 748,382 shares of the common shares outstanding before the present financing.

Young, Coursen Director

Donald Young of Donald Young & Co. Inc., and H. Preston Coursen were elected directors of Acro Chemical Products Corporation.

"American Railroads Are Not Done"

By E. S. FRENCH*

President, Boston and Maine Railroad

Prominent rail executive asserts that railroads, which did such wonderful performance during war, "are not going to sit down and weep or twiddle thumbs while we watch other forms of industry take over." Urges railroads meet problem by working for increased traffic, increase in "selling price," and technological improvement. Attacks legislation affecting railroads adversely and denies railroad industry is slipping.

I should like to talk over for a few minutes about the railroad business. It is a subject that means much to all of us. There are people—quite a lot of them in fact—who have come to the conclusion that now that the war is over, and the American railroads have successfully finished the greatest transportation job in the history of the world, the railroads are going to take their place with the one-horse shay, the canal boat, and the ox-cart, quietly fold up and let the bus, the truck and the airplane take over the transportation business. I entertain no such ideas, and I am sure you do not. The American railroads are not done. A transportation industry which, during the recent wars, handled "the greatest mass movement of men and materials in all the history of mankind", moving about 90% of all war freight, and about 97% of the armed forces moving in organized groups, isn't in 1946, entering any period of retrogression. We are, it is true, faced with some tremendous problems, but we aren't going to sit down and weep, nor twiddle our thumbs while we watch other forms of transportation take over.

E. S. French

We railroad men and women have a great responsibility resting upon us, but I thoroughly believe we can and will meet that responsibility and solve the problems be-

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*From an address by Mr. French before the 52nd Annual Meeting of the Railway Accounting Officers of the Association of American Railroads. Bretton Woods, N. H., June 18, 1946.

Wants Extension of Export-Import Bank Now

Herbert Gaston, its Vice-Chairman, holds expiration date of June 30, 1948, hampers its activities. Says Bank's place will not be taken by the World Bank.

WASHINGTON, July 3.—With legislation about to be introduced seeking Congressional expansion of the Export-Import Bank's present lending powers from $3.5 billions by an additional $1½ billion, the "Chronicle" is informed that an extension of the life of the Bank is to be sought simultaneously.

Herbert E. Gaston

On the eve of National Advisory Committee's first meeting under the chairmanship of Secretary of the Treasury John W. Snyder, Mr. Herbert Gaston, Vice-Chairman of the Export-Import Bank, informed the "Chronicle" as follows:

"The Export-Import Bank is one of the Government State-chartered corporations affected by the Corporations Control Act. Such corporations, chartered under State or D. C. laws, must reincorporate under Federal charter. As matters stand today, the Export-Export Bank is unable to commit itself to lend any money beyond June 30, 1948. At the moment, this restriction is not serious, but it will tend to become so with the passing of time. Therefore it might be desirable for Congress at this session to take the steps necessary to prolong the life of the Bank beyond June, 1948. If Congress does not do this now, or later, the Export-Import Bank after that date will become simply a collection agency.

"If the Congress does not act on this matter this year, it will not be a killing affair; but in that case we shall continue unable to commit ourselves to lending activities beyond June, 1948. All loans for which we are currently committing the Bank must be disbursed before that date.

"The loans which the Bank has been making recently have been the most important of the means the American Government has used to help reconstruct and develop the world. Soon the World Bank will be entering the lending field. But Ex-Imp's development loans are vital to a balanced foreign trade for the United States. Most of the goods financed by us for export are capital goods, such as railway equipment, locomotives, and industrial machinery—things of slow construction suitable for long-term financing and for which there are not now adequate financing facilities.

"This Bank's place is not going to be taken by the World Bank. Ex-Imp is especially designed to help American exporters get relatively prompt payment for goods of American manufacture. This is an angle of interest which does not concern the World Bank.

"Failure of the Congress to enact the bill soon to be introduced, making Ex-Imp a Federal corporation and prolonging its life will prejudice the Bank's ability to make loans which are vital to the logical development of American export trade and prevent the Bank from making desirable commitments.

"Failure to grant the Bank the desired $1½ billion expansion would seriously affect the institution."

John Salmon Opens

John Salmon is engaging in an investment business from offices at 280 Madison Avenue, New York City.

What Is the Government Doing To Our Political System?

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officials of which our past history contains many horrible examples. The numbers controlled by private self-interest in its most sinister forms, Bryce said, were numerically small but politically important. They never sleep and they work in dangerous secrecy.

The third hindrance was party spirit. "Allegiance to party," wrote Bryce, "replaces loyalty to the nation, when party spirit really takes hold of one." Bryce was no softheaded idealist about the nature or function of political parties. The hasty reformer of a generation ago scorned party attachments. To him the mugwump was the best citizen. But more realistic students understand that party government remains the only method by which a democracy can remain strong and prevent one set of interests from overbalancing another. Freedom of speech or opinion would die without political parties to discipline and implement our liberties. Nevertheless, Bryce was right when he said that when victory without regard to truth becomes the dominant motive of a political group, democracy is wounded in its heart. It is excesses of party spirit, not its reasonable manifestation, that are to be condemned.

Since Bryce wrote, a notable change has taken place in the attitude of democratic peoples towards their governments. Despite the failure of democracy to meet early specifications, the people seem to trust their government more than ever; certainly they are willing to grant powers and functions far beyond those deemed proper 35 years ago. So rapid and dramatic has been the expansion of government's functions that few have stopped to consider the question whether big government is not altering the old relationship between the citizen and his government. Has the ordinary citizen as clear a comprehension of political issues today as he used to have? Who really is in the driver's seat, the voter or the official? Unless the citizen's understanding of political issues keeps pace with their growing complexity, is he not destined to lose control over his officials? And if he loses control over his officials what happens to democracy? These are fundamental questions.

The question, I repeat, with which we should be profoundly concerned is what is Big Government doing to our political system. If it is changing the basic position of the voter in our political system, will our democracy in the long run stand the strain?

Infections in the Body Politic

I shall not stop to argue whether expanding government is good or bad. It has elements of both qualities. What I do wish to stress are some infections that threaten our body politic which must be diagnosed and arrested.

Consider first the sin of indolence. If it was hard in the early days for the naturally indolent voter to muster enough energy to acquire an adequate understanding of political issues, how much more difficult must it be today when public questions have become so much more complicated than they were in those happy days before labor economists, farm economists, money economists, foreign trade economists, and the like arose to confuse us. It is not merely a question of the laziness of voters to be cured by preaching at them, as we once thought. It touches the mental capacity of busy people, who must work for their living, to comprehend the issues in all their baffling complexity. We must not ask the voter to do the impossible. It is a sobering question to ask how far popular government can go in multiplying political power without driving the people to rationalize their confusion and mental frustration by frankly abdicating in favor of the leadership principle. Unless the voter feels that he understands his government he cannot have a sense of ownership in it. Unless he has a sense of ownership in it he cannot control it. Unless he can control it there is no democracy.

Let us next consider the hindrance of private self-interest. We can agree that self-interest is a sinister influence in politics, but can we be as sure today as Bryce was that the number or influence of people controlled by it when they vote are few? May not the political influence of this class be more dangerous than he conceived? The more the state enlarges its sphere of action, the greater is the incentive to the electorate to work and vote with a view to their own pockets. Reformers used to pour heated condemnation on the old rivers and harbors appropriation acts, which syphoned tax payers' money into dredging obscure streams to win votes for congressmen. These appropriations were mild forms of mass bribery; the congressman bribing his constituents and the constituents in turn demanding bribes for their votes. But what about the dangers inherent in more modern forms of government aid, such as price maintenance schemes, wage-fixing by legal fiat, or government subsidies of silver, sugar, cotton or grain all of which favor groups politically organized? What about the political strike, that new method of direct action that is becoming all too common? Do not such policies and practices offer new opportunities and strong temptations for what is the moral equivalent of bribing voters?

Measures such as I have mentioned contemplate the transfer of money from one man's pocket to another's through the brokerage activities of government officials, on a scale never before contemplated in this country. In the long run, is there not a similarity in morals and effect between the pressure exerted for governmental aid by large special groups and the presure of a single railroad for special favors in its charter, or which we heard so much a generation or more ago?

With the economic or social wisdom of these newer policies of governmental intervention I am not here concerned. I realize the grave dangers to our way of life created by business depression. Mass unemployment is a terrible and dangerous social sickness, and calls for extreme measures on a level with extreme urgency. Nor do I mean to assert that large public outlays during the depression were not justified by urgent human needs created by a ruinous business crisis. They may become necessary again, though I hope and pray not.

What I do declare, however, is that, granted that Big Government is unavoidable and necessary to meet modern conditions, there are grave evils latent in policies of public spending and governmental aid which touch large elements of the voters. No one seems to be paying any attention to the possibility of new forms of corruption of our public life and how to avoid them.

Danger of Party Spirit Developing Into Factions

Bryce's final hindrance was party spirit. As every school boy knows, the constitutional fathers identified political parties with the "spirit of faction." Fortunately the fundamental political sense of Americans has preserved us from suffering the worst forebodings of these eminent gentlemen. To date we have not developed to any real degree parties that could be described as factions of the sort that have marred parliamentary government on the Continent of Europe. Can we, however, be so positive about the future? Are there not reasons for anxiety in the rise of modern pressure groups which are crystallizing quite openly around programs of frank self-interest? May not these groups be developing into factions, such as Madison and others castigated? May not factions rather than parties be emerging as the real hindrance to good government?

Of course we always have had pressure groups of some sort, but never have they been so substantial, so compactly organized, or so powerful as today.

Pressure groups are both a cause and effect of expanding governmental activity. Loyalty to them cuts across loyalty to political party and thus weakens party responsibility. By doing their thinking for them, the leaders of pressure groups cultivate the sin of indolence in their followers who are readily persuaded to delegate their right of individual opinion. The leaders strive to engender a continuous war-psychology in heir followers which makes them more docile and subject to regimentation. They are able to succeed to a larger degree than do oldfashioned party leaders, because a controlling and embattled self-interest is made the center around which they are organized. Sensing their mass strength, the rank and file of such pressure groups are ready to accept discipline from their leaders as they never did from political parties.

Pressure Group Leadership

It is important to understand that the self-conscious masses, organized into pressure groups, are responding to a new type of leader quite different from the traditional political leader. The pressure-group leader claims full freedom of action for himself in a way no party leader would dare, and he receives it because the masses feel that he is satisfying their special self-interest. The rank and file are not inclined to insist on their right to make up their own minds, as voters on public questions; rather are they inclined to act on the instructions of their leaders.

In brief, the most potent pressure groups are those which are most regimented in thought and action, and in which the membership is most indolent in the use of their own minds and most self-interested in their demands of government. May they not become an increasing embarrassment to the operation of any theory of democracy that calls for a disinterested and self-directed citizenry?

I am not one to despair regarding the improvement of voters in both virtue and intelligence. If voters were or could be made, supremely diligent in their application to public affairs, wholly free from self-interest, and coolly objective in their party attachments, our anxieties would evaporate, although politics would be a very dull business indeed. But human beings stubbornly refuse to become either supremely virtuous or supremely intelligent. (Thank God, they decline to become supremely vicious as well). Therefore, any pattern of democratic government, I repeat, must build on the basis of that quantum of civic intelligence and virtue which nature supplies and enlightenment can nourish.

Wickliffe Shreve Is Hayden, Stone Partner

Hayden, Stone & Co., 25 Broad Street, New York City, members of the New York Stock Exchange, announce the admission of Wickliffe Shreve as a partner in that investment banking firm. For the past 11 years Mr. Shreve has been associated with Lehman Bros., since 1940 as Syndicate Manager. He is a member of the Bond Club of New York, the Executive Committee of the Long Table Syndicate, and the Executive Committee of the New York group of the Investment Bankers Association of America. A native of Mississippi, Mr. Shreve attended George Washington University, Washington, D. C.

Wickliffe Shreve

Mr. Shreve's admission to Hayden, Stone & Co. was previously reported in the "Chronicle" of May 30th.

William H. Brown, Jr., With Lewisohn & Co.

William Harman Brown, Jr. has become associated with Lewisohn & Co., 61 Broadway, New York City, members of the New York Stock Exchange. Mr. Brown was formerly Syndicate Manager for Brown Harriman & Co. and more recently was Deputy Fiscal Agent for the Federal Land Banks and Federal Intermediate Credit Banks.

Kadelburg V.-P. of M. A. Schapiro Co.

M. A. Schapiro & Co., Inc., 1 Wall Street, New York City, announces the election of Howard T. Kadelburg, as Vice President of the firm. Mr. Kadelburg has been with the firm for some time in charge of the U. S. Government Bond Department.

The Closely Held Corporation Looks Ahead

(Continued from page 67)

of whose wealth was tied up in that company's stock, decided to sell 2,500 shares, so that his family would not be at too great a disadvantage under the inheritance tax laws. He did not discuss it with his treasurer or controller, because he thought it was purely a personal matter. But after 100 shares a day had been sold for about three days, word got around the community that the boss was selling his stock. A few days later, a Wall Street banking house started selling the 60,000 shares it held for its clients, and the price went down 30%.

How was the company affected? That company's business is expanding, and it intends to seek additional capital. If a convertible preferred is sold, the company will probably have to accept a lower conversion figure, with a consequent dilution of the earnings of the present shares. If the company sells common stock, it will have to sell more shares for the same amount of capital raised, which again means a dilution.

Individual and Corporate Planning Inseparable

It is impossible to separate the estate planning of such an individual from the financial planning of the company. Consider this instance—an actual dilemma that confronted the chief owner of a small, but important, concern:

"I am sixty-six," this executive told us. "Everything I have is in this business. There is no present market for its stock, so I have no idea what value will be placed on it for estate tax purposes when I die. I don't know how the money required for these taxes will be raised, and I don't know what will happen to the business or my family after my death.

"I have two sons working for me in the business, and a wife and daughter who know nothing about the business. I don't want either my wife or my daughter to be dependent upon it after I die, because it is subject to too many uncontrollable hazards. I have had lots of free advice from people who have their own axes to grind, but no two of them are in agreement. Some years ago, for instance, an insurance friend arranged a contract whereby the company took out insurance on my life for the purpose of buying stock from my estate after my death, but my attorney says that the plan no longer has its original advantages. Another insurance man sold me $200,000 of personal life insurance that is now subject to estate tax at very high rates, so the net amount available to pay taxes will be small.

"One investment banker has been trying to persuade me to sell out the entire business. Another has proposed a merger with another company, to be followed by a public issue of securities. One broker tells me I must recapitalize and issue more common shares in order to retire the preferred, while my bank suggests that we use bank loans for that purpose. A local investment dealer who has connections with a life insurance company suggests that we sell debentures to that firm. Our local bank has recommended that we borrow additional cash. To top it off, another company in our industry has offered to exchange its stock for ours.

"Now, in the midst of all this, my attorney says that I should make large gifts to my family, with those for my wife and daughter being in trust, and those to my sons outright. I feel like the man who was advised to jump on his horse and ride off in all directions!"

The Millstones of Conflicting Advice

This is not an isolated case. It is typical, I would say, of thousands which come up every year—cases in which owners of closely held corporations are caught between the millstones of conflicting advice and conflicting interests. . . . "What can I do for my heirs that will not hurt the future of my company and its employees? What can I do to protect my company and my business associates against the uncertain future without increasing the hazards it holds for my family?"

There is only one way out of this dilemma, and that is to consider the two problems as one. The future of the corporation and that of the owners and their heirs must be regarded, not as separate spheres of interest, but as the two sides of a coin. You cannot spin one without spinning the other. Heads or tails, they win or lose together. Here are just a few of the uncertainties which confront corporations and their owners—uncertainties which must be taken into consideration when planning ahead, whether it be for one's estate or one's business:

Uncertainities Confronting Corporations and Their Owners

1. *Governmental trends.* Ten years ago, few people believed that England would be operating under a socialistic form of government today. Who can predict what form of government we will have ten years from now?

2. *Increased competition.* The war-quickened advances in transportation are rapidly shortening distances—and thereby multiplying competition. If you travel from coast to coast next year at the rate of 400 miles per hour, West Coast firms will have new competition from East Coast firms that were not competitors before, and vice versa. Such changes in transportation are constantly creating both increased competition and new opportunities at the same time.

3. *New competition.* The development of thousands of new ideas during the war, and the appearance on the scene of many small companies with excess working capital due to war profits, has brought thousands of manufacturers into fields which certain older manufacturers had regarded as their exclusive pastures.

4. *Foreign trade.* Allied plans for de-industrializing Germany and Japan may have a decided effect upon our export sales, because our country's foreign commerce has always flowed most strongly to industrial nations. Our prewar exports to Japan exceeded those to all the rest of Asia put together. Another unstabilizing factor in foreign trade—and foreign trade has a direct effect upon domestic prices and domestic business activity—is the domination of countries, hitherto independent traders with the United States, by other great powers. What, for instance, will be the effect upon American sales to Rumania, Poland, Czechoslovakia and other Russia-dominated countries?

5. *Monopolistic practices.* In addition to the ever-present danger of business monopoly, there is a new form emerging—monopoly through industry-wide collective bargaining. When a union becomes so strong that it can dictate one wage scale for all plants in its industry, it is a potential monopoly. The wage it dictates can be so high that the smaller companies in that industry cannot afford to stay in business, which in turn has the effect of concentrating economic power among the relatively few concerns which can meet the wage scale.

6. *Cyclical changes.* In addition to this, we are in a period which appears to be very similar to 1919. We then had an inflationary boom which lasted about two years, followed by a "bust." This, in turn, was followed by approximately eight years of prosperity. I doubt if anyone is wise enough to tell us what the financial changes wil be over the next ten years, but it is safe to say that drastic changes will happen *suddenly*—and, to most people, unexpectedly.

Corporations and the Uncertain Future

How can corporations prepare for the uncertain future? Fortunately, it is not necesary for most corporations to be able to foresee exactly what financial changes will take place, or when they will happen. I cannot predict when it will rain next, or how long the rain will continue. But if your barn leaked; if the amount of shingles available for sale was the largest in this country's history, and the price was the lowest, I could advise you how to prepare your barn for the next rain, whenever it comes.

There never was so good a time for closely held corporations to prepare their capital structures against financial uncertainties. There is more capital available than we have ever known, and the price is lower than we have even seen it before. Every financial executive realizes that it is important for his company to enter the next depression with ample cash on hand. That cash is now available and cheap. Despite this, more companies will fail in the uncertain years ahead because they did not secure ample cash capital when they could have done so, than for any other reason.

There is a right way and a wrong way to approach this question of preparing for the uncertainties of the future. This can be illustrated by contrasting the definition of an investor with that of a speculator. The investor is not trying to get rich quick; in fact, his immediate goal is not that of making a profit, per se. The investor first determines what hazards endanger his capital, and then tries to protect his capital against them. The speculator, on the other hand, looks for *all* the possibilities of making profits, determines which one will make the largest profit if things turn out right — and then risks everything on that chance.

Several years ago, the capital stock of one of our clients in the paper industry consisted of 5% preferred and common stock. The 5% figure had become outdated, and the company could have put out a bond issue at around 3%, or a bank loan at slightly over 2%. Instead, this company sold convertible preferred at approximately 4%. Why? Because the paper industry is subject to wide swings, and the management wished to prepare for the downward swing while business was going up. They were sure that if the upward swing continued, they would be able to convert the preferred into common stock, and that is exactly what happened. The company retained enough capital to keep it safe, and that capital now has no preference over the common stock.

Another company in the same industry had a large amount of bonds outstanding. As sales increased and additional capital was needed for expansion, the company sold more bonds in order to take advantage of low interest rates. When the downward swing comes — as it will — this second company will not be as well prepared as the first. Instead of seeking protection against future financial hazards, the management of this company apparently thought more of increasing current net profits as much as possible, by having the annual cost of this capital deductible from earnings.

Sometimes bank loans are best. A corporation we know is headed by a man of great optimism and vivid imagination. The future always looks rosy to him. But when his company needed additional cash for working capital, he turned down the method of acquiring it through the sale of common stock. Instead, he made a five-year loan to be paid off at the rate of one-tenth for every six months — because he wanted an automatic method of forcing him to repay the capital. He was afraid that otherwise he would use the excess working capital, as rapidly as it accrued, for additional expansion of his present business or for new items.

Having the most suitable form of capital structure is not enough. Equally important—or even more so—is that there should be *ample* cash capital. How much *is* ample? Enough to meet all foreseeable budgeted needs — plus those unexpected, unforeseeable needs arising from economic and political changes. It is far better to have too much than too little, because future hazards are all too easy to underestimate, both as to degree and to duration.

The Role of Mergers

In addition to providing the proper capital structure and securing ample cash while it is so easily obtained, many closely held corporations can protect themselves against future hazards through mergers; by buying some other company and embodying it as a division, or by selling a division which does not fit their business so well under today's changed conditions. Let me give some examples:

The problems of a company whose earnings went up and down with the iron and steel industry for some thirty years was solved by purchasing other companies of approximately the same size whose earnings followed different cycles. These steps were taken separately, and no company was acquired until the process of adjusting the previous purchase had been completed. The company which resulted from these mergers and acquisitions is now a steady earner. It produces regular income for the stockholders, is in a much better credit position, and is safer all the way round.

In one industry we recently investigated, one company has a product that is outselling all others — but it has nothing on the production line to replace it 15 months hence. Another company does not have a good seller today, but it has a product coming up that will unquestionably lead the field 15 months from now. Another company in this same industry is famous for design and production, but it is completely lacking in sales promotion and advertising. Another, on the other hand, is in the newspapers and on the air almost every day — but it will soon have nothing to sell. One company has a very small backlog, but has large excess working capital — while another has so many orders it will soon have to secure additional capital. Even a blind man can see that several mergers can be made, very appropriately, in that industry.

Compensating Management

One of the greatest hazards facing business — and especially the closely held corporations — today is that of compensating management. No business is better than its management, and sustained quality of management depends upon incentives. This used to be achieved with great success through profit sharing, but it does not work today because high tax rates have annulled it. For instance, consider the case of the Executive Vice President of one company who receives a salary of $5,000 a year plus 5% of net profit before taxes. This percentage arrangement was entered into just before the war, and he received $200,000 the first year. Two years later, the high tax brackets eliminated almost all of the incentive.

Many corporations have tried to meet this condition by giving their top executives options to buy stock at favorable prices—but again the tax laws have removed practically all the reward, or at least have clouded the subject with such great uncertainties that the incentive is eliminated.

There are two solutions to this problem. The first is to secure a change in legislation which will make the use of options to purchase stock as attractive as they were formerly. The second—and more feasible immediately—is to make arrangements for managers to purchase stock in the company.

In cases where the stock of the company is closely held, stockholders often are reluctant to give up any part of their ownership interest. Another frequent obstacle is the financial inability of the managers to buy a sufficiently large block of stock to make the managers' interest worthwhile.

Some Typical Decisions

It can be seen from the foregoing that preparing for the uncertain future, on the part of both closely held corporations and their owners, involves a combination of experience . . . i.e., investment counsel experience, estate planning and management planning. Without this background and experience—either in the firm itself or secured through an outside agency—how can the executives of a company decide:

1. Whether preferred stock should be used, and if so, which of the ten forms is best?

2. Whether bonds should be used, and if so, how to answer the twelve pertinent questions regarding the different types available?

3. Whether common stock should be used, and if so, how to make the decisions wisely?

4. Whether bank loans should be used, and if so, how to analyze the seven pertinent features of such loans?

5. Whether the company should merge with, or purchase, another company?

6. In the event additional capital is needed, which of the eight available sources should be used?

The one best way would have to be that which is most beneficial to the corporation and its executives and employees, and which best protects the business *and its principal owners and their heirs* against the uncertain future.

Summary

I can summarize this subject by suggesting that the owners and managers of closely held corporations, in preparing for the uncertain future, give consideration to the following:

1. The future for corporations is more uncertain today than at any time in the past.

2. Financial preparedness is easier—and less costly—to accomplish than ever before in our history.

3. When new capital is raised, however, it is important to raise *enough* — and to do so in the form which avoids unnecessary risk.

4. Costly fluctuations can be avoided by means of mergers and consolidations designed to round out production and distribution, and to "stagger" the earnings cycles.

5. Management must be provided with adequate incentives, the best of which is the acquiring of an ownership interest in the company.

6. The estate problems of large stockholders must be taken into consideration in all financial planning for the corporation. In other words, the controller's function ideally combines fiscal counselling and estate planning.

7. When additional capital is needed, eight sources are available. The controller will analyze each and select the one which fits his needs best.

As busy as financial management is today, this program is not optional: it is imperative. Unless closely held corporations grapple with this problem of financial preparedness for all contingencies—including those which grow out of the principal owners' personal estate problems — they will be unable to protect their businesses against the uncertain future.

Self-Government for Canadian Security Dealers

(Continued from page 81)

ticipate and add strength and balance to any Security Dealers Association and thus assure a strong and constructive organization right across the Street and participate in the general government of the Street as a whole.

I know that it devolves upon me to demonstrate to this Association that that is a very definite and important interest of the I. D. A., otherwise what I propose is unsaleable and my general overall plan is doomed to failure.

May I begin my demonstration by reading a short excerpt from your own Constitution:—

"2 (b) To secure united protective action and to co-operate with Municipal and other Corporations in regard to legislations and methods of sound financing.

(c) To afford opportunity for discussion and personal exchange of views on subjects of importance to the financial and commercial interest of the Dominion of Canada, which affect the investing public."

Now please note carefully the last part of the excerpt I have read—

"2 (c) To afford opportunity for discussion and personal exchange of views on subjects of importance to the financial and commercial interests of the Dominion of Canada, which affect the investing public."

I suggest to you in all fairness that your own Constitution quite clearly and properly lays it down that you are interested not only in the welfare of your own Organization but that you in your own Constitution clearly admit your interest in the welfare of the Street as a whole. That admission is not only logical but in my opinion it is very sound.

Cultivating Public Confidence

I shall now ask your pardon for being so bold as to attempt to prove to you just why your own Constitution insofar as the excerpt I have read is sound. I shall try to do this from three viewpoints.

In the first place your business depends on public confidence of the people of Ontario. You in your own particular business may think you will continue to enjoy that confidence no matter what goes on in financial circles on the rest of the Street. Gentlemen I give you my assurance based on the mail I receive daily that such is not the case. The investor who is involved in a securities transaction where he has been defrauded or has been sold by high-pressure methods loses confidence in the Street as a whole, including that portion of it belonging to the I. D. A. Only the well informed differentiate. The average investor makes no distinction. His reaction is that he was burned on Bay Street and he does not propose to be burned again. I am so satisfied that is the case that I say to you that failure to appreciate this very homely proposition is like to the ostrich which buries his head in the sand.

Canadian Offerings in U. S.

Secondly, I put this proposition to you as well. At the present time you are able to secure your financing here in Canada. I note that when a good many of you make offerings you specifically provide that your circular is in no way to be construed as an offering in the United States. You have no assurance that money conditions are going to continue for an indefinite time as they are today. The time will come when you will perhaps be glad to get American money and you should be getting it now and your offerings should be extended to the United States. Why are you stipulating right now that your circulars are not to be construed as offerings in the United States? Let me try to answer that question. Because of the qualification requirements and the delay, some people immediately place the whole blame on the S. E. C., and the various Securities Commissions. That is by no means the whole story. Can you blame the S. E. C., and the Securities Commissions when they have been experiencing wholesale and deliberate violations of their Security laws by a small coterie of Bay Street Security Dealers? Place yourselves in the position of the S. E. C., and the other Security Commissions and tell me whether you would be anxious to qualify Canadian issues without long and careful scrutiny. A comparatively small number of Bay Street operators can go a long way to retard a broad flow of capital between the two countries and I suggest to you that is your business in the practical way to a greater extent than it is mine. That is the situation that can only be solved on a give and take place and an illegal aggressor or his representative is in a poor position to attempt the solution of problems which are in their nature mutual. There once again you find your own particular situation affected by what goes on in another part of Bay Street.

Then let us examine the situation from the very practical viewpoint of the cost of doing business. As the Securities Act is now, you are brokers. Any one is a broker who offers securities to the public. It makes no difference whether he is a member of the I. D. A., or a member of the Stock Exchange or a member of neither. To the public you are all brokers. No difference can be made. It does not matter that your Association has its membership fees, its annual fees, requires its members to carry insurance and submit to audits. You must furnish the Security Commission with an annual fee and a bond the same as any other so-called broker. And why? In the main to furnish the cost of policing that part of the Street which is unorganized or very loosely organized at the present time. Gentlemen, I think I can assure you that if you will participate in the government of the Street together with all other engaged in the sale of securities, either in accord with the principles of my plan or on some similar basis, your cost of doing business will be cut substantially. If you leave the job solely to the Ontario Securities Commission on the basis of legislation of the type which has been in force since 1931, your cost of doing business will inevitably be substantially increased as time goes on, no matter what efficiency or lack of it is brought to the job. I think you can read between the lines on that one in other directions, than merely the matter of the cost of doing business. The whole trend is in the direction of a Government Agency deciding what is going to be put in your Constitution and in your By-laws and taking away what self-government you already possess, unless it is crystallized by legislation. Times have changed since you framed your very excellent Constitution on a voluntary and most commendable basis. Today it needs the sanction of legislation.

Broker Self-Regulations

I am quite aware that your Association is a Dominion wide one. I am limiting my proposals to your Central District, Ontario. I have examined your Constitution and see no obstacle in the way to obtaining legislation for the Central District. That is all I am interested in. You have in that district a Legislative Committee specifically set up to examine into legislation affecting your Association directly or indirectly. My suggestion is that the time has arrived when you should be considering legislation for yourselves and also legislation which will provide representation for you on the overriding body governing the whole security business in Ontario. In accordance with your Constitution the recommendations of your District Legislative Committee can be submitted to your Dominion central governing body, for its approval and suggestions before being translated into an Act of the Provincial Legislature of Ontario. Personally I can see no insuperable obstable within your Dominion wide Constitution.

There gentlemen you have it. I hope I have been able to convince you of the wisdom of doing something along the line of my plan. If I have failed, I must ascribe my failure to my own inability to explain clearly. The plan in principle is sound. May I say in conclusion that the governing body of the Stock Exchange is in the process of cooperating. I bespeak your interest and cooperation as well, because I am firmly convinced you cannot continue to be divorced from the rest of the Street any more than the Stock Exchange can or the Security Dealers can without running a very considerable risk as to what is likely to happen in the comparatively near future.

Railroad Securities

It hardly came as a surprise that Judge Igoe refused to confirm the Chicago, Rock Island & Pacific plan last week in view of the passage of the Wheeler Bill by the Senate and expectations that the companion Reed Bill will be passed by the House before the end of this week. It is not to be expected, however, that this will mark the end of litigation in the proceedings. For one thing, in the light of the earlier Supreme Court decision in the Denver & Rio Grande Western reorganization, wherein it was held that the Interstate Commerce Commission had the right to confirm and consummate a reorganization in the face of an adverse vote by a class of affected security holders, and where it was further held that developments subsequent to the effective date of the plan were to the benefit or detriment of the new securities, it is expected that the decision remanding the Rock Island plan to the ICC will likely be appealed. Secondly, if new reorganization legislation is passed and is made applicable to the Rock Island there is little question but that all phases of the new statutes will have to be tested through all of the courts.

As was to be expected, the decision remanding the plan back to the Commission was the signal for a revived speculative interest in the junior Rock Island securities. This despite the fact that the decision itself contained a warning against too great optimism on the part of holders of the junior securities. Some minor debts have already been paid off since the plan was drawn up and reallocation of securities originally earmarked for these claims could, at least theoretically, be reallocated to the remaining claims. There is also apparently the thought that a substantial part of the company's current substantial working capital could be utilized for further debt retirement.

It is on the question of just what can be accomplished along this line that a large part of any benefits to junior security holders hinges. Statistically a wonderful case might be built up around the judicious use of the working capital which amounted to around $70 millions as of the end of March. As a sobering thought as to how much of this the management might be willing to use it is pointed out in some quarters that St. Paul had close to that much working capital on the same date and is already reorganized on a sound basis. Nevertheless, the management has not considered it advisable even to distribute to preferred stockholders the roughly $5,600,000 of dividends earned in 1945. Railroad managements, and particularly those that were forced into bankruptcy or receivership during the 1930s, are almost rabid on the subject of maintaining strong finances to weather the uncertainties ahead.

Even if the management should be willing to utilize a large part of its present working capital for payment of debt there is a very strong question as to legality of such a step so long as there are arrears of interest. As of the end of last year Rock Island had more than $125 millions of accrued unpaid interest. The cash now accumulated in the company's treasury is obviously there only because the company has not been paying interest. To the extent that this cash is not necessary for working capital or reserves it quite obviously belongs to bond holders as interest on their contractual obligations. It seems pertinent to inquire, then, what legal justification there would be for applying this cash to the principal of debt ranking junior to, or even equal with, the bonds on which interest is in default.

The argument is heard that the holder of, for instance, the Rock Island General 4s would benefit directly from the use of cash to retire other bonds of the same mortgage through the improvement in his own lien position. Regardless of the surface logic of such arguments it is difficult to find the legal or moral justification of using the cash in that manner if the bond holder individually would prefer to receive the direct distribution of cash as payment against his back interest. If the management of a railroad is to be allowed such latitude it is to be expected that all railroad credit will receive a very serious blow. If such action is to be condoned by the Commission and the Courts the logical sequel (even though it might seem far fetched at this time) would be for any railroad just to stop paying interest and use the cash saved in this manner to buy in its bonds which, having defaulted, would almost certainly be available in the market at bargain prices.

The resulting benefits (?) to the road's credit and the position of the junior security holders would certainly far overbalance any inconvenience that might be caused the vested money interests represented by the Wall Street dominated institutions holding the bonds. Any one with vision can readily see how much stronger would be the ultimate status of the persistent holder of even such a strong bond as Chesapeake & Ohio junior mortgage 3½s if the company should suddenly elect not to pay any interest on any of its bond issues and used the money instead to retire the General 4½s when people got tired of holding them without income and allowed the company to buy them in below par. Even the holder of the senior General 4½s could be said eventually to benefit if he held on through the period of default as his lien position would be further improved to the extent of the retirements. Obviously only a reactionary, and very selfish, bond holder would insist on receiving his interest when the greatest good to the greatest number can obviously only come through default.

Comments on Federal Reserve Report

(Continued from page 71)

ever, I am wondering whether the rank and file of the people in the United States are not losing many times what the Treasury is saving. I refer to the current interest rates on savings bank deposits, the reduction of dividends on life insurance policies, and the untold millions of bonds that have been called, all three of which I believe directly attributable to the Treasury's policy. The possible danger of current interest rates to the portfolios of banks I am purposely not going into."

Might I say that today I feel even more strongly about the danger from low interest rates than I did on Sept. 18, 1937. As a matter of fact, I am of the opinion that the country is going to be confronted with a depression of outstanding magnitude which will be due largely, if not entirely, to the Government's persistence in keeping interest rates low.

Very truly yours,
Edwin J. Schlesinger.
New York City,
June 27, 1946.

Another letter received by "The Chronicle" comes from Edward C. Randolph, Assistant Vice-President of the Trenton Banking Co., Trenton, N. J., who writes as follows:

Editor, "Commercial and Financial Chronicle," in re: Federal Reserve Report on Credit Policies:

The Federal Reserve report is a sad commentary on the intelligence and willingness of commercial bankers to play fair with the owners of life insurance and the beneficiaries of trust funds in general, not to mention the widows and orphans who are feeling the pinch in these days of rising prices for the necessities of life. Some banks are operating trust departments, you know.

They have gone with the wind like particles of dust in a cloud of stubborn resistance to relief from the condition about which they have been complaining.

In the open market, between April 16, 1946 and May 29, 1946, the 1972 bank 2½s declined in price from 109 18/32 to 106 18/32. How many bonds on balance did the weekly reporting member banks sell between said dates? None. They ran to the rescue of speculators to this extent:

(In Millions of Dollars)

	4-10-46	5-29-46	+ or —
Treasury bonds	27,142	27,475	+333
*Other securities	3,432	3,397	— 35
Total	30,574	30,872	+298

Between May 29, 1946 and June 12, 1946, the 1972 bank 2½s were pushed up in price from 106 18/32 to 107 16/32. How many bonds on balance did those banks buy or sell between said dates? About 25,000 bonds worth $25,000,000 were purchased, to wit:

(In Millions of Dollars)

	4-10-46	6-12-46	+ or — since 4-10-46	+ or — since 5-29-46
Treasury bonds	27,142	27,528	+386	+ 53
*Other securities	3,432	3,369	— 63	— 28
Total	30,574	30,897	+323	+ 25

*Excluding Treasury bills, certificates and notes.

To be sure, their operations were not confined to the 1972 bank 2½s. The facts of record show that "other securities" declined $28,000,000 while $53,000,000 were used to purchase Treasury bonds between May 29, 1946 and June 12, 1946. Yields declined all along the line, on short, intermediate and long-term bonds.

Sincerely yours,
Edward C. Randolph,
Asst. Vice-President.
Trenton, N. J.
June 21, 1946.

Forced Wage Increases Nullified by Higher Prices

(Continued from page 80)

day of strike, even if the workers' demand is met in full. If the strike lasts a month, it takes the workers almost two years to recover their loss of wages.

Effects of Forced Wage Increases

The workers' position, as a matter of fact, is much less favorable than the foregoing calculation would suggest, because in general the increase in money wages is far from representing a pure gain to labor. Workers in a strongly unionized industry may, by striking, achieve a wage increase that could not have been obtained otherwise. The increase, however, immediately sets up forces that tend to nullify its benefits. Profits in the industry tend to decline with the rise in costs; it becomes less worth while for producers to employ labor, and employment opportunities decrease. Ultimately, if not immediately, the price of the product must rise to offset the higher costs. This means a rise in the cost of living, which partly cancels the benefit of the wage increase to the workers in the industry and actually reduces the real wages, or purchasing power of workers in other industries. The demand for the product of the industry tends to diminish, and again employment opportunities decrease. Even under the very exceptional conditions of demand that exist today, there is increasing discussion of the possibility of a "buyers' strike" against rising prices and lower quality.

Meanwhile, workers in other unionized industries are encouraged to demand comparable wage increases. To the extent that these are obtained, the burden of the higher cost is shifted first to employers in the unionized industries and ultimately to consumers in general. A large part of it is borne, for a time, by unorganized labor. In some industries, where the competitive position is such that employers cannot immediately recover the higher wage costs by raising prices, high-cost producers will be forced out of business, and the decrease in employment opportunities will take place over a wider area.

Diffusion of Higher Wage Rates

If the higher union wages continue despite these offsetting forces, they will gradually spread into the nonunionized industries; for workers in those industries will tend to transfer, where possible, into the industries in which wages are higher, and at the same time employers in the nonunionized industries will temporarily benefit by their relatively lower costs and will find it worth while to bid up the price of labor in order to hold their employees and obtain new ones. This diffusion of higher wage rates will ultimately tend to produce a situation in which both wages and the cost of living are at higher levels, and workers are in no better position than they were before the increases began. If the monetary base is sufficient to support the higher wage-price level, the latter may become permanent. If not, the result is likely to be an overextended credit position, followed by a general collapse of prices, wages, production and employment.

Meanwhile, the increase in wages and prices will have had its effects on foreign trade. Higher costs will have weakened the competitive position of domestic products in export markets, and employment opportunities in the industries producting for export will tend to decline.

Fallacy of Arbitrary Action

This very brief and highly simplified outline suggests the principal types of reaction that tend to follow an initial arbitrary increase in wage rates. The relative intensity of the various forces and the speed and order in which they act depend on a large number of variable factors — the strength and prevalence of unions, the competitive positions of industries the degree of governmental control, and many others. In anything approximating a regime of free competitive private enterprise, however, they ultimately produce much the same effects. Artificially induced changes, whether in wages or in other factors, and whether caused by union action or otherwise, are closely limited both in extent and duration, because they promptly set up forces tending to restore the position of equilibrium among wages, prices and other factors that is essential to the operation of such a system.

We have seen this process at work in recent months. The belief that the disappearance of the overtime earnings of the war period could be offset by an arbitrary increase in straight-time wage rates, while prices were held stationary, has been disproved by the force of events. The strike wave is not the only evidence of the fallacy. The revision of the original postwar wage-price policy to recognize some wage increases as bases for price increases, the giving way of price ceilings under increasing pressure, the spread of black markets, the testimony of industrial authorities to the impossibility of effecting a prompt and smooth transition to peacetime operation without a reasonable prospect of adequate margins between prices and costs — all these point to the same conclusion. Abrupt and sweeping increases in real wages by arbitrary action are impossible in a private enterprise system.

Basis of Lasting Progress

Does this mean that workers must forego great and lasting improvement in earnings, working hours, and other working and living conditions? Far from it. Such improvement has taken place with remarkable regularity over the entire period for which records are available. Average hourly earnings of factory workers in 1940, according to the best information obtainable, were between nine and ten times as high as they were in the middle of the nineteenth century. Working hours had been reduced by almost half. Real average annual earnings—that is, earnings measured not in terms of money but in terms of purchasing power—had more than doubled.

Most of the increase in real wages took place prior to World War I, during a period in which labor unions were small and weak in comparison with their present position. It took place, moreover, without any apparent increase in labor's proportional share in the total value of output. Labor's earnings rose as its productivity rose. It was worth while for employers voluntarily to bid up wages in their competition for the available labor supply.

Causes of Rise in Productivity

The rise in productivity cannot be attributed to any increase in the amount of effort put forth by workers. On the contrary, workers probably work less hard now than they did a century ago, besides working far fewer hours. The gains in productivity and in wages were due to a variety of technological changes, almost all of which were developed by management and paid for by capital.

This is evidenced by the fact that the increases in productivity and in hourly wage rates roughly paralleled the rise in the amount of capital invested per wage earner. That amount, like the average wage rate, increased between ninefold and tenfold during the ninety years preceding World War II. The technological progress that makes possible such sweeping gains in productivity, and hence in the earnings of labor, necessitates huge increases in the amount of productive equipment used. To provide the additional equipment, receivers of income must save substantial amounts of that income; and this saving will not take place unless the prospective return on the investment is sufficient to induce it. The great increase in wages during the last century could not have occurred if the earnings of capital had not been sufficient to encourage large saving and investment.

If arbitrary increases in wage rates outrun the productivity of labor, and if the higher wage rates are not promptly offset by higher prices, not only will unemployment tend to result, but the inducement to save and invest will be weakened, and the basis for real and permanent gains in the earning position of labor will be impaired. There are some signs that such a trend was under way for several years preceding the war. If it continues, its effect can only be to weaken rather than strengthen the prospect of further lasting gains for labor in the years ahead.

The Need for Balance

The labor leader quoted above declared further that "labeling as 'selfish' the demands of American workers for decent working conditions, adequate wages, and equal opportunity for their children, will not stop strikes," and he added that "adequate food, clothing, shelter, education, medical care and social security for workers and their families are as important as corporation profits." This is an understatement. As ends in themselves these things are much more important than corporation profits. Workers and their families are by far the largest segment of the population, and their welfare is the greatest concern that any nation can have. Their desire for adequate wages and the other benefits mentioned is no more selfish than the normal aspiration of any human being to improve the conditions under which he lives.

What is too commonly ignored in statements of this kind is the fact that "corporation profits"—or, more broadly, the profitableness of productive enterprise—is indispensable to the high output that underlies the welfare of workers and everyone else. Too often it seems to be assumed that the remuneration of workers is determined by the wage policy of employers—that employers, and especially the large corporations, have inexhaustible cash reserves, and that wage rates depend on how much of those reserves the employers can be induced or forced to part with.

There are no such reserves, and if there were they would not help the workers. Wages come from sales of goods and services produced, and they represent a share of those goods and services. The goods and services are produced by labor and capital working together under the supervision of management. Each of these contributing factors must receive an adequate share of the joint product, or its contribution diminishes, production breaks down, and everyone suffers. And the sum of the shares cannot exceed the value of the product. As the American Federation of Labor has pointed out in recent public statements, only by producing more can we have more. General recognition of this elementary truth would go far toward securing the industrial peace that must be secured if we are to have more.

In a free society, there is no substitute for the law of supply and demand as a regulator of the distributive shares in the product of industry. To replace the automatic action of free markets by arbitrary decision is beyond the capacity of any mind or group of minds, and attempts to do so within limited fields create inequities and distortions that force a choice between a crippled industrial system on the one hand and arbitrary action over an over-widening area on the other. The American people have given sufficient evidence of their determination to escape the drift toward totalitarian control that is visible in some parts of the world. They can give effect to that determination only by keeping their markets free.

E. W. Grimshaw & Co. Formed in New York

E. W. Grimshaw & Co., Inc., is being formed with offices at 37 Wall Street, New York City, to engage in the securities business. Officers of the new firm are Elliott W. Grimshaw, President; James B. Akers, Vice-President and Treasurer, and Robert C. Fulton, Jr., Secretary. Mr. Grimshaw has been associated with J. G. White & Co., Inc.

Johnson V.-P. of Dime Savs. Bank

Philip A. Benson, President, announced today (June 25th) that Mr. George C. Johnson was elected to the newly created office of Executive Vice-President at a recent meeting (June 21st) of the Board of Trustees of The Dime Savings Bank of Brooklyn.


George C. Johnson

Mr. Johnson has been associated with "The Dime" since 1917, and has held the office of Treasurer since 1932.

Other promotions include: Austin C. Cheshire, Vice-President and Secretary; A. Edward Scherr, Jr., Vice-President and Treasurer; Alfred R. Marcks, Assistant Vice-President; Robert D. Barker, Assistant Vice-President; Clinton L. Miller, Assistant Vice-President; Ray C. Shepherd, Assistant Vice-President; Thomas S. Sites, Assistant Vice-President; Gustave T. Andren, Mortgage Officer; Gerald J. Peffert, Assistant Comptroller.

The Dime Savings Bank of Brooklyn is the largest savings bank in Brooklyn and the fourth largest in the United States, serving over 257,000 depositors with deposits of more than $373,000,000. Total resources exceed $400,000,000.

Women's Bond Club Elects New Officers

The following officers were elected at the annual meeting of the Women's Bond Club of New York: President, Miss Lucile Tomlinson, investment company consultant; Vice-President, Mrs. Joseph Pogue, Chase National Bank; Secretary-Treasurer, Miss Dorothy R. Funck, Assistant Secretary of the Irving Trust Company. Newly elected to the Executive Board were: Mrs. E. W. Axe, E. W. Axe & Co., Inc., and Miss Irene C. Sheehan, General American Investors Company, Inc. Miss Isabel H. Benham, R. W. Pressprich & Co., and Miss Helen Dickinson, H. M. Gartley, Inc., will continue as members of the Board.

The Women's Bond Club of New York is this year celebrating the 25th anniversary of its founding.

Public Utility Securities

American Power & Light

American Power & Light has made considerable progress with its system integration plans, though the program will doubtless require at least another year or so to complete. The company has retired all its bonds, but still has a huge amount of preferred stock outstanding—$177,204,000 par value, together with arrears of over $70,000,000, a total of over $247,000,000. While there are only a little over 3,000,000 shares of common stock outstanding, the junior issue at one time was considered to be "under water" so far as liquidation value was concerned, and sold as low as 9/16. Even last year's low was 2⅜, compared with the recent price around 20 and this year's range of 22½-10⅝. Evidently the company's recent progress, together with the gain in earnings due to lightening of the tax load, has stimulated speculative interest in the common stock. A study issued a few weeks ago by Bear, Stearns & Co. made the following calculations of actual and potential earning power:

Total earnings reported for the common stocks of system operating companies in 1945 was $18,091,000, of which some $9,915,000 was paid out in common dividends. However, from these earnings should be deducted $3,759,000 representing tax savings due to consolidation with the parent company and also due to special deductions resulting from refinancing (together with adjustments to present capital structure). However, it was estimated that elimination of excess profits taxes would permit savings of $10,764,000; and estimated savings of $1,767,000 (net after taxes) could be realized from future refundings of bond and preferred stock issues of subsidiaries. These adjustments would bring the total earnings figure to $26,863,000.

The next question was how to capitalize this earnings-power. Bear, Stearns & Co. presented a table using various multipliers from 10 to 16, resulting in capitalized values ranging from $268,000,000 up to $429,000,000. After deducting $247,000,000 preferred stock claims (par and arrears) the amount left for the common stock would thus range between $21,000,000 and $182,000,000, or from $7 to $60 a share.

There has been some debate recently as to what constitutes a "normal" price-earnings ratio for good-grade utility operating company stocks. Last year many such stocks sold to average about 18 times earnings, but if the earnings had been adjusted to the present tax law, the ratio would have dropped to around 13. Apparently it was feared that substantial tax savings would result in rate cuts, and that operating costs would increase. In general these fears have not yet been borne out, although some companies may eventually lose one-third to one-half of their tax savings in rate-cuts. Taking the utilities as a whole, earnings for the first four months of 1946 have been running about 30-35% over last year despite some increase in labor and fuel costs.

A "normal" price-earnings ratio (for 1946 earnings) would probably lie between 13 and 18—perhaps around 14-15. Assuming that three-quarters of earnings could be paid out in dividends, this would mean an average yield around 5%. Such a yield would be relatively high as compared with yields on many seasoned electric stocks, but in dealing with holding company subsidiaries which may come on the market it is necessary to be more conservative than in dealing with the older issues.

This point is illustrated by experience with some recent common stock offerings. Without going into a detailed analysis of earnings adjustments, it is estimated that price-earnings ratios (using 1945 tax adjusted earnings) were as follows: Columbus & Southern Ohio Electric, 13.5%; Dayton Power & Light, 14.3%; Ohio Edison 14.5%; California Electric Power 15.2%. Dividend yields at the offering prices were 4.48% for Columbus, 5.03% for Dayton, 4.85% for Ohio Edison and 4.53% for California Electric. Apparently, therefore, it is safe to use a price-earnings ratio of 14. Using this multiplier, the Bear Stearns estimate for American P. & L. common works out at $42.81 a share, or a little better than double the present price.

It must be kept in mind, of course, that this estimated "break-up" value assumes that the program of adjusting plant accounts, completing refunding operations, etc., is carried through to completion—a process that might require some time. A favorable development would be the sale of some of the subsidiaries to public power districts in the northwest, since such a sale would produce a much better price than a Wall Street offering. American has announced recently that it intends to merge Northwestern Electric and Pacific Power & Light, presumably as a preliminary step toward such a sale. While these companies are not of great importance in the system set-up, their sale might perhaps pave the way for similar disposal of Washington Water Power, which is one of the largest subsidiaries. There was some opposition to such sales by Representative Boren last year, but it appears unlikely that Congress will take any definite action to bar the sales.

Holland's American Investments

(Continued from first page)

Overhoff represents in New York the Amsterdam Stock Exchange—he is not a government official. The overall purpose of his visit is to discuss the technicalities of the resumption of security trade between Amsterdam and Wall Street after an interruption of six years. The Netherlands Government's foreign exchange policy is a chapter by itself which has no reference to the technical discussions of Stock Exchange officials.

But one thing Mr. Overhoff made very clear to the American press: no wave of selling is to be expected from Amsterdam. He went so far as to say that the word "liquidation" should not be used in this regard. It should be explained that in Dutch liquidation means sales under more or less pressing circumstances, as when a business winds up.

From conversations I have had with Mr. Overhoff, I gathered that Holland is certainly not winding up or going out of business as far as its American investments are concerned. On the contrary, the Amsterdam Stock Exchange official stressed *that the sale of American securities*—all privately owned—*will be on a completely voluntary basis: each individual owner will have to decide for himself what he is going to sell and when.* Mr. Overhoff stated that these sales will be handled by Dutch brokers in such a careful way that not only will no depressing influence be exerted on the Wall Street price level, but that Wall Street will scarcely even notice that Amsterdam is in the market as a seller.

As might be expected, several guesses have been made in the financial papers as to the amount of Dutch holdings of American securities. One billion dollars is a figure fairly generally quoted. In my opinion this amount is too high. It seems that the Dutch Government-in-exile during the war made an estimate of one billion dollars as the amount of Dutch dollar-assets. However, there is reason to believe that this amount includes dollar balances, working capital of Dutch-owned American companies and assets of similar nature. The exact amount will come out only after the security registration now being undertaken in Holland.

In the meantime, Mr. Overhoff's statement that Holland's sales would be minor, was strengthened by a statement of the Netherlands' Government in the latter half of last week, to the effect that sales of American securities held by Dutch nationals will not amount to more than $60,000,000. This figure, however, was mentioned in a Government report of February, 1946, published last week. It dates back to a period in which the Government contemplated forced selling, at least partially. Since then the Government has changed its mind and, as Mr. Overhoff stressed, sales will be completely on a voluntary basis.

But even the old figure of forced selling is surprisingly low and with the present volume of trading in Wall Street would certainly not glut the market if properly handled.

That sales will be properly handled may be considered a certainty; the long-standing Wall Street experience of Amsterdam stock brokers may safely be taken as a guaranty of proper execution. Officials of the New York Stock Exchange once expressed as their opinion that Amsterdam arbitrage dealings in the past were always handled in a very organized fashion, never having a disturbing influence in Wall Street.

Therefore, the probability is very great that no "central institution" or "central board" will be necessary to handle these sales. Discussion centered on Holland's sales has already evolved the idea of the possible intervention of combinations of Wall Street brokers or even investment trusts to take up blocks of securities offered from Amsterdam. It would be absolutely wrong to draw any parallel with the British "liquidation" in the beginning of the war and it may almost be taken for granted that the firms engaged in American-Dutch security business before the war, will again handle the sales. This would certainly be in full conformity with the desires of the large majority of Amsterdam Stock Exchange members and would coincide with Mr. Overhoff's personal point of view, as its President.

Mr. Overhoff's statement that sales will be on a voluntary basis, resulting from a very recent discussion with Minister Lieftinck, makes the $60,000,000 figure of no significance any longer.

Nevertheless, in my opinion, such a figure might easily be reached even on a voluntary basis.

This amount is less than 10% of the Dutch holdings, and after a period of more than six years in which no trade with Wall Street was possible, it seems more than likely that profit-taking will occur.

When the enemy occupied Holland a large number of American bonds, held for Dutch account, were quoted somewhere between 40 and 60% (or less), whereas these bonds are now par or even higher. Chicago Milwaukee adj. bonds—to mention one—were less than 1%, whereas the new stock issued for these bonds is now around $30.

From a yield standpoint, American bonds offer very little attraction to the Dutch investor and as a hedge against further dollar inflation they have no attraction whatever.

But in general, a period of six years is sufficiently long and price rises in Wall Street in the meantime have been inviting enough to make investors change their minds about some classes of securities.

Most popular of American shares has always been Shell Union common, the company being closely affiliated with Royal Dutch, Amsterdam's outstanding market leader. A fair guess about Dutch holdings would be somewhere between 55 and 65 million dollars, present market value. Also steels (U. S., Bethlehem and Republic) belonged to the favorite Dutch holdings, with U. S. Steel probably at some $30 million present market value.

Very popular also have been both leading copper shares, with participation in (and popularity of) Anaconda surpassing Kennecott. Present market value of each holding might be estimated at between $30 and $40 million and between $20 and $30 million, respectively. Next came General Motors, Am. Tel. & Tel., Tidewaters, etc., each with at least $20 million market value.

Dutch investors must feel particularly satisfied about the most gratifying price rise in Cities Service common, which is held in many portfolios. A host of American railroad shares—from the best to the worst—are Dutch-owned and price rises here have also been very attractive.

In the bond section, American railroads are heavily represented and development in this section has probably been most spectacular of all. For reasons set forth above, a certain amount of profit-taking would not be unlikely.

But that Dutch profit-taking would have a depressing influence in Wall Street seems highly improbable, unless sales were forced by the Government. As regards the latter, we have Mr. Overhoff's statement and Minister Lieftinck's statement—made in March of this year in Washington—to Mr. Vinson (then Secretary of the Treasury that "the Netherlands Government respects, as does the American Government, private property and liberty."

With these declarations, and the love of the Dutch investor for his American securities, no "flooding" of Wall Street need be feared.

Sutcliffe Vice-President Of Lytle & Co., Inc.

DETROIT, MICH. — Announcement is made by H. R. P. Lytle, President of Lytle & Co., Inc., Penobscot Building, of the election of Harold E. Sutcliffe as Vice-President of Lytle & Co., Inc., originators and underwriters of capital issues. Mr. Sutcliffe resigned recently as Treasurer of Graham-Paige Motors Corporation. Prior to the war, he was associated with the Detroit office of the Reconstruction Finance Corporation as a loan administrator, serving business and industrial organizations. Former connections include that of Bank Teller, Teller Accountant, bank branch Manager, and for several years with B. C. Schram, Receiver, where he specialized on loan liquidation settlements and reorganizations. As Vice-President of the Lytle organization, Mr. Sutcliffe will handle special assignments, devoting much of his time to the firm's activities in connection with mergers, financing, and reorganizations.

Merrill Lynch Founds Quarter Century Club

Merrill Lynch, Pierce, Fenner & Beane, 70 Pine Street, New York City, member of the New York Stock Exchange, held a banquet June 26th at the Waldorf-Astoria Hotel to celebrate the founding of the firm's Quarter Century Club. Fifty-five charter members attended the celebration.

Winthrop H. Smith, managing partner with 30 years service, acted as toastmaster. He said that the club is starting with one hundred and twenty members all over the United States who together have served the firm more than 3,500 years. Banquets were also held in Cleveland, Chicago, New Orleans and Philadelphia.

Mr. Smith read the old timers a letter from Charles E. Merrill praising their loyalty and service to the firm. Other speakers included E. A. Pierce, Carl H. Sayre, Almar H. Shatford and James J. Redmond.

Each Quarter Century Club member was presented with a certificate, a gold pin and a silver bowl. Five of the New York members are women.

"Our Reporter on Governments"

By JOHN T. CHIPPENDALE, JR.

The government bond market continues to be buoyant, with a rising tendency despite efforts by the monetary authorities to create uncertainties, which would have a depressing effect if the market were not in good technical condition. . . . Although fluctuations are still confined to narrow limits the undertone is good, and when the market gives evidence of moving down slightly, volume declines, and prices turn about as buyers take advantage of the minor lapses to acquire securities. . . . This was demonstrated Thursday of last week, when President Allan Sproul of the Federal Reserve Bank of New York asked the member banks of this district to reduce as far as possible the continued use of bank credit for carrying government securities. . . .

Following the publication of this letter, the market for government bonds declined slightly, but before the end of the day practically all of the recession had been made up. . . . A dull but somewhat firmer market with a good tone has been in vogue since then. . . .

MARKET ACTS WELL

Despite the attitude of the money managers toward the market, which seems to indicate a fear of rising prices and which they undoubtedly hope to prevent, by trying to talk it down or by pressure to force liquidation of loans for carrying government bonds, along with the sale of various issues by Government Trust Funds, the market seems to be taking all of this in stride. . . . Savings banks deposits are making new highs and life insurance purchases are breaking all records, which means that funds that will be seeking investment are continuing to accumulate and sooner or later they must be put to work. . . . Commercial banks have lost bonds through debt retirement and these institutions will be in the market to replace income that has been lost. . . .

These factors seem to indicate a good market with trading opportunities still available for nimble market operators. . . . Despite the uncertainties that have been injected into the market, advantage should still be taken of periods of weakness, if they should develop, to acquire securities. . . .

TOO LATE?

The step recently taken by the Federal Reserve Bank of New York to reduce loans for the carrying of government securities, in the opinion of many money market followers, has come too late to have any appreciable effect on the government bond market. . . . Many of these loans were extended some time ago, and it is doubtful that this most recent warning of the Central Bank of New York will result in worth-while calling of loans that would bring any sizable amount of bonds into the market. . . . To have been effective it seems as though this measure should have been taken during May or early June. . . . It would appear as though action was not taken at that time because the money managers were afraid that the market would have been thoroughly disorganized by such procedure. . . .

Why is there this desire now to force the liquidation of these loans? . . . Is it an effort to put bonds into the market in order to increase the supply? . . . Could it be there is a fear of a sharp uptrend in prices, as the market completes the digestion of the floating supply? . . .

Total loans to others for the carrying of governments are not large and have been constantly on the decline since the first part of the year. . . . It should also be remembered that not all of these loans are for speculative purposes. . . . The fact that these loans are but a small part of the total volume of bank credit outstanding, indicates their repayment would be but a minor contribution toward correcting these excesses. . . . Therefore, the limiting of bank credit does not seem to be the all important reason for this loan liquidation. . . .

TRUST FUNDS LIQUIDATING

It is indicated that Government Trust Funds are in the process of liquidating holdings of marketable securities in the amount of about $550,000,000. . . . Reports are that these obligations consist of approximately $352,000,000 of eligible issues, made up of some $307,000,000 of partially exempt obligations and about $45,000,000 of taxable securities. . . . The ineligible bonds aggregate $198,000,000. . . .

These securities, it was learned, will not be thrown on the market but will be sold in an orderly fashion in a rising market. . . . They must be put away among investors and it is reported that they will not be sold to dealers for positions. . . . Sales, it is indicated, will be made on a commission basis. . . .

This indicated move by Government Trust Funds to dispose of marketable issues, seems, to say the least, to be in contradiction to the recent statements of the monetary authorities, that the commercial banks should not be allowed to acquire additional government obligations and more particularly the longer-term obligations. . . .

END RESULT

With some $352,000,000 of these securities eligible for purchase by the deposit banks and more specifically about $307,000,000 being partially exempt obligations, it seems as though the commercial banks will be the largest buyers of these securities. . . . Of the ineligible issues that will be sold in the amount of some $198,000,000, it may be that non-bank investors will dispose of eligible obligations to the deposit banks and use the proceeds to purchase these ineligible bonds. . . .

If this should be the case, the commercial banks could directly or indirectly be responsible for practically all the securities that are being sold by the Government Trust Funds. . . .

These Trust Funds would most likely use the money obtained from the sale of these securities to acquire special issues bearing 3½% interest. . . . The funds that would go to the government from the sale of the Special issues to Trust Funds could be used to retire short-term securities so that there would be no net increase in the debt held by the commercial banks. . . .

WHAT'S THE ANSWER?

It is difficult to reconcile this development on the part of the government in allowing the sale of marketable issues by trust Funds, in the light of the recent recommendations of the Federal Reserve Board to the Congress that they be given new powers to limit the holdings of long-term bonds by the commercial banks. . . . One thing seems to be certain and that is the lack of consistency on the part of the money managers. . . . If the deposit banks already have enough, not to mention too many, of the longer-term obligations, why give them the opportunity to buy more of these same securities? . . .

Is there a desire on the part of governmental authorities to unload high coupon large premium issues on the banks so that the Trust Funds can take down profits before prices do a nose-dive if the Federal Reserve Board should get the new controls they are seeking? . . . Are the money managers supplying the market with issues, because they fear rising prices again, such as took place after the retirement of bonds on March 15? . . .

Clifford Named Special Counsel to Truman

Clark M. Clifford, who has been serving as President Truman's naval aide, with the rank of captain, was named by the President on June 27 to be his special counsel in the post formerly held by Samuel I. Rosenman of New York. Capt. James H. Foskett, the Associated Press Washington advices also stated has been appointed to succeed Mr. Clifford as the President's naval aide. Capt. Foskett was skipper of the cruiser Augusta which took Mr. Truman to and from the Big Three Conference at Potsdam.

Bank and Insurance Stocks

By E. A. VAN DEUSEN

This Week — Insurance Stocks

Two weeks ago this column remarked that an insurance stock provides inherent diversification. That this statement is true can readily be demonstrated by a brief analysis of the business and assets of any representative stock fire insurance company.

Interesting examples among the high grade and better known companies may be found in Hartford Fire, Home Insurance and Insurance Co. of North America. Each of these companies has its own distinctive characteristics which differentiate it from the other two. Hartford Fire, for instance, is a conservative writing, low dividend paying company, whereas Home follows a more aggressive underwriting policy and disburses a larger share of its earnings to stockholders. Insurance Co. of North America occupies a middle position as regards dividend policy, but is even more conservative than Hartford with respect to underwriting volume relative to capital and surplus, as will be noted in the following table:

UNDERWRITING VOLUME

	Net Prem. Written 1945	Policyholders' Surplus 12-31-1945	Prem. Written per $ of Policyholders' Surplus
Hartford Fire	$61,267,000	$105,402,000	$0.58
Home Insurance	74,539,000	84,321,000	0.88
Insurance Co. of N. A.	42,736,000	142,008,000	0.30

With regard to dividend disbursements, the following figures show the extreme differences in policy followed by each company.

	Five Year Total Consolidated Net Operating Earnings Per Share	Five Year Total Dividend Payments Per Share	% of Earnings Distributed
Hartford Fire	$42.42	$12.50	29.5%
Home Insurance	9.54	7.20	75.5
Insurance Co. of N. A.	34.76	15.00	43.2

The degree to which a stockholder's risk is diversified when investing in the shares of any one of these three companies is illustrated in the following paragraphs.

Hartford Fire Insurance Co.—This company is licensed to write insurance in all States, several Territories and Possessions, in Canada, and through membership in the American Foreign Insurance Association it may transact business on a world-wide basis.

It writes business in a variety of classifications of risk, its allocation of net premiums written being substantially as follows: fire, 54%, motor vehicle, 11%; ocean marine, 9%; inland navigation and transportation, 11%; extended coverage 7%; tornado, 3%, hail, 4%; miscellaneous, 1%. Hartford's annual statement for 1945 showed total admitted assets of $175,425,000; invested assets totaled $147,659,000. The latter produced a net investment income of approximately $4,470,000, which covered dividend disbursements of $3,000,000 by a very comfortable margin. These revenue assets were invested 2.6% in real estate and mortgages, 38.6% in bonds, 15.0% in preferred stocks and 43.8% in common stocks. According to the Company's schedule of stocks and bonds held as of Dec. 31, 1945 there were 50 different issues of U. S. Government securities; 20 issues of Canadian and Cuban bonds; 85 issues of bonds of various political subdivisions; 52 issues of railroad bonds; 18 issues of public utility bonds and two miscellaneous bonds. In the preferred and common stock category, the portfolio held 27 different railroad stocks, 72 public utility stocks, 42 bank and insurance stocks and 135 industrial and miscellaneous stocks. Thus, diversification to the nth degree is exemplified in the stock of the Hartford Fire Insurance Co.

Home Insurance Company—Similarly, a like degree of diversification may be found in the stock of Home, which is licensed to write business in all States of the Union, also in Alaska, Hawaii, Puerto Rico, Canada, Cuba and Panama. It likewise is a member of the American Foreign Insurance Association.

Total admitted assets were $172,998,000 as of 12/31/45, and invested assets, $141,500,000. The latter produced a net investment income in 1945 of $4,448,000, which covered dividend disbursements of $3,600,000 by a substantial margin. These assets were invested 2.5% in real estate and mortgages, 37.5% in bonds, 10.5% in preferred stock and 49.5% in common stock. The Company's schedule of bonds and stocks shows the following diversification:

Class	No. of Different Issues
U. S. Government Securities	25
Municipal Bonds	3
Railroad Bonds	6
Public Utility Bonds	1
Miscellaneous Bonds	6
Railroad Pref. and Common stocks	10
Public Utility Preferred and common stocks	22
Bank and insurance stocks	27
Ind. and Misc. Pref. and common stock	114

Business is written in a variety of lines, and net premium allocation is substantially as follows: fire, 57%; motor vehicle, 6%; ocean marine, 8%; inland navigation and transportation, 9%; tornado, 2%; extended coverage, 7%; hail, 9%; miscellaneous, 2%.

While Home's investment portfolio does not show as wide a degree of diversification as does Hartfords, it is certainly amply diversified.

Insurance Co. of North America—This 154 year old company is licensed to do business in all 48 States, also in Alaska, Hawaii Puerto Rico, Mexico, Canada and Great Britain. Business is written in all the principal lines which fire insurance companies are permitted to cover, and allocation of premium writings is substantially as follows:—fire, 42%; ocean marine 23%; inland navigation and transportation, 16%; motor vehicle, 7%; extended coverage, 5%; hail, 5%; miscellaneous, 2%.

The Company's total admitted assets as of Dec. 31, 1945, amounted to $200,175,000; invested assets totaled $173,040,000. The latter produced in 1945 a net investment income of $5,594,000 and covered dividend disbursements of $4,114,000 approximately 1.36 times. These assets were invested 3.1% in real estate and mortgages; 16.3% in bonds; 21.1% in preferred stocks and 59.5% in common stocks.

The Company's schedule of securities held shows the following diversification:

Class	No. of Different Issues
U. S. Government Securities	16
Foreign Government Securities	19
Municipal Bonds	11
Railroad Bonds	10
Miscellaneous Bonds	1
Railroad Preferred and Common stocks	22
Public Utility Preferred and common stocks	47
Bank and Insurance Stocks	19
Ind. & Misc. Pfd. and common stocks	136

In addition to the three types of diversification noted above, viz: geographical, underwriting and investment, each of the three companies own, in whole or in part, a number of subsidiary insurance companies which, in turn, manifest the same quality of inherent diversification. Thus it may be stated without equivocation, if an investor seeks diversification he will surely find it in insurance stocks.

But when selecting investments in this field he should also give careful consideration to managerial ability as reflected in the long term record of a company, and not rely exclusively on the common characteristic of inherent diversification.

Pescatello Inv. Officer At Carnegie Corp.

Michael Pescatello has been appointed investment officer of the

Michael Pescatello

Carnegie Corporation of New York, is was announced recently. Mr. Pescatello joined the Carnegie investment office staff after his graduation from Harvard Graduate School of Business Administration in 1935.

Senator Taft Defends Vetoed OPA Bill

(Continued from page 69)

can system, I think it should be ended at the earliest possible moment. I assisted in drafting the original Price Control Act and all the amendments.

I find a letter in my files from this same Chester Bowles, dated June 27, 1946, after a bitter fight on extension very much like the present one, in which he said, in part:

"Dear Bob: I want to thank you for your courteous, friendly and intelligent efforts to work out the Stabilization Extension Act. I know how hard it was and the amount of patience it required."

Worked for Price Control

Only last week I argued strenuously for the passage of this bill against those who desire to end price control altogether, or at least end it with reference to meat, dairy products and poultry.

No Price Control Act is an easy measure to pass through Congress, and I doubt whether any extension can now be put through again. The cross-currents of economic interest from different sections of the country are almost impossible to reconcile.

The vetoed bill was only put through Congress without specific decontrol by the adroit management of Senator Barkley. A great majority of the people west of the Mississippi desire the immediate termination of price control, as do their representatives in Congress.

Many others east of the Mississippi are disgusted with the complete breakdown of OPA on meat control, lumber control and a number of other vital commodities. They point to empty shelves, bread lines, butter lines, deserted production lines and black markets, and argue that anything is better than the kind of price control we have.

Congress Wanted OPA Improved

My own position and that of Congress is perfectly logical. We think the time has not quite come to take off basic price controls, but we do think the administration of OPA must be improved. The bill provides for the gradual liquidation of OPA over the next twelve months, the ending of subsidies on April 1, 1947, and reasonable pricing in the interval so that we can stimulate production and get rid of all the shortages that exist today.

The PAC really want price control continued indefinitely. It is in line with their idea of the totalitarian state. Apparently, the President now agrees with their philosophy. He objects in his message to the provision that there shall be decontrol of any commodity when the supply equals the demand.

If we can't get rid of price control when a sufficient supply is produced, will we ever get rid of it? He wants subsidies continued until July 1, 1947. It would then be easier to renew them again at that time. He uses the price amendments as a whipping post, but he is really demanding the indefinite continuation of the whole outfit.

He does not apparently accept in good faith the policy which is universally accepted in Congress and stated in the bill that "the general control of prices and the use of subsidy powers shall be terminated as rapidly as possible."

President's Attacks Unfair

The President's attack on the amendment which I offered in the Senate is utterly unfair. All that the Taft amendment provides is that producers, including farmers and manufacturers, shall be allowed to charge prices which reflect the increased cost of labor and material which they now have to pay.

This is done by permitting them to charge for each major product a price equal to their 1941 prices plus the average increase in the cost of labor, materials, etcetera, since 1941.

After all, this is peacetime again. Why shouldn't the producer be placed in the same position he was in before the war? There is no question of a freeze any more, because the OPA itself has put over 500 price increases into effect since March 1.

All we want to prevent during the next six months are the speculative rises in prices over and above the increase in costs. The danger I am concerned about it taking the roof off, as the President does by his veto.

But how can anyone hope to get production if we don't allow the producers to charge enough for their products to pay for the increased cost of labor and material? Even the President admits in his message that this principle has a "superficial" reasonableness.

There is nothing superficial about it except to the master minds among the New Deal economists at the OPA.

As a matter of fact, there is nothing new in the principle. The original Price Control Act expressly provided that the Administrator should start with the prices prevailing between Oct. 1 and Oct. 15, 1941, and should make adjustments for general increases in costs of production, distribution and transportation, among other factors. The language was pretty general, and the OPA never paid any attention to it.

Then, in 1945, we passed a law which expressly provided that "modification shall be made in maximum prices established for any agricultural commodity and for commodities processed or manufactured from any agricultural commodity [and that means nearly all food and clothing] in any case where, by reason of increased labor or other costs incurred since Jan. 1, 1941, the maximum prices so established will not reflect such increased costs."

As usual, the OPA didn't pay much attention to Congress, but they did use almost exactly the formula of the Taft amendment in pricing canned vegetables in 1944 and 1945. Furthermore, the so-called Bankhead amendment for several years has compelled them to follow more or less the same formula as to all cotton textiles.

In many fields, however, the OPA has by express regulation forced manufacturers to sell some products at cost or at a loss, because some members of the industry were making profits on other products. Of course, nobody makes the things which have to be sold at a loss. This is the reason for the shortage of butter, of many standard types of clothing, of building materials and many other articles.

Prediction of Price Increases "Wild Guesses"

The President's figures on possible increases are wild guesses and for the most part dead wrong. I was called today by the Association of Washing Machine Manufacturers who said that the President's estimate of one-third more for washing machines was a gross exaggeration, that the manufacturers hoped there would be no price increase at all, even if price ceilings were removed entirely.

Any steel increase would be less than half that stated by the President. You can judge from this how accurate his other figures are.

Any increase in manufactured goods brought about by the Taft amendment would be of minor importance compared with the importance of actually being able to buy them.

Furthermore, the President deliberately misrepresented the effect of my amendment when he said six times that price increases would result "immediately" or "right away." Under the amendment no increase can occur until the Industry Advisory Committee has presented complete figures to prove its case. This would take from 30 to 60 days.

Then the Price Administrator is given 60 days in which to examine the figures and fix the amount of the increase. The burden of proof is on the industry. If the Administrator refuses to permit any increase, there is an appeal to the Emergency Court of Appeals, which would take several months more.

Long before that, I hope we would be well on the way to the end of all price control. I hope the Administrator would act more promptly, but there is nothing immediate about it; whereas the President's veto removes all controls of every kind at midnight tonight.

It is significant that the President admits that the Taft amendment would have no direct effect on food or rents. He argues that because other prices would go up, food and rents would be bound to rise.

I admit that ultimately there would be some effect if other prices rise, but the effect would be about one-tenth of the effect on food and rents of the wage increases stimulated by the President.

Of course, it was impossible to keep price control much longer after the President removed all wage control on V-J Day. Of course, an increase of about $10 billions in wages and salaries will produce billions of dollars of increase in prices.

But the ultimate and unavoidable breakdown of price control will result directly from the President's policy, not from any act of Congress—certainly not from the minor requirement that manufacturers be allowed to reflect their increased costs in prices.

Act Had Power to Prevent Speculative Increases

In short, in the act passed by Congress, the President received complete power to prevent speculation and speculative increases in price and all increases in rents. We merely reaffirm more vigorously the original principles of the Price Control Act. Yet he has chosen to plunge the economy of this country into chaos.

In such a controversial field where feelings already run high, we cannot hope that the Senate will act without debate, and it should not do so, because the issues to be settled are vital to the welfare of the country.

Wants Price Control Continued

I hope price control will be continued, and I should vote to reenact the bill he has vetoed; but I am afraid the bill which the President will get the next time, if he gets any, may go further towards de-control than the one he has vetoed.

In the meantime there are no price controls. No businessman knows what he should do or what price he should charge. I hope that everyone will exercise the reasonable restraint which Americans always exhibit in a crisis.

The President had a choice between a reasonable transition from price control back to the free enterprise system on the one hand, and the ending of all OPA powers by veto. He chose to take all the chances of chaos, followed by speculative rises in price.

He chose the course, having been warned by his own Democratic leaders of the necessary result of his policy. He has repudiated their leadership and assumed to write a law for Congress, although the Constitution of the United States gives the Congress power to state the conditions on which price control shall be continued.

Competition and Monopoly In Organized Labor Markets

(Continued from first page)

the standard price. Union attempts at standardization of the speed of work also tend to restrain a worker from selling an above-standard amount of labor at the standard price.

The economic effects of such restraints upon competition depend upon the standards set. When such restraints are employed in moderation they may serve mainly as methods of preventing extremely low wages, excessively long hours of work, and work speed dangerous to health. When wage rates are advanced without regard to the productivity of the labor, however, and hours and work speed are reduced further and further, these restraints upon competition tend to place unbearable cost burdens upon marginal firms, to raise substantially the price of the product, and to create an unwarranted degree of scarcity for the product, which, in turn, affects adversely the standard of living of other persons—including other workers—who purchase the product.

As a union attempts to obtain more and more wages for a given amount of work of its members competition from labor outside the union becomes an increasing threat to its wage-raising goals. Attempts of a union to restrict or prevent this competition provide a basis for many of the principal tactics employed by unions—including many restraints of competition and trade which impose substantial burdens upon the economic system.

Competition Between Union and Non-Union Workers

Assuming that a closed shop agreement is not held by a union, it is faced with the competition of non-union workers who are, or may become, sellers of labor in the same market. A substantial number of union practices tend to restrict or eliminate this type of competition.

Non-union workers may be persuaded to join the union by peaceful methods, or, on the other hand, by practices involving coercion of various degrees. Opprobrious terms, such as "scab," "rat," etc., may be applied to the non-union worker as a form of psychological coercion. Threats of physical violence to the non-union worker or his family may be used when more moderate methods are ineffective. Preferential employment agreements may be obtained which give a preferred status to the union employee in cases of employment of additional workers, lay-offs, discharges, promotions, or other changes in the number or status of employees. The union may prevent local non-union competition as to wages, hours, and working conditions by obtaining a status of exclusive bargaining agent in such matters (permitted by the Wagner Act when the union represents a majority of the workers of a designated bargaining unit).

A union maximizes its pressure upon an employer by a strike—a concerted withdrawal of union labor from the employer's enterprise. At such a time the union has a special interest in restraining competition from non-union workers until a new agreement has been arranged with the employer. If "peaceful picketing" of a limited number of employees is thought to be inadequate to keep non-union workers, customers, and others away from the establishment during the strike, other methods of more forceful persuasion—well-known to all of us—may be brought into use, including threats of violence, actual physical violence, mass picketing, and even construction of barricades.

Frequently the more disorderly and violent methods of restraining the normal operations of an enterprise during a strike are said to be due to the heat of the controversy. In some cases this may be so. In the judgment of the writer, however, such an explanation is inadequate. Union workers, undoubtedly, understand that intimidation, violence, and other forceful methods of keeping people away from a struck plant may succeed in tying up an enterprise when less coercive methods fail.

Competition With Self-Employed Workers

Another type of local competition which union workers may attempt to restrain is that of self-employed workers performing, for themselves, the unionized type of labor. A teamsters' union competes with farmers, other self-employed enterprisers, and possibly others who do their own hauling instead of employing union labor. Painters, electricians, carpenters, and others who work at the construction or maintenance of homes or structures may suffer considerable limitation in the demand for their own labor—especially when wage rates are raised to extremely high levels—by the fact that owners of buildings paint them or engage in other maintenance or repair work on them.

Unions have attempted in a substantial number of cases to restrict or prevent the competition of self-employed workers. Recorded instances of union interference with this kind of competition include attempts of teamsters' unions to prevent farmers from hauling their own produce to market in their own trucks; of a Chicago egg-candlers' union to prevent the sale of eggs not candled locally by its membership; of building trades' unions to prevent small contractors from using construction tools; of painters' unions to prevent home owners from painting their own homes; and of a teamsters' union in Detroit to compel merchants and dealers to employ union teamsters instead of picking up, with their own vehicles and personnel, meat supplies at local packinghouses.

The Closed Shop: Monopolization of Labor Supply

The ultimate degree of control, by a union, of competition in the supplying of labor to a market would be attained by (1) elimination of competition from self-employed workers, (2) achievement of a closed-shop status, (3) prevention of competition from other local unions, and (4) prevention of any competition from organized or unorganized labor outside the jurisdictional area of the union.

Attempts of unions to achieve the first condition have been outlined above. Attempts of unions to achieve the other objectives will be discussed in the order in which they were enumerated.

A closed-shop agreement results in complete monopolization of the labor supply within the jurisdictional area and of the type or types of labor covered by the union. It has the effect of eliminating completely the competition of non-union workers in the labor market covered by the union agreement. An employer cannot bring pressure to bear upon the union by increasing his non-union personnel—either during or between strikes.

Attainment of a closed-shop status may add little economic power to that already possessed by a union, however, when the union controls a high percentage of the labor employed; when it is exclusive bargaining agent for all workers on wages and other major questions; when it has obtained a preferential employment status for its members; and when—during strikes—it is successful, by coercive methods or otherwise, in controlling the potential competition of non-unionized labor.

Some market limitations do exist—when permitted by law—which provide certain restraints upon the exactions of a closed-shop union. If the union is limited to a plant, an enterpriser may shift operations to other plants, or threaten to do so, in cases of multi-unit businesses. If the union is limited to one locality, an employer may shift, or threaten to shift, his business to another community. If demand for the product is elastic, declining consumers' demand will place an indirect restriction upon the sale of monopolized labor whose cost forces up the price of the commodity or service produced by it. As a last resort, an enterpriser may go out of business—assuming he is in a field of enterprise in which withdrawal from the field is permitted by law.

The economic power resulting from monopolization of labor supply tends to increase as the above limitations become less and less potent. For instance, when a closed-shop union covers an entire industry producing an essential public utility service, an employer cannot protect himself by shifting plant operations, relocating his business, or going out of business. Furthermore, the essential nature of the utility service (assuming lack of satisfactory substitutes) prevents the buying public from disciplining the union by substantial reduction in demand for its products. Increasing labor costs are passed on—to the extent that they are not counterbalanced by reductions of profit or non-labor economies—to the buying public, mostly other workers, in the form of higher prices. An extended strike throughout such an industry results in spreading economic paralysis, unemployment, food shortages, and danger to public health and safety.

The Closed Shop: Monopolization of Work Opportunities

Before passing on to the subject of inter-union competition it is well to take note of the fact that the closed shop represents monopolization, within its jurisdictional scope, of work opportunities. The only avenue to employment and continuation in employment is membership in the union.

This monopolization of work opportunities is restricted in its coercive potentialities to the worker when the jurisdictional scope of the closed-shop union is narrowly limited. If, for instance, a closed-shop union were restricted to one type of labor in one enterprise operating in only one community, workers could escape its coercion by selling their labor to another enterprise in the same or other communities or by changing—if possible—to another type of work. Even under such restricted scope, of course, substantial coercive power over the workers will prevail when only one employer is available in the local area and when the workers find it expensive or difficult to move to other communities or to take up another type of work.

The coercive potentialities of the closed shop, as a monopolization of employment opportunities, are increased as the principle spreads to more and more enterprises, communities, industries, and types of work. The obvious reason for this fact is that, as the closed-shop principle is employed increasingly, workers are faced with greater and greater difficulties and expense in obtaining an open market in which to sell their labor.

The type of management of closed-shop unions also affects the coerciveness of the closed-shop principle to the worker. The principle may be but mildly coercive to a group of workers if all of them are union-minded; if initiation fees and union dues are moderate; if union management is honest, efficient, and democratic; if the union does not exclude workers from membership on the basis of race, creed, or nationality; and if fair hearings are given prior to suspension or discharge from membership (and, thereby, loss of employment). The principle becomes a source of economic tyranny, on the other hand, when large numbers are forced into the union against their wishes; when costs of union membership are excessive; when union management is dictatorial, dishonest, and wasteful of union funds; when workers are excluded from membership because of race, creed, or nationality; and when union members are suspended or discharged, without a fair hearing and on trumped-up charges, by union officials who, for one reason or another, desire to get rid of them.

Competition Between Local Unions

Competition between unions operating in a given labor market may be pronounced when unfederated locals, federated locals which disobey jurisdictional awards of their federations or locals of competing federations engage in rivalry for jurisdiction over a given kind of labor.

Numerous jurisdictional controversies have resulted from this type of rivalry. Members of a carpenter's local of the A. F. of L., for example, engaged in a strike several years ago against a brewery because the enterprise followed an A. F. of L. jurisdictional award in assigning the work of installing metal machinery to the A. F. of L machinists' union. In fact, the carpenters' union attempted to organize a nationwide boycott of the brewery's beer and even called a strike against a contractor constructing a plant for a container corporation because the plant was being constructed on land owned by the brewery.

Such jurisdictional controversies frequently develop between unions of the A. F. of L. and those of the C. I. O. Among such controversies resulting in litigation during the past several years have been (1) a boycott, by A. F. of L. carpenters, of plywood produced by C. I. O. workers, although the employer of the carpenters was required by law—as a result of an election to determine a bargaining representative—to deal with the C. I. O.; (2) a refusal of A. F. of L. unions, in a Southern city, to install materials delivered by a C. I. O. teamsters' union which had been chosen in an election under terms of the Wagner Act, as the sole bargaining agent for teamsters in that area; and (3) a work stoppage involving a zinc company when a dispute developed between A. F. of L. and C. I. O. construction unions as to which union should supply labor for expanding an existing plant of the company—considering the fact that the existing plant was operated by C. I. O. labor but that construction of a new plant had been awarded to A. F. of L. unions.

These forms of inter-union rivalry obviously do not tend to result in awarding of jurisdiction on the basis of labor efficiency and economy. Neither do they contribute to continuous and efficient use of productive resources. They are power contests, between rival combinations of workers to enlarge their respective jurisdictions over the labor market.

Unions may attempt to restrict this form of competition by amalgamation of unions covering closely-related types of work; federation of craft unions and assignment, by the federation, of jurisdiction over specific skills to specific unions; or consolidation of rival federations. Thus far such efforts have not prevented numerous and costly jurisdictional struggles.

Competition of "Outside" Labor

Unions adopt methods also to restrict or prevent competition from labor — organized or unorganized—outside the local or regional area within which the union posseses jurisdiction.

Competition of this outside labor may develop in several ways: (1) importation of products into the union's jurisdictional area which have been produced by outside labor, (2) adoption of technological improvements by local employers which shift the demand for labor away from the local market, and (3) transfer of an outside supply of workers to the local labor market.

A number of examples of attempts of unions to restrain competition of the first type have been made public during recent years. Among them have been a rule of a Chicago stonecutters' union that all stone handled by the membership must be locally cut; a rule of a Seattle sheet-metal-workers union that only locally-made warm air furnaces might be installed by the membership; and a conspiracy of a New York electrical workers' union, local manufacturers of electrical equipment, and local contractors to exclude from the New York market electrical equipment manufactured elsewhere. It will be noted that in this last case unions and business groups joined hands in an attempt to exclude outside competition.

Unions frequently attempt to restrain the transfer of labor demand from their own area to an outside area by opposing local use of new products reducing the demand for local union labor. An outstanding example of this type of restraint has been the opposition of union locals in the building crafts to construction of prefabricated houses. One instance leading to litigation some years ago involved refusal of A. F. of L. unions and local contractors to erect a prefabricated house in Belleville, Illinois. When a manufacturer of the prefabricated house attempted to bring in C. I. O. labor to erect the house daily riots broke out and police protection was requested without success. The house was completed only after an anti-trust indictment had stopped the rioting.

Unions which possess closed-shop agreements are in a position, thereby, to prevent a transfer of outside non-union workers to the local labor market. Union locals attempt sometimes, also, to discourage transfer of outside union labor to the local market by fees and rules which make such transfers difficult and expensive.

Such union restraints of competition with outside labor as those mentioned above tend to place significant burdens upon the free exchange of commodities between different sections of a country, mobility of labor, regional specialization on the basis of comparative costs, and ready adoption of new inventions and processes.

Generalization of the Scarcity Principle

As unions become more powerful they are likely—as the above discussion indicates—to emphasize the principle of market scarcity to improve their status. That is, they attempt to enhance their incomes by creating a scarcity value for labor which would not prevail in a more competitive labor market.

One or a limited number of unions may be able to advance the standards of living of their members by emphasizing the scarcity principle—if the demand for their labor is rather inelastic, and if demands for the products of their labor are also inelastic. Under these conditions, union workers may find it possible to enhance their annual incomes by raising the unit price of labor by a greater percentage amount than the demand for their labor declines. Moreover, they will be purchasing commodities whose prices, in most cases, have not risen as a result of union scarcity practices—since, under the assumed conditions, there are relatively few unions.

As the scarcity principle is adopted by more and more unions its power to improve living standards of unionized workers at the expense of unorganized workers and other consumers becomes less and less. The reason is obvious. Members of a given union, as consumers, experience more and more instances in which scarcity policies of other union workers reduce the purchasing power of their own wages. Even from the viewpoint of union workers, therefore, emphasis upon an economics of scarcity becomes less and less tenable as unionization of workers becomes more general.

Legal Status of Union Restraints and Monopolies

Federal and state laws do not—as now written and interpreted by the courts—provide substantial protection against unreasonable restraints and monopolies in labor markets. Neither do the laws provide significant safeguards against labor restraints of, and obstructions to, trade or commerce in commodities.

The closed shop is encouraged, in general, by present Federal law, since the Wagner Act permits it (except when the union does not represent a majority of the workers or is assisted by or dominated by the employer); since the Act encourages unions; and since an objective of many unions has been to achieve a closed-shop status. The Railway Labor Act does not allow closed-shop agreements, but the number of workers affected by its terms is very limited in comparison with the number affected by the Wagner Act.

State courts have, in a minority of the states, ruled closed-shop agreements to be unlawful monopolies of the labor market. The recent trend, however, has been away from such a ruling. However, during the past few years a number of states have adopted restrictions on the use of the closed shop or have prohibited it.

Federal law—as interpreted by the Supreme Court—places very few restrictions upon those union activities and agreements which prevent the utilization of improved equipment, materials, or processes; which require the employment of unneeded labor; which restrain commerce for the purpose of promoting union graft and corruption; which are designed merely to transfer, by coercion, work from one union group to another; or which are aimed at maintaining prices of the products of union labor. Recent decisions of the Supreme Court indicate that only when unions **join hands with a combination or conspiracy of employers** to effect unreasonable restraints of competition **between business enterprises** are they likely to run afoul of Federal anti-trust law. The Lea Act — if held constitutional — attempts to restrain coercive acts of unions affecting radio broadcasting. The Hobbs Bill—if it becomes law—extends terms of the Federal Anti-Racketeering Act to unions and their agents to prevent union extortion affecting interstate commerce.

Obviously state law is incapable of dealing with unreasonable restraints of labor and commodity markets practiced by unions organized on a national basis and most of whose activities affect interstate commerce.

Major Questions of Public Policy

This brief outline of conditions of competition and monopoly in organized labor markets is sufficient to indicate the need for adoption of public restraints upon union methods of competition, the scope of a union's jurisdiction, monopolization of a labor market by employment of the closed shop, and union restraints upon commercial competition.

There is a real need, in the writer's judgment, for adoption of legal standards of fair competitive practices for unions pertaining to competition between union and non-union workers, between different unions for control over a given kind of labor, between a local union and outside union or non-union labor, and between the union and an employer over terms of a new agreement.

The scope of union jurisdiction should receive careful consideration by the Congress. As the jurisdiction of a union spreads to more communities, enterprises, and types of work, its monopolistic power increases in a cumulative fashion because escape from its pressure becomes more and more difficult. Extended jurisdictional scope is conducive to union domination of smaller enterprises, uneconomic geographic standardization of wage rates, disparities in standards of real wages, industrial concentration, emphasis on scarcity economics by unions, and threats to the national welfare resulting from industry-wide strikes in basic industries.

Extension of the closed shop to more and more industries and regional areas enhances the coercive power of unions over workers seeking employment as well as over employers seeking labor. The coercive potentialities of a widespread closed-shop situation are so great that the conclusion seems inescapable that the representatives of the public, by appropriate legislation, should prohibit the closed shop altogether or establish careful legal standards for its adoption, administration and termination.

Union restraints upon commercial competition are now illegal under Federal anti-trust laws, apparently, only when unions join hands with a combination or conspiracy of employers. Amendment of anti-trust law, therefore, is essential if unreasonable restraints upon business competition by unions are to be dealt with adequately by law.

Union monopolies and restraints upon competition have become as important as enterprise monopolies and restraints in their effects upon the functioning of the economy. A body of law analogous to anti-trust law, however, is lacking in connection with labor restraints and monopolies. Formulation of such a body of law is a task of major importance if the advantages of competition in the national economy are to be retained to an important extent.

Benson in Campaign for NYU Medical Center

Philip A. Benson, president of the Dime Savings Bank of Brooklyn, will serve as chairman of the Special Gifts Division in the campaign to raise $15,000,000 for New York University's section of the New York University-Bellevue Medical Center, Dr. Harry Wodburn Chase, University Chancellor, announced on June 24.

Philip A. Benson

Mr. Benson, prominent in financial and civic organizations, is a member of the New York University Council, past president of the American Bankers Association, a member of New York State Banking Commission, a trustee of the Kings County Trust Company and also of the Savings Banks Trust Company. He is vice-president of the Brooklyn Chamber of Commerce and a trustee of the Brooklyn Institute of Arts and Sciences.

Vice-chairman of the Special Gifts Division are George W. Bovenizer, a partner of Kuhn, Loeb and Company, and Laurence C. Payson, vice-president of the Bankers Trust Company.

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have the will to prevent it. Today the opportunity of completing the transition from war to peace with an economy which is stable, sound and secure is within our grasp.

To avoid sacrificing this opportunity requires courage, wisdom and self-restraint. This winter and spring the tensions have been more acute than ever before. We are all weary and impatient of Government restrictions and controls. We are all eager for the day when we can pursue our own affairs in our own way. In such a mood there is the natural temptation to remove essential safeguards, prematurely.

This bill yields to that temptation. It would provide us with no real safeguards at all. It would start prices and costs climbing. It would start the value of the dollar falling and keep it falling. Far from helping production it would retard it. In the end this bill would lead to disaster.

I shall not attempt to comment on all the bill's provisions. Some of them are entirely appropriate. Many others reflect minor concessions to special interest groups of the sort which the Congress has heretofore resisted. To these latter provisions I object on the grounds of principle. But in the last days before the expiration of legislation so vital to the nation's welfare I should not regard these concessions as a basis for withholding my approval from an extension bill.

Objects to Amendments

My fundamental objection to the bill is to the numerous amendments which would raise the price of essential cost-of-living commodities. Of those by far the most damaging is the price-raising amendment for manufacturers introduced by Senator Taft (Section 11), operating in conjunction with the revised price-raising amendment for distributors introduced by Senator Wherry (Section 10, Par. (T), and with the special cost-plus amendments for automobile and appliance dealers first offered to the House Committee on Banking and Currency by Representative Crawford (Section 10, Par. (Q) and (R).

Taft Amendment Stressed

The mainspring of this combination is Senator Taft's amendment. It is that amendment which would compel thousands of needless price increases amounting to many billions of dollars. The Wherry and Crawford amendments simply make sure that before the Taft-amendment price increases for the manufacturers reach the consumer, they will be pyramided by generous wholesalers' and retailers' mark-ups.

The provisions of the Taft amendment are complex, but they wear a superficial reasonableness. I am sure, however, that Congress adopted his amendment without full appreciation of its consequences.

I wish it were possible to tell you exactly how many billions of dollars the American people would eventually have to pay for the Taft amendment and its companion pieces. To attempt to do so, however, would be like trying to estimate the cost of a fire about to sweep a city before the first building had started to burn. Even to estimate the total amount of all the first round of price increases is not now possible.

Here, however, are a few examples which would enter into such a total.

The first impact of the Taft and Wherry amendments in the crucial field of housing would be little short of devastating. The prices of nearly all building materials would be affected. The average increase of such materials, excluding lumber, would be approximately 20%. This would completely disrupt the program recently approved by the Congress to provide veterans' housing at reasonable cost.

Ceilings for steel would have to be raised an average of $4 to $8 a ton. These increases would in turn be reflected in the ceilings of everything made of steel.

Cites Expected Price Rises

The average price of low-priced automobiles would be increased $225 to $250, on top of the substantial increases already granted.

Household appliances such as washing machines and refrigerators would increase from 25 to 30%. Floor coverings would go up about 17%; plumbing supplies, about 16%; farm machinery, about 13%.

The prices of clothing—already too high—would be increased by an estimated average of 15%—more than half of which would be attributable to the Taft and Wherry amendments and the balance to other amendments. This by itself would add about $3,000,000,000 a year to the living expenses of American families.

These are only preliminary estimates of a few of the initial price increases. They do not take into account the further increases, for example, on automobiles, after steel, tires, safety glass, and other materials and parts have received their own increases.

The bill would cause some major increases in food immediately. It would curtail subsidy payments so that the prices of certain foods would have to go up. Other foods would get immediate increases under the Taft amendment but these would go to processors rather than to farmers. Like the wage earner, the white-collar worker, and the millions of old people and others who must live on fixed incomes, the farmer is a victim of this bill.

This, however, does not mean that the country would get any real protection, for long, in what it costs to eat. The same thing is true of rents. The bill does not direct any immediate increases in rents at all. But this does not mean that rents could be effectively controlled.

If I thought that this bill would make possible some genuine protection against soaring food prices and rents, I should hesitate long before disapproving it—despite the total impossibility of stabilizing the prices of other essential commodities. Our economy, however, cannot be half-stabilized. We cannot quarantine inflation. Higher prices for the things that farmers and landlords buy would inevitably force up farm prices and rents.

In the case of farm prices, this is required by the parity provisions of the law. In the case of both farm prices and rents, general increases would be forced upon us by simple justice and the hard facts of business and economics.

This bill, therefore, gives only the delusion of protection against rising costs of food and shelter. It would delay their rise a little. But the delay would be long enough to cause unnecessary hardship for farmers and landlords—not long enough to bring real benefits to consumers and tenants.

Would Lead to Excess Profits

The spectacular increases in the prices of manufactured goods which the Taft amendment and its companion amendments would cause, right at the beginning, are far in excess of anything which industry needs to earn generous profits and obtain full production. The increases are so large because the formulas for computing them are bonanza formulas.

The Taft amendment puts into prices the profit per unit of sales which the industry received for the particular product in the year 1941. That was a year in which manufacturers and processors received a much greater profit out of each dollar of sales than in any one of the five peacetime years which preceded 1941 and more than in any one of the following five wartime years.

Indeed, 1941 profit margins were half again as great as in the banner year of 1929. Today, however, the volume of sales is greater than that of 1941 and it is going to increase steadily if inflation does not stop it. Thus, at the very time when we should be getting the benefit of high volume in the form of lower prices, the Taft amendment would inflate prices.

In the case of products like automobiles, washing machines and refrigerators which are just returning to the market, the Taft amendment produces especially unreasonable prices. This is because the amendment adds to prices all the abnormally high costs arising from temporarily low volume and change-over conditions.

The Wherry amendment gives a final boost to prices by requiring the pyramiding of manufacturers' increases at the wholesale and retail levels.

Of course profits ample to provide the incentive for full production are what makes the American free-enterprise system work. Prices must not be inflexibly held. Increases have been granted and more will have to be granted to remove impediments to production. The Taft amendment, however, in the name of stimulating production promises peak profits on every product, even where production is already going at full blast and profits are eminently satisfactory. As industry after industry accepts the invitation of the Taft amendment in an attempt to make good profits better, prices will go up and up.

Would Not Promote Production

In addition, the industries in real need of relief will tend to be lost in the shuffle. The OPA, already criticized for delay in these deserving cases, will be increasingly unable to act promptly to break production bottlenecks.

There is a grim irony in the fact that the Taft amendment is defended as a stimulant to production when in fact it will greatly impede production.

The evidence is readily at hand. For weeks we have seen meat and other commodities withheld from the market in anticipation of higher prices. The simple fact is that the average business man or farmer who knows that his price will soon be higher will not sell any more goods this week than he has to—be they suits or sewing machines or cattle.

The manufacturer with a price increase pending would naturally slow down deliveries as much as his working capital and his storage facilities would permit. At the same time the knowledge that his suppliers had their own increases pending would lead him to do all he could to build up his inventories.

But his suppliers would also slow down deliveries for the very same reason. As essential materials and parts were withheld from the market, production lines would gradually grind to a halt. Workers would pay their toll to this amendment in loss of employment. Consumers would pay theirs in lack of goods.

These cases would develop, not by hundreds but by thousands. As fast as price increases were granted, they would raise the costs of purchasing industries and form a basis for additional increases. Each one would bring its new slowdowns and new bottlenecks.

It is plain to see why the enactment of the Taft amendment as an aid to production would be a sorry list. Production requires a reasonable stability in costs, a continuing flow of goods and a readiness to buy and sell. The Taft amendment would result in erratic price and cost movements, a feverish effort to buy and a calculated reluctance to sell.

The Taft amendment would wholly destroy the program of wage stabilization which has been so painstakingly, and at times painfully, developed during the months since V-J Day.

The Wage Stabilization Board has contributed greatly to that development. The representatives of industry, labor, and public who compose it have brought what threatened for a time to become a runaway wage movement into a fair and orderly procedure with which virtually all unions and managements have cooperated. This union still needs the continuing services of the Wage Stabilization Board.

Endangers Wage-Price Stabilization

I wonder, therefore, if the Congress realized when it voted for the Taft amendment that it was voting to destroy the present wage-stabilization program and the usefulness of the Wage Stabilization Board. Under the existing program the board has the task of determining the limit of wage increases which an employer can use as the basis for price increases. Its determinations of these limits have played a vital role in bringing about innumerable wage settlements.

The Taft amendment, however, provides that, "in determining costs for the purposes of this section, all costs shall be included." The Office of Price Administration advises me that under this provision it would be required to recognize all wage increases as a basis for price increases, even if the board had not approved them and regardless of their amount.

This is the beginning of an inevitable spiral of uncontrolled inflation—a race between rising wages and rising prices. Far-sighted leaders of both labor and management know that nothing can be gained—and everything lost—by simply letting prices and wages chase each other.

Yesterday I received a letter from the National Wage Stabilization Board, which board represents industry, labor and the public. The board advises that it believes that uncontrolled inflation will result from this bill. Furthermore, the board states, "it is our unanimous judgment that the proposed legislation presents no possibility of wage stabilization or of the achievement of the balance between wages and prices which is essential to economic stability."

Bill Provides Formula for Inflation

This bill provides a sure formula for inflation:

1. A first round of sharp and widespread price increases;
2. Production slowdowns due to price uncertainties;
3. Renewed demands for further wage increases due to higher living costs;
4. Higher production costs due to production slowdowns and stoppages and to higher labor costs;
5. A cost-plus pricing amendment which requires higher production costs to be translated immediately into higher prices.

And all this at a time when the supply of goods is still far below the record demand.

The formula would lead to disaster even if it could be assumed that price control could be administered in an orderly fashion, and that the Office of Price Administration would be able to build up a staff adequate to its new burdens. The fact is, however, that these assumptions are unreal. The OPA could not discharge the responsibilities which the Taft amendment and the other price-raising amendments would thrust upon it—either with its present staff or with any staff that it might conceivably recruit.

Moreover enforcement and compliance with price regulations are dependent on the general stability of prices over considerable periods of time. Once prices were set in continuous upward motion compliance would deteriorate rapidly. Little hope could be held out for compliance with ceiling prices fixed under the Taft amendment.

Would End Uniform Ceilings

The reason for this is that the ceiling price of each individual manufacturer would depend upon the price which that particular manufacturer charged in the base period—usually Oct. 1-15, 1941. To this base period price each manufacturer would be entitled to add a uniform increase factor representing cost increases incurred by the industry generally since that time.

Under this system, obviously, every manufacturer who had a different price in the base period would have a different ceiling price now. Uniform ceiling prices would become impossible except in those industries which charged uniform prices in the base period. Thus, most of OPA's dollars-and-cents regulations, which are the most readily enforceable kind, would be wiped out.

Proof of any ceiling price violation would require proof of the price which the particular manufacturer charged during a two-week period five years ago. Every enforcement proceeding would thus become a time-consuming and often futile historical investigation.

In these circumstances, the formal structure of price and rent control which the bill retains would be wholly ineffectual to stem the tide of inflation which it would set in motion. Unable to cope with the deluge of industry demands for higher ceilings under the new pricing formulas, and increasingly aware of the futility of its task, OPA's administrative staff would disintegrate. After irreplaceable losses from its ranks had reached a certain point, the consequence would not be more administrative delay. It would be complete collapse.

Wants Reconsideration of Stabilization

In the face of these alarming consequences to the country if the present bill should become law, I urge the Congress with all the earnestness at my command to reconsider the whole problem of stabilization.

Cites Increased Production

In that reconsideration, let us see just where we stand today. Under the existing stabilization laws production has recovered remarkably from the shock of war's end. Output of civilian goods already surpasses the 1941 level and employment exceeds that level by six million. This record has been achieved in spite of shortages of critical materials and parts and in spite of extended work stoppages in basic industries. The major labor-management disputes are settled, and we are moving rapidly toward the realization of our post-war objectives of full production and full employment in a sound economy.

There still are shortages, but they will be progressively wiped out in the months ahead if business and labor stick to their job of producing the most possible goods in the shortest possible time. This can happen only if business has assurance of reasonable stability in its costs and if labor has assurance that its real wages will not be cut sharply by rising living costs.

We can look ahead to a steady easing of other inflationary forces. The efficiency of production is bound to increase and bring with it an upsurge in total output. If the stabilization laws are renewed in effective form, it is expected that the Federal budget will be balanced during the coming year, thus eliminating the deficit which was a basic source of inflationary difficulties.

As the inflationary pressures lessen, commodity after commodity can be removed from controls and we can emerge with a stable economy in which the traditional American free-enterprise competitive system can take command. Not until then will the law of supply and demand keep prices at reasonable levels. So long as demand far exceeds supply, the law of supply and demand will drive prices up.

Let us remember further that inflation and collapse in the United States would gravely jeopardize our efforts to build the kind of international economic relations that will provide a solid basis for world peace. The whole structure of international prices, currency values, and fi-

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nancial and trade relations is still unsettled. Because of our position and influence in world trade and finance, inflation and collapse in this country would shake the entire world.

In short, the most serious difficulties of the transition from war to peace are already behind us if only we have the wisdom and fortitude to see to it that the forces of inflation, so long held in check, are not unleashed when victory is all but won.

Wants New Bill

Therefore I call upon the Congress to act and act now by passing a bill which will give the nation adequate assurance of completing a successful transition to a sound peacetime economy. Such a bill should contain the following provisions:

First. The bill should provide for extension of the stabilization laws for a full year.

Second. The bill should authorize the continuance of stabilization subsidies on a scale sufficient to avoid serious increases in food prices during the next six months and to permit the orderly termination of subsidies during the first half of 1947. In my judgment, an authorization for the expenditure of a billion and a quarter dollars during the year as a whole is the minimum necessary for these purposes.

Third. The bill should lay down a Congressional policy with respect to the termination of price controls and subsidies. I approve the provisions of Paragraphs (A), (B) and (V) of the proposed new section 1A of the Price Control Act contained in Section 3 of the present bill.

These provisions call for the orderly removal of all price controls and subsidies during the course of the coming year, with the exception only of those commodities which, on or before April 1, 1947, the President finds to be still in critically short supply and for which he asks and secures authority for continued control to be administered by some established department or agency of the Government other than the Office of Price Administration.

No Objection to Decontrol Standards

I would not oppose the formulation of standards for the de-control of particular commodities, as provided in H. R. 6042 or the establishment of an independent price de-control board to review these applications—provided that the standards were modified to make sure that, during the next crucial six months, ceilings do not have to be lifted where it is clear that serious price rises would result.

The spelling out of detailed standards and the establishment of new and complex administrative machinery, however, do not seem to me to be necessary. If the Congress lays down the declaration of de-control policy contained in Paragraph (B) of the proposed new Section 1A, permitting administration flexibility in its application, I give my personal pledge that the policy will be carried out to the full in spirit as well as in letter.

I ask the Congress also, if it gives me responsibility for carrying out a measure of the kind I am urging, to permit me to do this through a unified or effectively coordinated administrative organization and not to handicap me by legislating an unsound split of authority.

Fourth. The adjustment of product prices to make possible the maximum total production is, of course, one of the foundamental requisites of good price administration during this final transition period. I do not believe that any change in the present law is necessary to assure that such adjustments are made. To put the matter beyond doubt, however, I would not object to a provision which expressly requires the adjustment of price ceilings wherever this is necessary and would be effective to increase the total production of needed goods.

The great majority of the American people want an effective price-control law. They are entitled to have it. Under such a law we can win the war against inflation just as decisively as we won the war against the Axis.

Most members of the Congress have not yet had an opportunity to take an unequivocal position on this issue. As the present bill became more and more heavily loaded with amendments during its four and one-half months' progress through the Congress, the issues became more and more obscured.

Members who wanted more effective price control were found voting for the bill, or for particular amendments to the bill, on the basis that these were the best that could be secured. Side by side with them were members who wanted to weaken price control or get rid of it altogether.

Decries Congress Delay

It is most unfortunate that the Congress has delayed final passage of a bill down to the eve of the very date of termination of the existing law.

As far back as Sept. 6, 1945, I urged the Congress to pass an extension of the Price Control Act at an early date so as to avoid the uncertainties which have made control more difficult for the last few months. Had this been done there would now be no necessity for these last-minute decisions. I repeated my request to the Congress to extend price-control legislation without crippling amendments again and again—on Jan. 21, 1946; May 22, 1946; May 25, 1946, and June 11, 1946.

Nevertheless just before the expiration of all price control there has been presented to me, by the Congress, an impossible bill.

I cannot bring myself to believe, however, that the representatives of the American people will permit the great calamity which will befall this country if price and rent control end at midnight Sunday. On behalf of the people I request the Congress to continue by resolution the present controls for the short period of time necessary to write a workable bill.

The fight against inflation is never easy. We are battling against economic forces which have caused us untold misery after every previous war and which have overcome or are threatening to overwhelm many of the nations engaged in this war.

We shall not win this fight by soft measures.

All of us who must play a part in the decision of this issue face a solemn responsibility. We stand at an historic moment. Our actions will be judged by the American people and judged again by history.

President's Radio Address

The text of President Truman's radio address, which he delivered at 9 p. m. Eastern Standard Time on June 29, over a nation-wide hook-up, follows:

My fellow contrymen:

The crucial situation which confronts our country requires that I report to the people this evening.

Today I returned to the Congress without my approval the extension of the Price Control Law which it presented to me for my signature.

I returned it with a long message stating my reasons. I hope that you will all read that message in your newspapers.

I assure you, my fellow countrymen, that before I vetoed this bill I gave the subject long days and nights of consideration. I consulted with practically every top official in the Government. Either personally or through representatives I obtained the views of people in agriculture, industry and labor, as well as many others.

You have all heard a great deal about inflation. Its seriousness cannot be overestimated. It would affect every indivdual in our country. Inflation would cause an increase in the price of every article you buy. As prices soared with inflation, your money would buy fewer and fewer of the necessities of life. Your savings, your insurance, your war bonds—all would decrease in value.

For five years we have proved to this country and to the world that inflation can be prevented. Those of you who remember the First World War will recall the wild inflation and the collapse that followed. You will remember how farmers were ruined, how businessmen went bankrupt, how wage earners suffered. This time we have succeeded in preventing such a calamity. We have done this largely through price control. It was not done by a miracle. It was done because the American people had the wisdom and the courage and the restraint to know that they had to submit to restrictions and controls or be overcome by the force of inflation. We must continue to prevent inflation. This is as important now and in the months to come as it was during the war. Time and again I have stated and restated this proposition.

Gave Bill Long and Careful Study

I wanted to sign a price control bill. I gave this bill long and careful study. I came to the conclusion that the bill which the Congress sent me was no price-control bill at all. It gave you no protection against higher and higher prices.

Having reached that conclusion, I was faced with these alternatives. I could sign the bill on the plea which had been made to me that for the immediate present at least, it might be a little better than nothing. Or I could disapprove the bill, and call upon the Congress to give the American people a real, workable, price-control law.

If I had taken the first course and signed the bill, I would have encouraged the false impression that you were going to be protected for the next year against excessive price increases. But, sooner or later, all of you would have awakened to a bitter realization of the truth. You would have soon begun to see thousands and thousands of price increases, adding billions and billions of dollars to our cost of living. It is hard to see how people could continue to pay higher and higher prices without requiring higher wages or salaries. The tremendous advances that we have made toward the settlement of labor-management disputes over wages would have been wiped out. The mad chase to inflation would soon have been under way.

I could not permit that to happen.

Preferred Break in Price Control

I took the second alternative, knowing full well all the dangers which would come with it. I knew that there was danger that the Congress might not pass a resolution which would give us some kind of protection after midnight tomorrow when the present price control law ends. I knew, therefore, that it was very possible that for a few days at least, we might be without any price control law.

I could not bring myself to believe, however, that the representatives of the American people—your Senators and Representatives in the Congress—would permit such a condition to continue long. And I was sure that when this issue was presented to the American people and to the Congress there could be only one answer. That answer is that the Congress should immediately pass a resolution continuing present price and rent controls until the Congress can pass a workable bill.

It would have been much easier for me to sign this bill. But the American people would have soon realized that real price control was at an end in spite of the law. If I had signed the bill the people would have seen their prices going up, day by day. You would have realized soon that the bill which had been passed and called a price control law was not price control at all.

What I have done is to call a spade a spade. I must now rely upon the American people and upon a patriotic and cooperative Congress to protect us all from the great pressure now upon us, leading us to disastrous inflation unless we have have the means to resist them.

I know how weary you all are of these restrictions and controls. I am also weary of them. I spend a good deal of my time listening to complaints. I know how eager every one of you is for the day when you can run your own affairs in your own way as you did before the war. I know, therefore, how strong the temptation is to remove too quickly the safeguards which we have built up for ourselves and our children.

The bill which the Congress sent me yielded to that temptation.

It is certainly most unfortunate that the Congress kept delaying and delaying action on this bill for so many months when they knew that the price control law was going to expire tomorrow.

Tried to Get Congress to Act

I am sure that all of you know of the efforts which I made to get the Congress to act on a price control extension far in advance of the date when the old law was going to expire. As far back as September last year, in a message to the Congress, I urged it to pass an extension of the price control act at an early date. I did not rest with that message of last September. In later communications to the Congress, I repeated my request four times to extend price control. In addition to these direct communications, I stated publicly many times how important it was to our safety that a price control extension bill should be passed right away.

But I could not persuade the Congress to act. Instead, just two days before the expiration of all price control this impossible bill was sent to me.

In my veto message to the Congress which I sent this morning I discussed the various provisions of the bill.

I do not have time this evening to comment on all the provisions of the bill. There are many objections to it, but my most fundamental objection is to the price raising amendment for manufacturers which was introduced by Senator Taft.

The Taft Amendment

Under this amendment there would be thousands of needless price increases amounting to many billions of dollars. The Taft amendment provides that the manufacturer shall receive for each article the profit which he made on that article in 1941 and that he may add to the 1941 selling price all increases in cost which have occurred since that time. In 1941 the manufacturer received a much greater profit out of each dollar of sales than at any time in the five preceding years or in any of the five following wartime years. In fact, profit margins in 1941 were 50% greater than in the banner year 1929.

Volume of sales is much greater today than in 1941, so that manufacturers would have received a bonanza. In addition, Senator Taft's fellow Republicans, Senator Wherry and Representative Crawford, put amendments into the bill which made sure that not only would the manufacturers' price increases be borne by the public but that such increases would be pyramided by generous wholesalers' and retailers' mark-ups.

As you sit in your homes this evening your interest in this bill and my interest in this bill are exactly the same. The question is: What effect would this bill have had on you—the people of our country?

I believe in the profit system and desire that profits should be ample to provide the incentive for full production. The Taft amendment, however, provides for higher prices and higher profits even where production is already going at full blast and profits are wholly satisfactory.

Problem of Shortages

We have been through five difficult years. We are looking forward to buying the things we need. Let us examine this problem together.

Do you need a new low-priced automobile? If so, what effect would the Taft amendment have had on the price of your new car? It would have increased immediately the prices of the popular makes of automobiles by $225 to $250 per car.

Are you a veteran planning to build a home for yourself and family? The Taft amendment would have added immediately a minimum of 20% to the cost of your building materials. The program recently approved by the Congress to provide veterans' housing at reasonable cost would have been completely disrupted by this Taft amendment.

Are you a housewife who has been waiting for years for that new washing machine or refrigerator? The Taft amendment would have made it cost one-third more right away.

Are you faced with the responsibility of clothing your family? Under the Taft and other amendments the already high clothing prices would have been increased 15% right away. For clothing alone the American people would have paid at least three billion dollars more a year.

Are you in a business in which you need to buy steel? The price of steel would have gone up under the Taft amendment between $4 and $8 per ton right away.

Are you a farmer? Under this bill the price of farm machinery would have gone up 13% right away.

Those are only a few examples of the first round of increases the Taft amendment would bring. But that is only the beginning. Price increases in one industry are cost increases in another. By the time, for example, that the automobile industry had got its Taft increase based on present costs, it would be hit by the Taft increases in steel, tires, safety glass, and other materials. So automobiles would go up still more.

Predicts Inflation Spiral

In this way increase would follow increase. The bill had no stopping place in it.

In addition, these increases would have been passed right down the line. You, the consumer, would pay it all.

All of us agree that what this country needs is production. Production brings jobs, good wages, moderate prices. Perhaps the most vicious effect of the Taft amendment would be to slow up production.

The only possible justification urged for all of these Taft price increases is the claim that they are necessary to encourage production. Even if they did encourage production, that would still be a terrific price to pay for that increased production—a price measured in suffering and distress among people of moderate and low incomes.

The fact is, however, that production would not be stimulated by the Taft amendment, but would be greatly impeded. Nobody wants to sell his goods this week if he can get a better price for them next week. This is no mere theory. You have seen it working day after day for the last month or so, as people began to believe that price control might soon come to an end.

People who had cattle and hogs to sell for slaughter for food have decided to hold them for higher prices. People who had clothing for sale have decided to do the same thing. So have people with innumerable other commodities which we all need so badly now.

Asks Attorney General to Investigate Shortages

Incidentally, I have asked the Attorney General to make an investigation of some of the factors involved in our present shortages to determine whether anyone is criminally responsible for them and to place the responsibility where it belongs.

These instances of withholding goods from the consumer would be multiplied thousands of times under the Taft amendment. Production and deliveries would be slowed down waiting for price increases. This would create bottlenecks of essential materials and essential parts which would bring production lines to a halt. By the time they started up again there would be new applications for price increases and additional waiting for greater profits. Labor would be penalized by loss of employment. Consumers would be penalized by lack of goods and ever-rising prices. Farmers would be penalized by higher prices for what they buy and reduced markets for the things they sell.

It is a cruel jest to say that the Taft amendment would aid production. As I also pointed out this morning in my veto message, the Taft amendment would wholly destroy our program of wage stabilization which has been built up since VJ-Day. It would destroy the usefulness of the Wage Stabilization Board.

The result would be the beginning of an inevitable spiral of uncontrolled inflation — a race between rising wages and rising prices. Far-sighted leaders of both labor and management know that nothing can be gained — and everything lost — by simply letting prices and wages chase each other.

Despite the total impossibility of stabilizing other prices under this bill, I would have hesitated to disapprove it if I had thought it gave some real protection against soaring food prices and rents. We have learned, however, that higher prices for the things that farmers and landlords buy, would inevitably force up food prices and rents. In both instances, serious increases would be forced upon us by the hard facts of business and economics.

I realize that the great majority of our people do not have the facts and figures that must be considered in order to know what a bill like this would do. That is why I am speaking to you this evening. You are entitled to have the facts before you.

Says Congress Leaders Wanted Workable Bill

I want to make clear that my decision to veto this bill does not mean any lack of appreciation of the sincere and tireless efforts of the leaders and many other members of the Senate and the House of Representatives to pass a workable price-control bill. I know that many members of both houses who voted for the bill which was sent to me did so with regret and only because they had, at that time, no opportunity to vote for a good bill. Now every member has a clear-cut opportunity to show whether or not he wants effective price controls.

I have submitted to the Congress in my veto message a plan for price control legislation for the comparatively short period of time that it is still needed. The will of the people is still the supreme law of our land. Your determination to retain price controls and so prevent inflation must be made known to the Congress. The Congress is the only branch of our Government which has the power to pass a law providing for proper price control.

Now because of congressional delay we are faced with a brief period in which legal restraints on price increases will be lacking. I have urged the Congress to act immediately and to adopt the kind of bill which can be made to work.

But, in the event of delay, I know that the United States can depend upon the patriotism and good sense of its citizens. Therefore, I call upon every businessman, every producer and every landlord to adhere to existing regulations, even though for a short period they may not have the effect of law. It would be contrary to their own interest to embark upon a reckless period of inflation. It is to their own interest to exercise self-restraint until some action can be obtained from the Congress.

I also request every employee of the OPA to stay at his battle station. The fight is not over. I am counting on all employees of the OPA to continue to serve in the future as they have in the past and to finish the job. I urge these loyal civil servants and the thousands of volunteers who are giving their time to make price control a success, to see this fight through.

And, finally, my fellow citizens, I say to you that we as a Nation have it within our hands to make this postwar period an era of the greatest opportunity and prosperity in our Nation's history. But if short-sightedness and impatience, if partisanship and greed, are allowed to triumph over the efforts to maintain economic stability, this grand opportunity will have been sacrificed.

That must not happen.

With your help and understanding it will not happen.

China Trade Controls on Gift, Commercial Shipments

Trade control regulations recently announced in China are applicable to imports for personal use and gifts as well as to commercial shipments, according to reports received by the Office of International Trade, Department of Commerce, and announced by it on June 21. The Department says:

Prohibited articles may not be imported for any purpose. An exception is made for items in passenger's baggage providing the articles are for immediate use, are owned by the individual carrying them, and are not for sale. Articles in excess of the amount allowed are liable to confiscation.

Items designated as luxuries and whose importation is prohibited cover a wide range of commodities.

All products made wholly of these goods; woolen carpets and carpeting, and all other floor coverings of wool; silk velvets, plushes and all other silk articles for personal wear; automobiles of seven-passenger capacity or less, whose net f.o.b. factory cost to dealers exceeds $1,200 (U. S. currency); chassis for such automobiles; musk; tusk manufactures; curios and antiques; damascene ware, Satsuma ware and lacquer ware.

In addition, under the new regulations, a license must be obtained for certain commodities regardless of value or intended use, and whether or not foreign exchange is required for their importation. Included are automobiles costing less than $1,200, sugar, leaf tobacco, kerosene oil, and developed cinematographic film.

Mutual Funds

What They're Saying—

From the Semi-Annual Report of **American Business Shares—**

"The per-share net asset value of the capital stock of the Company rose from $4.84 to $5.59 during the six months (ended May 31, 1946). This increase of 75c was approximately 16%. Security prices in general rose 10%, as measured by the Dow-Jones Composite Average.

"The reason for the greater increase in the value of our shares lies in our investment policy. Our rule is to buy and hold securities of companies which, based on careful investigation, (1) have good management, (2) are adequately financed, and (3) have good future prospects. We further require that the price of the security be attractive, in relation to our estimates of future earnings and dividends.

"This policy properly emphasizes over-all performance; it recognizes that protection of the purchasing power of your capital is as important as the amount of current income you receive. Indeed, such protection is more important, because possible fluctuations in the value of your capital are many times greater than differences between one dividend rate and another. Hence, it frequently happens that we select securities which pay low current dividends, but offer large potentialities of appreciation.

"An illustration of the emphasis on over-all performance in our thinking is our purchase of common stock of Marshall Field and Company, the Chicago department store. In 1944 we studied the company in detail; we talked with its top executives; we mapped out the economic forces at work in the retail-trade industry. We concluded that Marshall Field had good management, sound finances, and good future prospects, and that the stock was attractive in relation to our estimates of future earnings and dividends. We added a large block of shares to our holdings, which thereupon showed an average cost of 17½.

"About a year later—at the end of our fiscal year, Nov. 30, 1945—the stock was quoted as 38½. Its dividend rate was then $1.10 per annum, which was equivalent to a 6.3% return on our cost, but only 2.9% on the current market value of the stock. It would have been easy to sell the stock at that time and invest the proceeds in some security yielding more than 2.9%—but our forecasts envisioned earnings of about $7 a share in 1946, which meant that the further appreciation possible on the stock was much more important than a few extra percentage points in current return. We, therefore, continued to hold Marshall Field, and within a short time it had advanced to about 50.

"How foolish we would have been if we had sold the stock at 38½ and purchased another, simply to secure a higher yield, at the sacrifice of the protection of the purchasing power of your capital! Yet that is what might have been done if our policy were different—if, for example, we made it a primary objective to pay you high quarterly dividends from net investment income. Such dividends, with only secondary regard for over-all results, may be superficially attractive to many people, but we have enough confidence in your good judgment to believe that you want us to work for your best interests to the limit of our ability.

"I do not wish to imply that all of our investments have done as well as the one discussed above. Some have done better, some not so well. The sole purpose of the recital is to illustrate a management philosophy which in the past six months has enabled your shares to out-pace the market average by about 60%.

"No one can foretell the future with certainty. Most assuredly, we who are managing your money do not make any pretense of being able to do so. We are, however, constantly appraising the business outlook, through careful study of underlying economic factors, and also through our close observation of companies in which we have investments. We believe the upward trend of the securities market has not run its course; but when our studies forecast trouble or indicate that the market is at dangerously high levels, we intend to shift our investments into a defensive position. At that time, we will give increasing weight in our portfolio to short-term government and high-grade corporate bonds, and decreasing weight to equity securities. In that way we hope to retain the purchasing power of your capital which has been built up over the past several years."

* * *

From current news bulletins issued by **Distributors Group—**

"While the increase (in freight rates amounting to 6½%) was not quite up to our expectations, we regard it as a bullish factor for at least two reasons: (1) The approximately $400 million estimated increase in gross revenues at least just about offsets the recent wage increase of $725 million after taxes, and (2) More significant was the attitude of the ICC in granting his "emergency" increase. In the first place, it was one of the quickest increases ever granted. Furthermore, there wasn't a single ICC Commissioner who didn't vote for an increase; three of the 11 Commissioners simply thought that a greater increase was justified. The Commission, therefore, 'promised to hold exhaustive country-wide hearings to determine whether still greater relief is needed.'

"It is our opinion that the earning power of selected railroads—they must be carefully selected—is sufficient, even under the present rate increase to support higher railroad stock prices; and, that further rate increases are very likely which, combined with expanding volume, should produce earnings to support substantially higher railroad stock prices.

"We regard **Railroad Stock Shares** as a sharply undervalued group of stocks."

* * *

"The demand—both domestic and foreign—for railroad equipment should maintain operations of this industry at capacity this year, next year and possibly for several years thereafter.

"The earnings of leading makers of railroad equipment — and the market prices of their stocks — have suffered because of the major strikes that now appear to be behind us. Selected stocks of the types held for **Railroad Equipment Shares** appear undervalued."

* * *

From the Quarterly Report of **Investors Mutual—**

"Net assets on June 17, 1946 were $95,380,302 or $11,961,736 over the last quarterly report of March 15, 1946. Outstanding shares on June 17, 1946, totaled 6,354,426, which were distributed among 43,013 stockholders. . . .

"Continuing to follow the 'middle of the road' investment policy, the fund's portfolio as of June 17, 1946 showed 52% invested in common stock, 34% in preferred stock, and 14% in bonds. Net asset value per share of Investors Mutual, Inc., on June 17, 1946, was $15.01 compared with $13.885 on March 15, 1946."

* * *

From **Calvin Bullock's** attractive new management booklet, "Since 1894"—

Foreword—"It takes five minutes to read this booklet. It took 50 years to write it."

Conclusion—"It seems self-evident that investors should request advice from experts.

"A convenient method for investors to benefit from experts' judgment is to purchase shares in a well-managed investment fund.

"Such shares should give investors a greater degree of safety, of income, of marketability and of potential appreciation — combined—than any other type of security.

"Yet how does one choose good management?

"It would seem that one should choose a firm or group of men whose sole interest is investment management—not conducted as a side line.

"It would seem that such an organization should have sufficient income to employ the best available brains. Because a comprehensive and scientific piece of management machinery should have a definite bearing on results.

"Achievements of an organization should obviously have been above the average. And, finally, it should be thoroughly experienced."

* * *

From **National Securities & Research Corp.'s** current issue of National Notes commenting on the organization recently formed by the Mellon family to advise it on investments—

"The example of the Mellon family is a good one for most investors!

"As is well known, the Mellon family group, with its immense banking, industrial and real estate holdings, is one of the most powerfully entrenched in the world. The Mellon security holdings alone are presumed to total many tens of millions.

"Hence, when a group of this caliber decides that financial and economic factors have become too complex and diversified and require careful and continuous study by a trained, full-time organization, it is an admission of far-reaching significance! **It means that one of the largest private investment groups in the world has found it wiser and more profitable to emulate the practices of the mutual investment funds!"**

From this same sponsor's current issue of Investment Timing discussing "The Future of The Bull Market"—

"As to the future of the present bull market, our opinion, as expressed above, is that it will not end this year. Furthermore, given any good combination of various favorable potentials already visualized, we would look for the bull market top, whenever it does occur, to be substantially beyond current levels. This is not an attempt to forecast the end of the bull market, and is about as far as conjecture can reasonably be carried."

Mutual Fund Literature

Broad Street Sales Corp.—Current Letter discussing "Outlook

For Profits"; a new booklet describing **Broad Street Investing Corp.** . . . **Hugh W. Long & Co.**—Revised prospectus on **Fundamental Investors** dated June 11, 1946 . . . **Keystone Co.**—Current issue of Keynotes . . . **Distributors Group**—Current portfolio card on **Railroad Equipment Shares.** . . . **National Securities & Research Corp.**—June issue of the National Trust Fund Survey; Revised folder on **National Speculative Series.**

. . . **Lord, Abbett** — Current Investment Bulletin on **American Business Shares.**

Dividends

Affiliated Fund, Inc.—A quarterly dividend of 3.8 cents per share payable July 20, 1946 to stock of record July 10.

Investors Mutual, Inc.—A quarterly dividend of 10 cents per share payable July 22, 1946 to stock of record June 30.

Secondary Inflation

(Continued from first page)

"liquidity." But on the other hand, the urge for higher living standards combined with depleted shelves, reduced debts, deferred replacement needs, pent-up demand for durables; higher wages, increased security, etc., are as many psychological forces which militate against hoarding. The expectation of higher prices tends to strengthen the spending propensity.

All told, it is reasonable to assume that the amount of per capita liquidity more or less permanently entrenched in pocketbooks may be twice as large now as it was, say, in 1929. That is a liberal assumption, indeed, which still leaves a spendable margin of at least $120 billions, additional to the purchasing power that arises out of current national income, of which 14% only is being saved in liquid form, against 30% during the war.

Mechanism of Credit Expansion

But that is not the whole story. Let us assume for the sake of illustration, that in the course of the next twelve months $10 billions of Federal paper should be redeemed or not renewed on maturity (over and above what the Treasury redeems by using its own bank balances). The Federal Reserve would have to provide the bulk of the funds since there will be no budgetary surplus available, nor could the banks absorb more than a part of the "dishoarded" bonds. To that extent, new cash is being put at the disposal of the public, most of which is likely to be deposited with banks. Suppose, to simplify matters, that all of it flows as demand deposits into the metropolitan commercial banks which are subject to a 20% reserve requirement. Ten billions deposited in these banks would leave them with $8 billion excess reserves. Having $10 billion new deposits, they can proceed to extend fresh loans, which will reappear in turn as additional deposits in the same or other banks. In due course, as a result of the well-known pyramiding process, new deposits to the tune of $40 billions could be brought into existence without impairing the banks' reserve position.

The point is that **the cashing of a moderate fraction of the total bond portfolios opens the door for a vast expansion of the credit volume.** It may take time, but there can be little doubt that the expansion actually would materialize. Briefly, we are in for a secondary inflation: one built **on top of the previous.** Cashing in our series "E" bonds, e.g., not only turns that much of latent money into actual purchasing power, which is inflationary enough; it is likely to fan the inflation further by adding several times that amount to the $150 billions of (adjusted) deposits already on the books.*

The same sequence applies to the return of cash from circulation, or to the influx of gold, if any. If the $20 billion bonds held by non-financial business organizations and the $60 billion held by individuals all were cashed and the proceeds returned as demand deposits, the foundation would be laid for an additional credit expansion up to $480 billions! We could treble within a few years the excessive volume of purchasing power, and do so without the Government incurring a cent of deficit. That's how far the inflation-boom might progress if left to its own self-inflaming tendencies. But of course, it may be stopped long before; it will be stopped presumably some day, due to the political unrest which the concomitant skyrocketing of prices will engender.

As a matter of fact, the **bank deposit volume is bound to rise** even if no currency or bonds should be converted into deposits. The reason has been pointed out in the June 6 issue of the "Chronicle," p. 3053. Suppose that no currency should return from circulation and no bonds presented for redemption, leaving the excess reserves of the banks at about the present level, which is well under $1 billion. If under such conditions the housing program in particular and the boom in general get under way: from where should the funds come to finance currently new plants and equipment, inventory accumulations, consumer installment buying, real estate speculation, and the inflated trade turnover? Intensified utilization of available liquid funds—higher monetary velocity—could and presumably will go a long way; theoretically, it might be sufficient to solve the problem without resort to renewed credit expansion. But the owner of a savings bond or of a balance, may not be identical with the man who needs the money; the machinery of investment banking could do an incomplete job only, and with a great deal of delay at that, in bringing them together. In the meantime, the demand for credit would tend to raise the rates on commercial loans, providing the banks with an incentive to sell bonds to the "Fed" or to rediscount them, so as to acquire the reserves to support the new credit expansion.

In short, the question is not: whether there will be a new deposit expansion on top of the primary inflation of the monetary system (after the surplus War Loan accounts have been mopped up). The question is: will the secondary inflation proceed by mobilizing the now latent liquid reserves of the public, or by monetizing the bank portfolios; or by a combination of both, as is most likely? Come it must, as indicated already by the continued growth of savings deposits as well as by the $1,000 million increase, between the end of April and the middle of June, of outstanding Federal Reserve credits, unless—

Effective controls could be devised. This question, too, has been discussed previously. The answer is that the sturdiest brakes are of no avail when the car is running at top speed. The stronger the brakes, the greater the danger that they would turn the car into the ditch—of a substantial depression. Emptying the national "bathtub" by pouring out the financial water would send the child (prosperity) down the drain. Mr. Eccles' intense demands for more regulatory powers merely indicate a growing panic in the ranks of the monetary management that is aware of the dangers and tries to shift the blame. Moderate measures may have a delaying effect on the new inflationary outburst. But even that delay depends on timing: if the measures coincide with an interruption of the production process, such as by comprehensive strikes, they reinforce the temporary "recession." Otherwise, their influence is virtually nil.

Deflationary Implements of Control

No control could be effective and at the same time compatible with the maintenance of permanent Cheap Money, one of the two chief idols of New Dealism. The monetization of the debt cannot be stopped without permitting, nay forcing, interest rates to rise. And even a moderate rise, a decline of bond prices below par, might bring about wholesale liquidation of portfolios, in turn causing more price decline and further liquidation, ultimately leading into a financial panic similar to those of the past, but potentially far more serious. The panic may be avoided (perhaps) by exchanging all bonds against a new, substantially higher interest bearing paper, throwing the full burden of higher rates on the Treasury's shoulder, and causing an all-around rise in the cost of capital—a politically unbearable procedure, which might hurt the housing program without attracting much of the overhanging savings into Government bonds. Also, it may have to be repeated over and over again. Since no one is willing to take the responsibility for either the one or the other calamity, the artificial "stabilization" of the bond market has to be maintained until the outstanding volume has been greatly reduced, permitting the financial institutions to shift a large part of the load they now carry on to the public.†

Nor is eternal Full Employment, the other idol, compatible with inflation control. To stop prices from rising, private, corporate and municipal spending would have to be kept within narrow bounds. That can be accomplished (without a revolutionary freezing of the whole monetary structure) only by (a) strangulating bank credit expansion; (b) by far more severe taxation than the present one; and (c) by cutting Government expenditures to the bone, not only to maintain a balanced budget, but to create a surplus for the sake of debt reduction.

These policies would have to be implemented so as to cut down the available purchasing power; prohibit its rise from any source; to make the consumer shy away from spending and the producer from investing; and to break the excessive "bargaining power" of the unions. Obviously, the RFC would have to stop expanding its guarantee program, which is supposed to cover a thousand loans (up to $250,000 each) by the end of the year. It should be equally obvious that the fantastic Wagner-Ellender-Taft housing program, allegedly meaning a $70 billion total outlay over a period of years, woud be frustrated for a good while. Needless to say, too, that all "emergency" expenditures of the Government such as foreign loans, public works, subsidies, veterans' bonuses, etc., would have to be cancelled, and the policy of supporting wage increases reversed.

The price of inflation-control is: falling prices and wages, inventory losses, defeatist stock and real estate markets, and unemployment. Given the vast volume of purchasing power and the equally vast pent-up demand at home and abroad, the depression need not be too severe or too long. It should lead over to a period of well-sustained prosperity, as the "healthy" crisis of 1920 did.

But it is of no avail to indulge in wishful thinking. Not even the equilibrium of the national budget is assured. On paper, we are supposed to incur debt in emergencies, and to reduce it (by taxation) on the upward swing of the cycle. This is the Keynes-Hansen-Ruml theory of the "compensated" budget; the sincerity of its authors was always open to doubt, since their acquaintance with affairs should have taught them that there is no unequivocal index to measure the state of the business cycle.

The "Cycle"

Reconversion progressed at a breath-taking pace. Instead of 8 million unemployed, as was officially forecast, only 2.3 millions are idle, mostly voluntarily or in consequence of strikes. Paid-out national income flows at an annual rate of about $160 billions, instead of the expected $120 billions. But there is no effort in the cards to raise taxes for debt reduction; still less to cut down the number of Federal civilian employees and their payrolls, or to eliminate extravagant peace-time expenditures. There is talk of bank credit control, but simultaneously the Federal Reserve expands the credit base. A realistic approach to the cycle must start with recognizing the four **essential symptoms of the monetary trend:** mobilization of the accumulated liquid reserves (rising velocity of circulation); a secondary inflation of the deposit volume; decreasing rate of liquid saving out of a greatly increased national income; possibly even reversal to new deficits restarting the primary inflation.

As things stand presently, strikes are the only effective "control" that dampens the progess of monetary expansion—of velocity acceleration as well as of the secondary inflation. Without labor strife, the process would be under way and prices would be affected accordingly. But of course, this is the kind of medicine that does not cure even the symptoms.

*At the end of March, "Adjusted deposits" comprise all deposits in all banks **minus** inter-bank and Federal balances and items in process of collection. In other words, the figure represents the volume of deposits actually in the hands of the public, including municipalities.

†The aritficiality of our manipulated money market set-up is nicely illustrated by the paradoxical fact, pointed out in the June issue of the Northern Trust's "Comment," that interest rates declined while huge budget deficits were piling up, but rose again since the debt is being reduced.

Truman Denies Urging LeGuardia Candidacy

President Truman declared June 20 that he did not intend to take part in state politics in any area except Missouri, where he said he had a right as a citizen to indicate his preference. The President specifically denied that he had any part in the proposal that former Mayor Fiorello H. LaGuardia of New York City seek the nomination for the Senate seat that would be vacated if Senator James M. Mead of New York should run for Governor.

The National Advisory Council—Its Power and Influence

(Continued from page 67)

The French agreement is another example.

Support of Foreign Military Might

During the debate over the Bretton Woods Agreements and on other occasions objections have been voiced to the making of foreign loans which would support foreign military activities frowned upon by Americans. The use of American Lend-Lease equipment by Britain, France and Russia, for instance, in postwar operations against smaller peoples is an example.[1] No evidence has come to light that the National Advisory Council has disapproved any credits on the grounds of military considerations. On the contrary, the disregarding of such an objection is implicit in the recognition of political considerations. Thus the NAC has been kept informed of the continued extension of military Lend-Lease aid to China since V-J Day, during which interval serious fighting has taken place between Chinese national and Chinese communist forces. And in the case of France forces.[1a] And in the case of France —or Britain—if it is politically desirable to strengthen the country through credits, support of its military strength is likewise implied.

The close connection between military and political considerations in the government's foreign loan policy at a time when the world is neither at war nor at peace is evidenced by the employment of military men as diplomats in China, Russia, and even in the State Department in Washington. Thus, when Gen. Marshall and his Army aides went before NAC to seek credits for China he spoke not less as a general than as an ambassador.

Approval of Public Flotation of of Foreign Securities

A question was brought before the NAC a few weeks ago by a request of Kuhn, Loeb and Co. for the government's views as to a proposed loan to the Netherlands. According to report, Kuhn, Loeb and Co. asked whether the State Department had any objection to the proposed loan on political grounds. Before replying the State Department took the matter up with the NAC members from other departments. Since a letter had been received and needed acknowledgment, one was ultimately sent. It was very brief, reportedly to the effect that the Department was always interested in being advised of contemplated foreign investments but was rarely in a position to express an opinion.

The big question in the minds of the NAC members when the Kuhn, Loeb matter was brought up, was the inadvisability of letting the government get itself into the position of resuming the practice of "non-objection" to foreign security offerings practiced by the government during the inter-war period and excoriated by Gov. F. D. Roosevelt in the 1932 Presidential campaign. The reply sent Kuhn, Loeb, it is claimed, in no way revives that system and does not determine a pattern for future policy. Since the 1930s, the SEC has been created and registration of foreign bond issues, it is argued, should be enough of a substitute for the former practice. However, it appears to this writer that there is no way the government can escape passing on the political advisability or inadvisability of a given proposed foreign investment. It wants to avoid a repetition of the announcement of an American oil concession in the no-man's-land of the Italo-Ethiopian war.

The State Department on that occasion let it be known that it was desirous of being apprised of proposed foreign direct or other investments. However, unlike the 1920s and 1930s, it is not today setting up any formality or established institution for passing upon foreign bond issues to be publicly offered here.

The system of the State Department "non-objection" to foreign issues was built around a press release of the Department issued March 3, 1922. That release was an outgrowth of the Harding Administration's belief that the government, to protect its interest in the loans it had made to foreign governments, needed to be kept fully informed of private credits extended abroad. Leading bankers, summoned to a meeting on the subject at the White House in May, 1921, agreed to notify the government in advance so that the State Department could notify the bankers in case it had any objection. The above-mentioned press release therefore sought the cooperation of the bankers in this matter. The Department declared it was not going to pass on the economic or investment merits of a proposed issue. Its interest was in the political desirability.[2]

The practice of the State Department built around the 1922 press release was discontinued after the inauguration of President Roosevelt in 1933. The last important loan issued with the Department's non-objection is believed to have been the Young Loan of 1930. In the 1930s, however, the department passed the word around—not by press release—that it was interested in being informed about proposed investments and that its interest was broader than just publicly-floated securities issues.

The alternatives to the method followed this year in the Kuhn, Loeb case include: (a) Not answering letters of inquiry on the subject, a very unlikely course; (b) Informing the investment-banking interests that the State Department has no interest in being consulted, which would be untrue; and (3) Confining government's role to its treatment of the SEC registration application. Whatever method is ultimately decided upon by NAC as the wisest policy, the fact is that the State Department will have a finger in the pie. In some NAC circles the opinion exists that there is really no way out of restoration, albeit in disguised form, of the system used in the 1920s.

Interest Rate Policy

Converning interest rates of the Export-Import Bank, the NAC has announced as follows:

"One of the most difficult problems which confronted the Council was the question of interest rates on Export-Import Bank long-term loans. On the one hand there was the obvious fact that interest and amortization payments on loans designed to speed the reconstruction of devastated foreign countries should be sufficiently moderate not to impose an intolerable burden on the borrower. On the other hand were considerations of the cost of money to the United States and the need of the Export-Import Bank for an adequate reserve against possible losses.

"In its decision the Council also took account of such factors as: possible rates of interest to be charged by the International Bank, present and prospective rates for foreign borrowing in the private capital market, the possibility of reselling to the public foreign securities acquired by the Export-Import Bank, previous governmental commitments respecting interest rates, and the previous policies of the Export-Import Bank.

"After full consideration, the Council determined that the general rate of interest for 20-30 year Export-Import Bank loans to foreign governments for reconstruction and development should be 3%, and that loans or credits to finance the purchase of goods requisitioned under lend-lease were to be made upon the same terms as were given to the Lend-Lease 3(c) agreements, namely, a rate of interest of 2⅜% for 30-year loans."

When the 3% rate was originally suggested by the Bank's Chairman Leo Crowley there was some discussion of adopting that rate for Britain and Russia, with a lower rate of 2⅜% for other countries of Western Europe. Instead, as we see, the policy finally adopted—except for Lend-Lease 3 (c) loans—is the other way around, the Western European countries paying 3%, and the special British agreement calling for a much lower interest and one subject to waiver under certain conditions. Russia has received $400 millions as a Lend-Lease pipeline transaction at the customary low rate of interest and maturity, but of course a major credit still remains to be negotiated with that country and it would be surprising if Moscow did not seek terms equivalent to those granted Britain.

The interest-rate policy is of course subject to review by NAC at any time. The 3% rate, uniform for all borrowers, represents in cases of serial maturities the average rate.

As is expected to be the case with loans to be made by the World Bank, the NAC has adopted the policy—subject to possible exception in very unusual circumstances — that no proceeds of loans of American Government money shall be used for local labor and materials. This decision was brought to a head by a request of the International Telephone and Telegraph Co. for help in meeting local expenses in Italy in connection with projects favored by the American Government. The Telephone request was turned down by the NAC.

The TWA Case

When a large TWA loan application was laid before NAC by the Export-Import Bank it met immediate objection from Mr. Eccles, who expressed himself as surprised that such a proposal would be made. If TWA were granted this large loan, he emphatically said, all sorts of companies in the international field would look to Uncle Sam to put up the capital while the private owners, with a relatively small stake, controlled the companies. Apparently there is a division of opinion among government loan officials as to whether this is a proper field for the government to enter. The State Department thinks that it is.

Apart from the overlapping which arises from the creation by Congress last year of two bodies to coordinate the work of, or advise the Export-Import Bank, another form of duplication in the work of the technical staffs arises out of an earlier Executive Order of July 10 setting up an interdepartmental Foreign Investment Policy Committee under the Executive Committee on Economic Foreign Policy. The latter in turn stems from a letter President Roosevelt sent Secretary of State Hull on April 5, 1944. This ECEFP committee is somewhat broader in membership than the NAC in that, in addition to State, Treasury and Commerce, it included at its formation Labor, Tariff Commission and the Foreign Economic Administration. (The latter has since ceased to exist as such.) Two NAC members are not on ECEFP, viz.: the Chairman of the Federal Reserve Board and Chairman of the Export-Import Bank. The Chairman of ECEFP as well as of its subordinate body, the Foreign Investment Policy Committee (FIP) is designated by the State Department. In the case of FIP, the Chairman is Dr. John Parke Young.

ECEFP was set up to examine problems and developments affecting economic foreign policy and to formulate recommendations to the Secretary of State and, in appropriate cases, the President. The Foreign Investment Policy Committee was created for the temporary purpose of formulating United States policy concerning public and private foreign loans and investments. Its instructions were that it should consider the desirability of a public statement on the government's foreign investment policy and when this task should have been completed, FIP would be disbanded.

Since NAC has already issued a public statement of the foreign loan policy of the United States Government in the form of a report to President Truman, it has been argued in intra-departmental circles that FIP's continuance is unnecessary. It seems, however, that to date the NAC has not greatly concerned itself with the subject of private American investment of new capital abroad, the main exceptions being the participation of private lenders in the Export-Import Bank's recent loan to the Netherlands, the Kuhn, Loeb & Co. case mentioned elsewhere herein, and of course the preparations for the sale of World Bank securities. In any event, it seems to be the case that latterly FIP has suffered from the greater Administration interest in NAC.

Public Relations Policy

While the National Economic Council operates in secrecy, its members always exhibit awareness of Congressional and public reaction to their actions, whenever those actions become known. It has sought to so conduct the lending activities of the government as, for example, to interfere as little as possible with the success of the British loan legislation. In connection with the pending Russian loan request, NAC has been nothing if not conscious of the public-relations aspects. It even gives thought, where it seems necessary or desirable, to the effects of a proposed NAC decision on the public opinion of the borrower country.

Indeed, almost one of NAC's first actions was to set up, under Assistant Secretary of State William Benton—formerly of the advertising team of Benton and Bowles—an NAC public relations committee, the Treasury and Commerce Departments participating therein.

When publicity is to be given to any particular decision of the NAC, the regular public relations staffs of the component agencies are used. Thus NAC approval is implied whenever the Export-Import Bank puts out a loan announcement. When publicity is sought for a broader policy decision of NAC's more elaborate unveiling ceremonies are arranged Thus, the foreign loan policy of the United States Government was agreed upon by NAC, it was disclosed in separate press conferences by the secretaries of Treasury and State. The United Kingdom and French financial and economic agreements were unveiled to the press in similar manner. Export-Import Bank loans are announced without press conferences by means of concise

[1] Cf. Dr. Julius Hirsch, America's Future Role in Foreign Lending, in the "Chronicle" of June 13, 1946, p. 3198.

[1a] The 22nd report to Congress on Lend-lease discloses that such aid to China since V-J Day at the end of February 1946 totaled $602,045,000 and reports that such aid was necessary since more than a million armed Japanese remained in China and Manchuria. (A June 26, 1946 report from Tokyo quoted Chairman George C. Atcheson, Jr., of the Allied Council for Japan as saying that excluding Manchuria, 94% of the disarmed Japanese had been repatriated from Chinese controlled areas of China.)

[2] Cf. Max Winkler, Investments of the United States in Latin America, World Peace Foundation Pamphlets, Vol. XI, No. [illegible] 60-63, for text of the State Department's press release.

mimeographed releases from that Bank. But NAC wants publicity only when it wants it.

Apart from its single report to the President, NAC's general rule as to how it operates and what decisions it reaches has been "no publicity." Thus, while preparing this article the writer asked the secretary of NAC's staff committee just how many meetings NAC had held from the beginning to date. The secretary replied that he did not feel he could give this information out without authority. When the same inquiry was sent to the secretary of NAC itself, the writer was referred to another Treasury officer, who sent word that the information was not to be given out, since it was contrary to NAC's policy. Yet in NAC's public report of last March the number of meetings held through February was stated, together with the information that NAC meets not less frequently than once a week.

Secrecy of Actions; Congress Should Interest Itself

All National Advisory Council meetings are conducted in secret. Since they deal with matters of foreign policy, this is necessarily so. Were it otherwise, the United States would be unique among the nations of the world. The recent newspaper publication of certain virtually verbatim passages among members at an NAC session has only served to make persons connected with NAC less talkative than before.

It is to be hoped, however, that where the information sought by the public can be safely disseminated, obstacles to obtaining it will be removed. Last year when writing an article on NAC the writer found great difficulty in getting anyone in the Treasury to even discuss the subject. At that time Secretary Vinson was relatively new in office and his subordinates were sensitive because there had been some news leaks on the Anglo-American negotiations then going on, with Vinson not entirely sure that the leaks had not come from the Treasury.

While a certain necessity for operating in secrecy is to be recognized, some disadvantages should be noted at the same time. The NAC is a most powerful body run by a relatively few men. No single group of men can be sure that they combine among themselves all wisdom on a given subject. In secrecy, mistakes can be made—and covered up. It would be a healthy development if representatives of Senate and House committees concerned with international financial matters would interest themselves sufficiently in what is being done with the billions of money they have appropriated for foreign lending to take a few days off and go over NAC's books. This is not to imply that, if they do so, they will find something wrong. But if they do this periodically, they are much less likely to find something wrong later on.

In this connection, the Bretton Woods Agreements Act calls for periodic reports to the Congress from NAC. The act suggests but does not require reports every six months. There is high judicial opinion to the effect that NAC is entirely its own judge on this matter. Legally, it could make a report to Congress only once each decade, and it would still be complying with the law.

How It Should Not Be Done

This year in March, when NAC was seven months old, it made a report of its activities during its first six months. The report was submitted to the President, and by him to the Congress. If you have not heretofore heard of that report of NAC, do not feel that you were asleep. For, in a government where public relations counsellors are everywhere to be found, (publicity employees of government departments now are reported as 23,009) this NAC report was quietly delivered to the Congress *without any distribution to the press.* Inquiry in official quarters now discloses that copies were made available at the five agencies which comprise NAC only "upon request."

While the British and French financial and economic agreements announced in December and May technically were conducted by the U. S. Government by top officials outside NAC, actually the groups conducting these negotiations were virtually the same as, or at any rate, included the members of the NAC. Just as during the war we waged economic warfare with our billions for Lend-Lease and preclusive buying, so today—although the war has not been declared ended—our government is waging economic "peace-fare" with additional billions of public money. As we have noted, loans are being made partly, and sometimes predominantly, for political purposes. Much about Lend-Lease the public will be years in finding out And much about what is going on nowadays in NAC is likely to be kept for historians of another generation to uncover. Secret negotiations seem to be the present alternative to "open covenants openly arrived at," in the inter-governmental financial field.

Not completely without bearing on this matter is the following passage from the work of a British historian describing the time when the British Parliament ceased to operate in secrecy during the reign of George III:

"We have seen how much of the corruption of the House of Commons sprang from the secrecy of Parliamentary proceedings, but this secrecy was the harder to preserve as the nation woke to a greater interest in its own affairs . . . imperfect reports of the more important discussions began to be published [in the press] . . . and the attempt to hinder its publication of Parliamentary proceedings dropped silently . . . A new and wider interest in its own affairs was roused in the people at large . . . Stimulated and moulded into shape by free discussion . . . public opinion became a force in practical statesmanship, influenced the course of debates, and controlled, in a closer and more constant way than even Parliament itself had been able to do, the actions of the Government."[3]

With reference to the above-quoted British observation that the NAC, instead of insuring effective responsibility to the Congress, has tended rather to do the opposite, it would seem to be up to the Congress to decide how much information it desires on what NAC is doing. The NAC is its creature. Its books may not be available to anyone else, but they can hardly be kept unavailable to members of the Congress who have enough interest to ask to see them.

In some Congressional circles complaint has been voiced that the Export-Import Bank has become a means of avoiding specific Congressional approval for foreign loans.[4] The answer to this is that the Congress deliberately turned over to the Export-Import Bank $3.5 billions of lending power, subject only to periodic accountability to the Congress. Similarly—to name another field of NAC activities — the Congress gave to the Administration complete authority to handle Lend-Lease and other war settlements. NAC and the Administration are not to be blamed for carrying out tasks authorized by the Congress.

3 John Richard Green, History of the English People. New York, 1880. Vol. IV, pp. 248-9.

"EXPORT-IMPORT BANK

"The following statement is quoted from the Budget.

" 'The bank was established to stimulate the international trade of the United States.'

"Under the original practice, within this expressed purpose, the bank made loans to foreign and domestic enterprises who were dealing in exportation of American-produced commodities and the importation of foreign commodities. In that field, the bank has in the past and could in the future render a useful service. By its operation in the field of foreign government loans, it has become a means of avoiding the specific approval of the Congress in the lending of money to foreign governments. It is the recommendation of the minority that Congressional approval be obtained on all loans to foreign governments."

Consulting the White House and Congress

When circumstances require, the National Advisory Council, through one or more of its members, consults the President. Thus, the President has passed on proposed Ex-Imp loans prior to NAC's taking action. In another instance, an NAC decision was made provisional until it could be ascertained whether the President had promised a loan to the country in question. This shows that in financial as in other foreign policy, the President has great powers to commit the United States even without consulting his Cabinet. How those powers are used depends on who happens to be President.

There have also been several occasions when representatives of NAC have contacted different Congressional Committee members, as in cases where it was undecided as to how to interpret the legislative record. One such case involved contacting members of an appropriations subcommittee relative to the War Department budget.

Respice et Prospice

Under Vinson as Chairman, the National Advisory Council had a busy nine months. The future promises to be no less busy. Big jobs completed include organizational and procedural decisions; the establishment of general financial policy considerations, including interest rate policy; the handling of the British and French financial negotiations; the formulation of the Statement of the Foreign Loan Policy of the United States Government and of the first report to the President; and the disposal of various war-settlement problems.

In the period ahead NAC faces the conducting of financial negotiations with China and Russia, to whose problems NAC already has given considerable thought and for which it has already made certain tentative decisions. Much of its future work will deal with policy of the Fund and Bank, as world recovery proceeds and international trade grows.[5]

All those who have been connected with NAC, to judge by various conversations the writer has had, feel that NAC plays an indispensable role in the government today. All five NAC members joined in the statement that "the experience of the Council in its first six months of operations has, in the unanimous judgment of its members, fully confirmed the wisdom of the Congressional action to establish a Cabinet-level group charged with the responsibility of coordinating all of the foreign financial activities and interests of this government."

In view of the foreign financial policy of the Administration and Congress, the NAC or something like it is indispensable. Had the Congress not created it, such a body probably would have evolved out of practice. The members of NAC have been making an earnest effort to carry out the program in the country's best interests, according to their lights. The program is so immense and is being executed under such pressure and at times with such haste, that mistakes—and costly ones—are to be expected from time to time. Simultaneously, NAC seeks to avoid the foreign-lending mistakes of earlier Administrations which featured the 1932 campaign. Whether it will be altogether successful in doing so is not certain.

4 Cf. House Report No. 2269, 79th Cong., 2d Session. Government Corporations Appropriation Bill, 1947. The minority views state, p. 63:

5 As one official describes the situation to the writer, "We live in a world of exchange controls, certainly the control of capital movements, and shall be so living for some time to come. As for non-capital movements, I am not so optimistic as to what the Fund can do."

How succesful the government proves to be in avoiding responsibility for private foreign investment remains to be seen. With political considerations in mind, NAC is being tempted to encourage the outflow of private American capital beyond the dictates of good business. Especially is this a danger in the case of World Bank borrowings in the American market. The World Bank, vital part of the Bretton Woods program which the U. S. Government sponsored, is an inter-governmental institution with strong political elements, as the proceedings at Bretton Woods and Savannah demonstrated. If NAC makes big mistakes, the nature of its work plus the secrecy of its operations suggest that it may be a long time before the country can appraise them.

Between the predominant foreign-lending practices in this country during the inter-war period and now there is one conspicuous point of difference. In the 20s and 30s all those whose money was being lent to foreigners were willing lenders, by and large.

It must be recognized that NAC's work is not to decide whether this country should embark upon a large lending program, but rather where to allocate the large sums which Congress, upon the urging of the Administration, has agreed to lend. And, in attempting to appraise the soundness of the loans which NAC has been authorizing, it must further be recognized that the overall American loan and investment program, because of its political and humanitarian as well as domestic considerations, has been undertaken in the absence of any assurance, indeed the unlikelihood, that this country will in the years to come have a negative balance of payments and one of sufficient size to make it possible for honest borrowers to repay their obligations. Quite conceivably, the sum total of a large number of "good" loans may be widespread default or moratorium. But, with the haste with which some of NAC's favorable loan decisions have been reached, based sometimes on superficial studies and skimpy guesses, time is likely to disclose some rather bad bets.
to disclose some rather bad bets.[6]

6 Examination of the views of some of the economists who are advising NAC members on foreign lending policies leads to more than a suspicion that, in justifying a loan and investment program which seems to them desirable for immediate reasons, they engage in some rather wishful rationalization. Evidently anticipating the need for moratoria on foreign dollar obligations at some future time, one government economist is making plans for "flexibility in service payments," citing as precedents the UK loan agreement and Section 4 (c) of the World Bank statutes. (Cf. Hal B. Lary, now of the Export-Import Bank staff, in American Economic Review, May 1946, papers and proceedings, etc., pp. 683-5.) Another, Raymond F. Mikesell of the Treasury Department, sees our foreign investments increasing for the next 50 years, thus putting off the problem of this country's accepting repayment for at least that long a period. Rather than "base our foreign investment policy on the question of whether or not we will be able to adjust to an import surplus 50 or a hundred years from now," Mikesell bases it on the assumption of more or less indefinite capital outflow. (American Economic Review, op. cit., pp. 712-13. For the writers analysis of an even more extreme statement of this theory, cf. his articles in the "Chronicle" of Dec. 28, 1944, p. 1; and April 5, 1945, p. 1483.)

(Ed. Note—The above is the final article in a series of three by Mr. Bratter on the NAC under Secretary Vinson. The first installment appeared in the "Chronicle" of June 20, page 3343; second in the issue of June 27, page 3471.)

Securities Salesman's Corner

By JOHN DUTTON

Are you occasionally in that embarassing position of completing what you believed to have been a successful sale, only to come to your desk the next morning and find a letter stating that your prospective investor has reconsidered your proposition and has decided not to make the purchase. "Lay downs" are sometimes unavoidable. But there is a reason why some salesmen are afflicted with more than their share. From personal experience, as well as that of other salesmen, the writer can attest to the fact that "lay downs" are more the fault of the salesman than the prospect. If you are having too many of them it is your fault.

First of all it is up to you to pick your prospects. You can recognize a free-rider a mile away if you have had any experience. The earmarks are very simple. He will first tell you about all the excellent connections that he has in Wall Street, but somehow or other they have been giving him a raw deal. He'd like to get in on some of these new issues and he'll come right out with it. You won't have to guess about his interest in doing business with you. If he can't use you to put him in on some fast moving new underwriting he will have no further use for you. He may even give you a small order just to become an account. Then he will bedevil you by telephone every time an issue comes out at, say, 18 and sells at 32. If he can't get something for nothing, he won't play. If you get a "lay down" from such a customer it is your own fault.

Then there is another type of laydown. This is your fault again, because everytime you have one like this you haven't done a thorough job of selling. If you try to close your sale, and through the use of monetary persuasive pressure, you move your buyer to hesitatingly give you his consent to the purchase, don't be surprised if he tries to wiggle out of the transaction after sleeping over it. There is no such thing as high pressure selling, in our opinion. A reasonable examination of what is loosely called high pressure, only can mean one thing — the salesman tried to close TOO SOON.

Years ago the writer had one of the few "lay downs" that he has experienced in over twenty years of security selling. He had met a prospect for the first time, he was three hundred miles away from his home and office, working in a strange territory. He made an appointment to meet the prospect at his bank the next morning, in order to send certain speculative bonds to New York which were to be sold, and if memory is correct, they were to be replaced by making a reinvestment into Canadian Governments. The prospect was sold on the idea of reinvesting in the Canadians, and the entire matter appeared to be settled. The next morning the prospect showed up at the bank and he was almost belligerent. He not only had thought things over but he had already seen the local, home town, banker, before we arrived. "Why couldn't he wait a while, was there any hurry etc." The sale was lost. The reason; we tried to do business too soon. He didn't know us. There have been cases where sales of securities have been made on the first call, but rarely under circumstances where the prospect and salesman have had no introduction to each other through a mutual friend, or enjoy some other common meeting ground.

If you are having "lay downs" the reason for them is usually that you have tried to close before your customer has been sold. There is no need for pressure — in fact it is entirely out of order and will always do more harm than good.

Finland Makes Payment

Finland paid the United States $166,479.74 interest on its World War I debt June 17 and thus maintained its unbroken record of payments and its position as the only debtor from the first war not in default. Total payments received from the Baltic country to date amount to $7,263,000 but $8,000,000 remains to be paid before the debt will be liquidated.

President Asks USO Support

An appeal for public support for the campaign to raise $19,000,000 for the United Service Organizations was made by President Truman on June 20, according to a Washington Associated Press dispatch. In a statement to government department heads the President said that through 1947 the USO will serve veterans not yet released from hospitals, those in armies of occupation and the peacetime forces at home.

World Bank Policies and Foreign Exchange Problems

(Continued from page 68)

to the point of exhausting their resources and eventual default.

Bank Will Have to Consider Broad Aspects of Foreign Exchange Problems.

Basically, the World Bank's policies will have to consider all the innumerable aspects and problems of international trade, finance, and capital movements. Not even as elaborate an organization as the Manhattan Project might be capable of dealing with all of them and of furnishing all the answers when they are needed. There are too many antagonistic viewpoints and aims to permit their being integrated into one single set of concepts and rules.

Yet the World Bank in cooperation with its sister organization the International Monetary Fund, will have to tackle all those manifold problems and to work out appropriate policies as it goes along.

There is no intention to anticipate those efforts. This article will be restricted to a discussion of a few basic problems which seem to be significant at the present stage of the Bank's organization.

Policies of Lending Countries Will Be Decisive.

The most important problem may be conviently divided into two main parts: First, those policies which the World Bank will be able to work out and apply independently. Second, those policies which will result from and depend on the practices and attitudes of other organizations upon which the World Bank will have only limited or no influence. This will be the case particularly with regard to the policies of the main lending countries. To put the matter bluntly: The Bank may make the most careful provisions to safeguard a particular loan; but whether or not the borrower will be able to repay the loan and transfer the required dollar amount will depend on the policies of the United States in the first place. The influence of the World Bank upon those policies will be quite limited.

It is extremely important that these mutual interrelationships between the policies of the World Bank and those of the leading lending nations should be fully and clearly realized by all those interested in political and financial matters. Otherwise, the danger would be great of confusing the real issues. In particular, the Bank might be made the scapegoat for politics which it neither determined nor even influenced.

Every reasonable effort should be made to clarify the situation as far as feasible in order to prepare the fundamentals for a healthy and successful cooperation between the World Bank and public opinion in the lending countries. The Bank's public relations department will have no more important task to deal with.

Peculiar Creditor-Debtor Relationship

Relationships between the World Bank and its borrowers will be of a somewhat peculiar kind. It won't be that of a banker who lends on the strength of a favorable working capital ratio; it won't be that of an investment trust which is mainly interested in the difference between the interest rate it receives and the one it has to pay on the market; neither will it be that of a development company which expects to control the country to such an extent politically and economically — directly or indirectly — as may be necessary for the full protection of its investments.

The World Bank will be in a less favorable position from the creditor's viewpoint. For it will have to deal with independent nations all of whom will be members of its own organization. (This will be true even if a loan is granted to a private or public corporation, for the Government wil lalways be the guarantor.) Thus, persuasion will be more important than pressures of various kinds which played such a significant part in nineteen-century foreign lending. Though the World Bank will not operate as a non-profit organization, big profits are not a main reason for its existence. It rather represents a cooperative effort to increase and expand international trade and well-being.

Cooperation Rather Than Restriction as a Means of Balancing Foreign Accounts.

According to older doctrine and practice, it was mainly up to the debtor to accept the hardships and inconveniences which may result from his efforts to maintain a balance of his foreign accounts. It was always easier to attempt an equilibrium by cutting down imports, domestic consumption and employment rather than by trying to expand exports. More recently, however, there has been a growing tendency to emphasize the responsibility of creditors to assist their debtors and to avoid as far as possible dislocations resulting from a policy of restriction. This has been the philosophy underlying the Bretton Woods agreements and undoubtedly the World Bank will have an important part in the difficult task of developing adequate policies as may permit actual realization of these far — reaching theoretical aims.

The World Bank as a representative of a cooperative effort of both creditors and debtors will have a responsibility to assist the latter in discharging their obligations without suffering the effects of strong deflationary policies. It will not act like the traditional hard-headed money lender who is asking for his piece of flesh regardless of the consequences. Of course, the Bank will always have to consider the interests of its bondholders and will have to insist that contractual obligations are observed. For such policy will be to the advantage of borrowers as well in the long run. But it will not stand by idle and with equanimity while debtors are struggling desperately to avoid default. The Bank will not wait until failure is iminent but it will lend its assistance as soon as a loan has been agreed upon by attempting to increase the borrower's strength and ability to pay.

Improving Borowers' Foreign Exchange Position.

Most important among the various efforts to improve borrowers' exchange position will be assistance in the rehabilitation of transportation facilities. For cheap and efficient transportation is an essential condition in every effort to stimulate international trade and tourist traffic. Therefore, first priority should be given to rehabilitation of transportation equipment to make possible the fullest use of already existing transportation facilities.*

Almost equally important will be the improvement of those facilities (railroads, inland waterways, etc.). This would include the construction of hotels and other means of attracting and accomodating an expanding tourist traffic (resorts, sport and artistic attraction, etc.).

Promoting Exports Into Lending Countries

Another highly important method of strengthening the foreign exchange position of debtor countries will be the organizing and financing of exports into creditor countries. This would refer particularly to those products which represent a large amount of domestic resources especially labor but are non-competitive as far as the importing creditor countries are concerned. Credit restrictions, scarcity of investment funds and exchange difficulties in procuring foreign raw materials (which often represent but a small fraction of the value of the finished product) as well as inability to build up an efficient merchandising organization in the importing countries: These are obstacles which tend to restrict a debtor's ability to earn additional foreign exchange and to improve its own domestic situation at the same time. This will be a wide field for the World Bank in helping its borrowers to help themselves.

Expanding Tourist Trafic.

Although there has been a great increase in the number of Americans travelling abroad during the inter-war period and expectations are high that large-scale travel will be resumed by 1947, there can hardly be any doubt regarding the possibilities for an even greater expansion in the future provided an appropriate organization is provided for to take care of all the many aspects of foreign travel. (Similar favorable conditions exist also in a number of other countries).

Most of the countries that may attract tourists are far too poor to develop an adequate promotional organization in this country. All this as well as many other requirements might be made available by means of a cooperative effort under the auspices and with the assistance of the World Bank. Adequate and easy facilities for instalment payments such as were tried out by American railroads before the war might attract large numbers of people who never have dreamed of being able to afford an overseas trip. Existing private agencies will not be able to make the necessary arrangements for such big-scale expansion projects.

The management of the World Bank should give closest attention to this particular device for letting debtor countries increase their foreign exchange resources as well as their domestic employment.

Importance of Maintaining Credit Level Fully Recognized in the Domestic Field.

More than a century of research and experience was required to clarify the relations between individual commercial banks and the banking system as a whole in the domestic sphere. It took a long time to refute that widely held notion according to which the commonweal would be served best if only each individual banker would be enabled to follow those policies he felt were appropriate and profitable.

Gradually it was realized that fluctuations of the total volume of credit were also highly important. But the individual banker had hardly any means of influencing the credit level although he and his customers were greatly and gravely affected by its fluctuations.

It became obvious eventually that special institutions had to be established to deal with those problems beyond the influence of the individual banker which were of particular importance to the economy as a whole.

As long as the total volume of credit is maintained fairly well bankers should have no troubles in collecting their loans provided they took sufficient care in selecting their borrowers. However, if the total credit volume has been reduced for one reason or another even good borrowers will be hard

*This question has been discussed more fully in a previous article in the "Chronicle" of June 6, 1946, on page 3054.

pressed in their efforts to meet their obligations on schedule. Sudden credit restriction tends to lead toward a general effort to sell and an equally general reluctance to buy. Pressures may increase to the point where only a reversal of the restrictive policies can prevent a general collapse.

All these facts are well understood by now and hardly disputed any longer by responsible experts. Yet there is much less recognition of their applicability in the field of foreign lending as well.

Effects of Restrictive Policies on Foreign Lending Not Sufficiently Appreciated.

Quite naturally, there has been a lot of discussions regarding the chances for repayment during the hearings and debates in Congress on the British loan. However, most arguments were mainly of an emotional kind. Defenders of the loan held that Britain was a responsible and trustworthy risk and would not fail in discharging her obligations. But opponents of the loan asserted that Britain had failed once before as had most other foreign debtor countries and there was no reason to expect a better performance this time when her overall financial position is much more precarious than after the First World War.

The National Advisory Council on International Monetary and Financial Problems, the policy making organization created in connection with the Bretton Woods legislation, dealt with the problem in an authoritative statement on "The Foreign Loan Policy of the United States" which was published in March, 1946. "In a world of peace, prosperity, and a liberal trade policy" the statement says "there may well be a revival and continuation of American private investment on a large scale including a reinvestment of the profits of industry, that will put the period of net repayment far into the future." At present, chances seem to be rather slight for fulfillment of the conditions set forth by the Council as a prerequisite for a satisfactory solution of the crucial repayment problem.

Differences of Attitude Between the United States and Europe With Regard to Foreign Investments.

There has always been a remarkable and fundamental difference in outlook between Europe and the United States with regard to their investments abroad. European creditor countries are accustomed to look upon their foreign investments as something permanent that should be increased as time goes on rather than diminished. While expecting to receive interest and dividends as well as instalments on the principal of outstanding loans they attempted to maintain or better to increase the total amount of their foreign investments. No thought was given to any voluntary reduction of the total volume of investments although shifts between debtor countries were not infrequent. Reductions resulting from wars and other adverse circumstances were considered as something unfortunate and efforts were made to reverse the trend and to build up those investments again as quickly as possible. This was exactly what happened after the First World War. These policies were taken for granted to such an extent that there was hardly any theoretical discussion of the effects of a voluntary liquidation of foreign investments.

Americans, on the other side, have been accustomed to think of foreign investments particularly security holdings as something incidental that might be disposed of at any time for one reason or another. Thus large-scale foreign lending during the twenties was suddenly reversed when an increase in domestic interest rates let a changeover appear more profitable. The effects of those attempts to liquidate foreign investments on short order are well known and do not need any discussion.

Domestic Experience as a Guide In the Foreign Field.

Many decades of experience in the domestic field should be most helpful in laying out appropriate policies for dealing with foreign lending. Similar to the position of a commercial banker with regard to a good domestic borrower, investors should have no difficulties in liquidating good foreign loans as long as the average level of foreign investments is generally maintained.

The effects of any forced liquidation of outstanding loans would be very similar in both the domestic and the foreign field. Heavy losses and economic disturbances would inevitably follow in either instance. Runs on the domestic banking system would be paralleled in the foreign field by runs upon threatened monetary systems. The harder an individual borrower or a borrowing country is pressed to make repayments under restrictive conditions the less will either debtor be able to comply. For the final effects of such liquidations are immediately anticipated with the result of dissipating quickly accumulated reserves which were designed to resist limited pressures only.

Thus it becomes evident that creditors (both individuals and nations) will have to comply with the basic rule of all lending that loans are safe only as long as the total volume of outstanding loans in each particular category (such as domestic and foreign loans by trade groups, countries etc.) is not subject to violent fluctuations particularly reductions which are bound to affect adversely even the best borrowers and in the end will unavoidably lead to heavy losses and dislocations.

National Advisory Council Best Suited to Watch Level of American Foreign Lending.

Governor Szymszak of the Federal Reserve Board in a recent address*) emphasized the importance of the National Advisory Council on International Monetary and Financial Problems as a policy making and coordinating agency of the Federal Government in the field of foreign lending. It seems that the Council sees its main task in controlling the flow of foreign lending. This is certainly a very important function particularly during the next few years.

Yet there is another task of at least equal significance: to watch the total volume of foreign lending and its fluctuations. This is a task beyond the scope of the lending agencies themselves which has to be discharged on a higher level similar to the position of the Federal Reserve Banks and the Board of Governors in the domestic field. And it will be a task of growing importance as time goes on.

Rather than to set up a new organization to perform that work it seems most advisable to entrust it to the National Advisory Council. An expert staff is available at the Treasury, the Federal Reserve and the lending agencies. All that is required is a small committee of top men to evaluate the available evidence and to prepare appropriate reports and proposals as a guidance for the Council and all agencies and institutions concerned with the foreign credit field. Even without executive powers such as exercised by the Federal Reserve System, the Council's influence would be undoubtedly quite considerable.

International Confidence Would Be Greatly Increased.

The mere fact of establishment of a special agency in the United States with a duty to concern itself with the level of foreign investments could not fail to serve as a tonic in the field of international foreign relations. As a matter of fact, there is much anxiety abroad that the United States may once again retire from the position of international lender and may try to liquidate her foreign financial commitments in a hurry. Statements like that of the National Advisory Council quoted above tend to increase rather than to alleviate those anxieties.

Conclusive proof that the United States is fully aware of the importance of maintaining the level of foreign credits would be furnished by the establishment of a special high level agency for that particular purpose. The agency should prepare a statement setting forth the policy of the United States with regard to the preservation of an appropriate level of foreign investments. Such a declaration would have the most beneficial effects all over the world and would greatly facilitate the policy directed toward reduction of trade impediments.

*"Our Foreign Lending Program." "Commercial and Financial Chronicle," May 23, 1946.

Norwegian Cent'l Bank To Get Credits

The Norwegian Central Bank, Norges Bank, Oslo, has completed arangements with a group of New York banks for a $16,000,000 credit to be available for a period of three years from the effective date of the credit, July 15, 1946, it was announced on July 1. The announcement issued in New York, said that the credit is revolving and may be used by Norges Bank or by Norwegian commercial banks under the auspices of Norges Bank. Interest is at the rate of 2% per annum for loans up to two years and 2½% per annum thereafter to expiration date. The announcement said:

"This credit will facilitate direct commercial relations between the Norwegian commercial banks and their American correspondents in cooperation with Norges Bank. The American participants in the banking credit are: The National City Bank of New York, The Chase National Bank of the City of New York, Chemical Bank & Trust Company, Bankers Trust Company, Brown Brothers Harriman & Company, Irving Trust Company, The New York Trust Company, J. P. Morgan & Co., Inc., Bank of Manhattan Company and J. Henry Schroder Banking Corporation.

"Although the negotiations for this credit were concluded in the spring of 1945, it was understood that the effective date of the credit would be dependent upon certain conditions, including among others the removal of enemy troops from Norwegian territory and the return of the Norwegian government to Oslo. These and the other conditions stipulated by the credit group have now been met to the satisfaction of the participating American banks."

Committee Heads For Morris Plan Meeting

Committee chairmen for the 26th annual national convention of the Morris Plan Bankers Association, together with its affiliated Consumer Bankers Association, to be held at the Cavalier Hotel, Virginia Beach, Va., Oct. 21-23, have been announced by President Joseph E. Birnie of Atlanta, Ga.

The Program Committee will be headed by Fred R. Waldron, who is Executive Vice-President of the Morris Plan Bank of Terre Haute, Ind.; while the Nominations Committee will be headed by Harry E. Small, Executive Vice-President of the Morris Plan Bank of Cleveland, Ohio. The Chairman of the Resolutions Committee is Marion S. Richardson, President of the Bank of Akron, Ohio; the Entertainment Committee is under the chairmanship of Horace D. McCowan, President of the Industrial City Bank & Banking Company of Worcester, Mass.

Malcolm C. Engstrom, Vice-President and Comptroller of the Bank of Virginia, Richmond, is general Convention Chairman. Officers of the National Association are: Joseph E. Birnie, President of the Bank of Georgia, Atlanta, President; L. P. Harrell, President of the Morris Plan Bank of Washington, D. C., First Vice-President; H. M. Harris, President of the Topeka (Kan.) Morris Plan Company, Second Vice-President; Gary M. Underhill, Executive Director; Robert R. Spooner, Secretary; Calvin C. Vane, Treasurer; and Alice G. Wykoff, Assistant Treasurer.

Bases of Common Stock Valuation

(Continued from page 66)

lative people of small means than a high priced stock. It is also true that usually a higher aggregate dividend payment policy accompanies the stock splitting procedure.

But a stock split into two or more units has no greater value after the split than before. This is not recognized by untutored speculators, until after the split has actually taken place, when the stock has a tendency to decline rather than to rise in price. However, the promoters of stock-splitting expect that some time after the split has taken place, the profit seekers will have forgotten that fact, and noting the low price quotation in contrast to the much higher price that had prevailed in the past (before the stock was split) they will consider the low quotation tempting for a speculative venture. The higher aggregate dividend will, of course, also make it more attractive, but the dividend could have been increased without the split. Of much the same nature is the

Stock Dividend

Like a stock split, the declaration of a stock dividend and issuance of stock pursuant thereto immediately reduces the book value of the stock against which it is issued. The reduction of value is in the same amount as the surplus distributed by issuance of dividend stock. A stock dividend is merely a book transfer from the surplus account to the capital stock account accompanied by the issuance of additional pieces of paper, and by such transfer it does not make the value of the stock in the hands of the stockholder greater after receipt of the stock dividend than before. The market value or price of the stock when salable **ex dividend** immediately drops so that the stock owned together with the stock dividend to be received, remains the same as that of the stock immediately before it was being sold ex dividend. (There is, however, some basis for an eventual small increment in value resulting from the distribution of surplus by the stock dividend, which under the present law is not taxable until it is sold.)

The general run of investors and traders do not concern themselves with equity value or conversion value of securities first, because accounting training is required to properly appraise them and second, because the company records, apart from annual financial statements and quarterly condensed income reports, are not readily available for their examination. Little do they realize how basic are these record values for the proper judgment of common stock value. Since, however, a discussion of these items is more within the scope of a technical treatise, we proceed to a discussion of value which may be determined from the annual balance sheet namely

Book Value

The book value of a common stock is very easily determinable. All that need be done is to add to the stated value of the common stock the entire surplus (provided, of course, that no other class of securities has any claim thereto or to any part of it), and then to divide the aggregate of common capital stock liability and surplus by the number of shares of common stock. The quotient thus derived is the per share book value of the common stock. The book value will almost always be different from the market value or price of the common stock. In a rising market, when income thereon is large, book value will be far below the market value. In a falling market, when income thereon may be less than normal, book value will be above market value. In other words, reversing the order of presentation, in the first instance market price will be inflated, and in the second instance market price will be depressed. But hardly ever will book value be so deflated in a declining market as it will be inflated in a rising market. It is well, therefore, to examine the balance sheet of the corporation and take note of what relation the book value of a stock bears to the market value. It will be found that in a rising market, the book value will recede more and more, from the market value, so that at or near the top of the price ladder the market value may be three, or four or even more times the book value. But book value based in part on fixed assets is far less controlling than—

Liquidation Value

The subject of liquidation value is of especial interest in connection with dissolution of a corporation or dismemberment of a chain of affiliated or controlled corporations into their constituent links. At such time the owner of common stock of a corporation holding or controlling a number of other corporations, or the owner of stock of one or more of those corporations, should be interested to know what the liquidating value of his stock is. However, it is very difficult at such time to estimate even remotely the value because in the process of dismemberment conflicting claims of various security holders are urged upon the referee, receiver or the judge, as the case may be, before whom the matter is pending, and in the course of the long drawn out proceedings the value of the stock may undergo considerable rise or fall. Such stock, especially that of a holding company, is of extremely speculative character. There are times though, especially during a depression, when a proper estimate of the liquidation value of the common stock may be a very tempting inducement to buy that stock. There have been frequent instances where the working capital or even the cash alone has been sufficient to cover the market value or price of such stock. Of course, the purchaser of such stock cannot compel the distribution of the cash, and it may be that with continuing periods of operating deficits the working capital and cash will be so substantially diminished as to reduce the liquidation value of the stock far below its then current market value.

The surplus may be temporarily diminished by recall of high dividend bearing preferred stock at a premium of 5, 10 or 15 dollars per share, as the case may be, and even by the refunding of bonds or notes at a slight premium. The effect of these calls and refunds is to reduce the dividend or interest charges on the preferred obligations and leave more of the net income for the benefit of the common stock. Such changes in capitalization have the effect of increasing the liquidation value of the common stock and rumors of such impending changes quicken the rise in the market price. The next item of importance to the investor and trader is—

Earning Value

The earnings of a common stock, as distinguished from the dividend payment, are of course quite familiar to any one interested in securities, for stock brokers and security information services keep investors and subscribers well posted on the subject. The owner or prospective buyer of a stock certainly wants to know how much of the earnings remains in the surplus account to give continued stability to the value of the stock. While some stockholders may prefer the distribution of all the net profits in dividends, the board of directors representing them as well as the bondholders and the preferred stockholders, usually practice caution and build up a substantial surplus for the benefit of the business. Then, too, the contractual provisions governing assumed obligations of bonds, loans or preferred stock, may limit the proportion of earnings that may be distributed in dividends.

Earnings of a common stock are often considered as a sufficient measure of value. Earnings should, indeed, rank high in the order of importance as a constituent factor of composite value. Not the earnings of a single year, which is all that many traders look for, but the average earnings of a number of consecutive years; or of a number of dispersed years which may be regarded as normal for different periods; should be taken as a constituent measure of value. The rate of capitalization of such earnings depends in some measure upon the coexistent constituents of value already discussed, and to a considerable degree upon the proportion of earnings usually distributed by the corporation in dividends. Such dividend distribution is the last, but not the least, important constituent of composite value.

Dividend or Yield Value

Many stockholders, especially those who depend for a living upon the income of securities, are interested only in what dividends are paid on the stock. Such stockholders, together with endowed institutions, should invest their funds in preferred stock or in bonds with fixed rates of income yield. Still there is a large residue of investors and speculators who, though giving priority to consideration of dividend rate or because of such priority, will buy common stock because, owing to the greater risk assumed, they justly expect a greater dividend return than on preferred stock. How then, may we ask, should the dividend or yield value of a common stock be determined? Admittedly the dividend value of a common stock may be the capitalized value of the dividend at an income yield lower than the earning rate of the stock. If, for instance, a common stock **earning** $3 per share should be capitalized at 20 times $3 or at $60, based on an earning of 5%, then a stock **paying** $3 per share should perhaps be capitalized at 30 times $3 or at $90, based on a yield of 3⅓%. That would seem a very high capitalized value for a common stock paying only $3 per share, when even now, in this low interest rate period, fairly high class preferred stocks paying $4 or $5 per share sell at but $100 or only slightly more. The disproportionately high dividend value of common stock is due to the capitalization of hoped-for increased earnings which may result in increased dividend payments. The glaring weakness of the acceptance of either corporate earning or dividend yield, as the only basis of value, is that usually only recent years' earnings or dividends are considered sufficient for capitalization to determine the value of the stock. Not only are one or two years' earnings or dividend payments entirely insufficient upon which to base the value of a stock, but the other factors of value are of like importance. **A proper estimate of value of a common stock should be the composite of all factors of value which have been discussed. In brief, the most reliable judgment of common stock value is its composite value.**

The Need for Expert Opinion Composite Value

While securities are being rated in various ways, no forecasting is done on the basis of the above-indicated **composite** valuation. If such reports were available, they would tend to make securities rise or fall in some reasonable proportion to the true financial factors. Lists of expert opinion values could be developed periodically; although, of course, opinion value studies would involve considerably more work and revision than opinion ratings. The opinion values would not have to be determined as static or fixed for the reporting period, but could allow for a margin of variation within which the value or price pendulum would be apt to swing. If such an expert opinion value report were available, it would be eagerly consulted by investors as well as by speculators, and while much of the speculating or gambling spirit would be dampened and the volume of trading with the gambling contingents would be reduced, the security market would attract large numbers of would-be investors who now avoid the market because of the risk attached thereto. There are many billions of funds lying idle in the banks which the people who saved them would invest in corporate securities for higher income, if they knew that the risk of loss were not great. The spread of corporate securities among the many millions not now owning them would tend to stabilize private enterprise because so many more would share the ownership of corporations.

An available list of expert opinion value would help to prevent runaway markets with fantastic price rises, which are inevitably followed by collapse and stagnation with unreasonably low prices. Stabilization of any class of business is a benefit to the country because plans can be made intelligtntly for reasonable growth. A stable security market would prevent undue enrichment of a few and undeserved impoverishment of the many. So important is it to avoid both these extremes that unless it be done, the conflict between extravagance of the rich and the deprivation of the poor may wreck the foundation of democracy itself.

Investment and trading in securities is one of the major economic pursuits in every country of private enterprise. Without them large private industries could not be undertaken, because they require great aggregations of capital which cannot be secured except by investment and trading in securities. If it is the people's savings that run the country's business, then safeguards should be provided against dissipation of their funds through wild speculation. Some safeguards of a legal preventive nature already do exist, as almost unreasonably strict limitation on margins. What is even more necessary, however, is reliable and easily accessible information for the proper evaluation of securities. Perhaps public school or lecture courses should be provided for young and old who have any desire to invest or speculate in stocks. In any event education in the proper use of savings is almost as important as education in the professions or crafts or other vocations which enable the people to earn income and to make some savings possible.

FHA Insured Mtgs. Held Privately

More than 8,700 private financial institutions held small-home mortgages insured by the FHA as investments at the end of 1945, Raymond M. Foley, Federal Housing Administration Commissioner, announced recently. The report compiled by FHA shows that on Dec. 31, 1945, a total of $4,523,-213,249 in premium-paying FHA-insured mortgages on small homes were held in portfolios of 8,703 institutions. In addition, 162 private financial institutions held $249,-890,517 in FHA-insured large-scale rental housing and war housing mortgages. From the FHA announcement we also quote:

The report indicated that only .9% of all FHA-insured small-home mortgages in force were held by Federal agencies, together with $35,000 of large-scale housing FHA-insured mortgages. These holdings were predominantly of the Federal National Mortgage Association and The RFC Mortgage Company, which provide a source of the secondary market for FHA-insured mortgages. Federal agency holdings dropped 70% from 1944. The report disclosed that over 99% of all FHA-insured mortgages are owned by private institutions, thus constituting a highly important segment of the earning assets behind the financial structure of the nation.

Insurance companies represented the largest single group of institutions as investors in FHA-insured mortgages, holding 34% of the dollar volume of all small-home mortgages, 67% of the large-scale rental housing mortgages, and 56% of the large-scale war housing mortgages.

The combined total held by National banks and State banks and trust companies exceeded holdings of insurance companies. Commercial banks, National and State, held 43% of the total amount of small-home mortgages, nearly $2,-000,000,000 in all.

Is Britain Linked to Wall Street?

(Continued from page 72)

with a rise of American cotton prices by about 200%, was yet another concession made for the sake of the loan, and that the loss of dollars compared with the price that might have been possible to achieve must be added to the indirect costs of the loan.

The main reason of the unpopularity of the loan is, however, the fear that the acceptance of the terms attached to it has now tied British economy to the United States, and that it will be impossible for Britain to isolate herself from the effects of boom and slump in Wall Street. Supporters of the Labor Government feel very strongly on this aspect of the problem, since in 1931 it was the repercussions of the Wall Street slump that brought down the Labor Government of Ramsay Macdonald. The fears were voiced at the Whitsun conference of the Labor Party at Bournemouth, and the Government was not in a position to reasure its supporters.

The fears are based on the fact that under the Bretton Woods agreement it will be impossible to devalue sterling, if and when this should be considered necessary, beyond the inadequate extent of 10%, and that under the principle of non-discrimination in trade to which the Government has committed itself, it will be imposible to safeguard trade with the Empire and with the Sterling Area against the effects of a slump in the United States. With the aid of an elastic sterling and the maintenance of the existing bilateral and regional trade arrangements, it is thought to be possible to isolate British economy from the reactions of a Wall Street slump. The Government has abandoned, however, these defensive weapons in return of a loan of $3,750,000,000, only part of which will be retained for the benefit of this country.

It is true, supporters of the loan agreement argue that the benefits derived from unilateral trade will amply compensate Britain for the sacrifices. But the re-statement of the creed of free trade appears to carry now very little conviction in its country of origin. In his recently published pamphlet "A Page of British Folly", the Oxford economist, Mr. Roy Harrod, bitterly complains about the lack of enthusiasm over the return of multilateralism that has been made possible by the Bretton Woods agreement. The people of Britain—at any rate the majority of those who take an interest in such matters—has become utterly realistic in their outlook. They have little use for the doctrine of economic mysticism under which the money spent abroad is bound to return somehow or other to the country that spent it, if only everybody plays the free trade game. For one thing, doubts are entertained whether everybody would really play the Free Trade game. Besides, even if they did, it is by no means considered certain that Britain will be able to produce cheaply enough in the long run to hold her own in international competition.

Under bilateral and regional arrangement it would be possible to safeguard essential overseas markets by stipulating that the proceeds of goods sold to Britain must be spent in Britain. Under a system of elastic exchanges it would be possible to adjust sterling to ensure that British prices are reasonably competitive. Under the loan agreement, however, these safeguards are abandoned, and British stability and prosperity are left to the mercy of the caprices of overseas markets in which the dice might easily be loaded against British exports.

This is the essence of the case against the loan. For the present the opponents are lying low, as they realize that nothing they can do would make the slightest difference at this stage. Their turn will come if and when a Wall Street slump begins to produce its effects on British economy. The Government will then have to face the full unpopularity of any setback in Britain's recovery. There can be little doubt that under the plea of **force majeure** it will then seek to get out the commitments that will prevent it from applying measures to isolate Britain from the effects of the Wall Street slump.

'American Railroads Are Not Done'

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fore us just as we successfully solved the problems directly incident to the war.

You accounting men are only too familiar with the greatest problem facing us at the moment, to keep and improve our credit in spite of the increased costs of labor and materials. Or, stating it more practically, the problem of earning a profit for our owners.

In my opinion there are three avenues along which our efforts should be directed in successfully solving this problem, — first, toward improvement in the volume of business. It is wholly unnecessary for me to expand this theme before a group of men who understand as well as you do what increased volume means for our industry. Second, improvement in our selling price. This, too, is equally obvious to you. The Third Avenue is what I would call, for lack of a better term, improvement in the art of railroading. Research and technological advances have already played an important part, and will in the future, to an even greater extent, assist us in the future toward a solution of the problem of preserving a solvent and strong railroad industry so tremendously important to all other business of the country.

This improvement in the art of railroading is just as important in the Accounting Department as it is in the Mechanical Department or any other railroad department. That you men are aware of this is demonstrated by the establishment of the business forum which is to be a part of your conference here, in which you seek by an exchange of ideas and a search of new methods for an even more systematic and efficient means of conducting your work on your respective railroads. There is little doubt but that the ability of management to control operations would not have advanced as rapidly as it has but for the forms, records, clasification of accounts, and operating statistics, which you of the Accounting Departments have devised and improved over the years.

The last few years have brought far-reaching changes in our affairs, due in large part to the enactment of many additional laws and regulations directly affecting the railroads, such as, retirement and unemployment compensation, tax acts in the various states, Federal income and excess profits taxes, security exchange regulations, employees' withholding taxes, and payroll deductions for war bonds. All of these have multiplied the problems confronting the accounts of the carriers, and the work of your Association, by the exchange of ideas, helped provide the most economical methods of handling these additional burdens.

Your Association, from a small beginning in 1887, has grown to the point where it now functions as a regularly constituted department of the Association of American Railroads. Your accomplishments have been many, harmonizing the viewpoints of the accounting officers, and promoting the efficient conduct of the Accounting Departments of all carriers, thereby insuring uniformity and standardization of settlement of accounts and the various other routine matters of accounting problems. The basic principles of the present railroad accounting system must have been established on solid ground because they have stood the test of time and have been amended only slightly, and then only after very careful consideration. You have every right to be proud of your accomplishments.

We are all part of a progressive and militant industry — an industry which, given an equal opportunity with forms of transportation now heavily subsidized by our Government at the expense of the taxpayers, including the railroads, — is going forward fast. The railroad industry will, just as soon as it can get delivery of the new equipment now on order and to be ordered, offer to the traveling and shipping public even better transportation of passengers and goods than has been given during the past 120 years. American railroads are not slipping. They have been, are, and will be for many years to come the principal means of safe and dependable transportation for passengers and for the products of industry, and agriculture. As a mater of simple fact, no other means of transportation now known can do the job. The airplane, the bus, the truck and the pipe line, all have their proper place, and will continue to perform their part in the general transportation picture, but the principal and most important part of this country's transportation system will be, for years to come, the American railroad.

Howell, Porter and McGiffin Is Formed

Announcement is made of the formation of Howell, Porter & McGiffin, Inc. to engage in the investment securities business at 13 South William Street, New York City. The new firm will act as underwriters and participating distributors in industrial and other securities.

Officers are Hubert A. Howell, President; Kenneth L. Porter, Vice-President, and Le Roy E. McGiffin, Secretary and Treasurer. Mr. Howell was formerly of Howell & Co.

Marketing Leadership Needed

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people realize the interdependence of our modern industrial society. Marketing men realize how close the cash register is (or should be) to the mine and the farm and the forest—how closely the incomes and the purchasing power of each of us is tied to that of the others, to all the others. Marketing men more than most people are able really to grasp the basic proposition that our workers (including you and me) are our customers. Marketing men are in the middle, as it were.

In the perspective of this closely knit economic system it is very clear that prosperity cannot be achieved—or sustained for long—by any one segment of the economy unless it is shared by all the segments. Surely we learned this lesson in the last fifteen years. We all go up and down together.

Depressions in this modern industrial civilization not only bring the misery of unemployment for millions of workers; they bring a general paralysis spreading rapidly to all areas of business and all regions of the country. In 1932 profits did not merely shrink, they disappeared; business as a whole in that year actually lost money. Capital values were decimated. Farmers lost their markets, their prices and many of them their farms. Human values shrank with loss of skills and impaired morale that took years to rebuild. Most of us have concluded that we dare not risk this kind of disaster again. It is simply intolerable for all concerned. A repetition of 1929 would certainly bring a demand for drastic changes that would be difficult or impossible to resist.

Nation in Unusual Good Economic Position

The point is that despite the destruction of war, this country found itself at the end of the war in an unusually good economic position. We were in a position to continue—after the necessary adjustments—at a high level of output, income, and employment. The increased productive capacity, the flow of income, the accumulation of savings and demand were powerful enough to give us a good push toward prosperity. The problem confronting the country now is whether we can keep this prosperity going and whether we are willing to take the steps to assure this goal.

If you in marketing want to provide the kind of leadership needed for continuing prosperity, you will above all have to set your sights on a longer view than has been customary in the past.

It is, of course, much easier to consider issues in terms of immediate advantages for particular individuals and businesses. It takes real courage, daring, imagination and understanding to really apply the lessons of history by taking the long view and the broad view on day to day issues and immediate decisions. Yet I think you will find that the long view and the broad view are really the best for each of us in the light of what might be called enlightened selfishness.

The shortsighted are always inclined to take the easiest way out and hope piously that catastrophe will not catch them.

Avoiding Depressions

Courageous leaders in every field will recognize the dangers that still face our economy and especially the unremoved and potentially fatal threat of recurrent and protracted depression. They will recognize the call for such action as will avert these dangers in the long-run interest of the community. They will recognize and never forget that the interests of each group are interdependent.

I am not calling for businessmen and their associations to change fundamentally their ways of doing business. The purpose of business activity is the maintenance of a sound, widely-diffused prosperity. Independent, thoughtful businessmen should gear their actions not merely to the potential profits of the next few months or years but to good profits and steady profits for the next twenty or thirty years. And this requires long-run security throughout the economy and it also requires continued expansion. And here is the special function of marketing as a key element — perhaps the key element—in economic growth and improvement; a marketing and distribution leadership for our business system, based on policies that are geared to expansion rather than restriction.

Scientific management in marketing is based on facts, rather than on emotions or hunches. The Department of Commerce has long played an important part in the development of scientific marketing. For example, we have contributed to the modern technique of sampling which substitutes facts for guesses as a basis for the design of products, packaging, production scheduling, and marketing organization.

Plans of the Commerce Department

The Department intends to go much farther in this direction, subject to the appropriations now under consideration by Congress. Moreover, we plan to improve substantially the current reporting services on production and distribution, including inventory reporting, to provide more sensitive indications of regional and industrial changes. We are planning for the coming fiscal year a new Census of Manufactures and a Census of Business—the first of either since 1939. These new censuses will measure the changes brought about by the war and provide the up-to-date facts that you need in order to apply the objective marketing techniques you have developed.

Your people have urged this work. I hope that Congress will approve and let us do it for you.

In cooperation with industry we have given much attention to streamlining and improving these censuses of manufactures and business, not only to meet the needs of economic analysis but—and especially—to meet the needs of marketing executives.

We are also planning a census of population and housing facilities on a sampling basis for the Fall of this year. The samples will be large and will be designed according to the latest and best developments in scientific sampling. The results of these studies will provide the first authoritative report on the shifts in population that resulted from the war; it will bring up to date our information on the distribution of consumers by regions and by age and sex composition. It will also provide a factual basis for the tremendous housing program with all its ramifications in furnishings and the whole range of consumers durable goods.

In addition we are planning an enlarged quarterly report that will provide information on population, employment and unemployment for large cities and by States and regions. This will tie in with our present Monthly Report on the Labor Force which is not a large enough sample to permit a reliable breakdown by States and regions and industrial areas.

We have also under consideration a consumer income survey for next Spring, another sampling job, which marketing people know is badly needed. This survey will provide business with direct indexes of purchasing power which can be used to make more efficient the allocation of sales quotas, sales forces, advertising lineage, and stocks.

In all these surveys the facts will be developed which provide the essential framework for your own specific studies—the analyses and interpretations conducted by marketing specialists to achieve more efficient distribution, wider markets, and continued growth. At the moment these projects are all in jeopardy pending final action on the Department's appropriations in the Senate and the House of Representatives. I hope they do not cut these projects—your projects—too deeply.

In addition to providing basic benchmark and current information the Census Bureau statisticians have developed and applied techniques in sampling that make small inexpensive surveys a tool of very wide application, within the reach of individual business budgets—even local businesses. Moreover, the Department's overall economic analyses and outline of the business situation in the monthly Survey of Current Business provide the type of data by which more effective marketing techniques for individual products can be developed. More advanced marketing specialists already recognize the importance of under standing the special economic behavior of individual products in relation to total economic activity as measured by the gross national product and its components as a guide to more efficient marketing.

National Advisory Council on Distribution

Indicative of how strongly the Department feels about the importance of distribution in the economic life of this country are the steps we are now taking to set up a National Advisory Council on Distribution. This will be a voluntary association of the leaders in industry who specialize in distribution, working in close cooperation with the government for the purpose of stimulating the best principles and best methods of distribution in the interest of business and the entire country. By doing this, the Department is emphasizing the support it gives to the leadership of distribution in industry. It also represents the type of cooperation and mutual help that is possible between government and business and which should be fostered.

The Council will reflect all industries and will be national in scope. It will try to put its finger on the crucial elements of distribution and propose those policies that will lead to the most effective methods in selling and distribution for the purpose of eliminating waste, improving efficiency, reducing costs, and, in general, getting an improved flow of the product of industry to the consumer.

But I want to emphasize again that we and you have a responsibility in applying the scientific approach not only toward more efficient and effective distribution, but also toward the development of the techniques and the policies that will enlarge and improve the aggregate markets for goods and services.

Threat of Inflation

This responsibility makes it proper and fitting for marketing men to design and urge policies and programs that will bring under control the threat of inflation—that will curb our tendency toward speculative booms. This tendency toward a speculative inflation, so apparent today, confronts us with the threat of an upheaval that could not only destroy the potentiality of a long-run prosperity—it can also further disturb our economic relations so that even when we do recover the future periods of prosperity will rest more precariously on a weaker foundation.

The speculative upsurge of prices that looms as a possibility of the next few months would not only absorb the cushion which we have all been banking on to lift us through the period of reconversion to higher levels of steady production, but would also diminish the current flow of effective demand by reducing the real incomes of the consumer. Deflation, when it comes, will not hit all commodities and services with equal force at the same time. Those in a weaker position will be more affected by the collapse of prices than others where a more or less effective control over the market will provide a temporary sustaining force. The resulting distortion in price relationships will be a persistent factor of maladjustment that will seriously distort the next up-swing in the business cycle.

Our job—the job of leadership in business, in the community, and in government—is to lick these business cycles. They are getting entirely out of hand and threaten the very survival of our free enterprise system. Our immediate job is to lick inflation in the next few weeks or months. In the longer run our job is to head off a postwar bust.

But this is only part of a general program for larger and better markets. Mass production can only grow when there is mass distribution and mass consumption. This requires not only an improved national income today through improved technology and increased productivity, but also a more realistic approach to the distribution of that increase in income in a manner designed to sustain mass distribution and mass consumption.

The view I am proposing is that

the gains in productivity not be allotted merely to one group in the production process. I would like to see a policy adopted by business which would see to it that the benefits of increased productivity are shared three ways—by business, by labor, and by the consumer. This is not only in the interest of justice but also in the interest—the long-run selfish interest—of each group in our society.

It is necessary that the investor be provided with an incentive enough to make him risk his cash. It is necessary that the worker have enough incentive to make him work toward more and better output per man hour. It is necessary for the consumer, the customer—who is also typically the worker—to have enough incentive in the form of better values and more attractive goods to make him use his income in some constructive way that will keep alive the flow of purchasing demand.

Why can't we arrive at some rational basis on which to distribute these fruits of our industrial civilization? I mean a basis better and more equitable than the trial by force, by industrial conflict—or the trial by starvation.

There are whole industries and occupations that are badly paid in comparison with others and in these industries nobody makes a proper share, in the sense of being able to participate in our total national dividend as full citizens. If these under-privileged occupations and industries are under paid because they have lagged behind in the improvement of their technology and output—then is it not a proper task for management to correct this situation, and is it not a proper assignment for marketing leadership to show the way?

Rehabilitating Undeveloped Areas

Similarly, it would be only proper for marketing men to take a keen interest in the industrial advancement and rehabilitation of under-developed areas in our country. Marketing men are fully aware from their own experience of the tremendous new markets that will be available when we find the way to open up these under-developed regions and to advance the lower income groups to a point where they can participate in the wonderful products and services made available by our industrial technology. It would be worth while for your marketing association to study the effect of the TVA on markets in Tennessee Valley and neighboring areas of the Southeast; and then to study the potential markets that would grow as a result of other river valley projects and other techniques available to industrialize the "backward" regions. This new and challenging economic frontier should be of special interest to marketing people.

Markets Keyed to New Housing

Similarly again, I do not know of any really adequate study as yet that would reveal the extent of the potential market that is keyed to the supply of new good housing—a market not only for house furnishings, refrigerators and so on, but for garden furniture and equipment, for plants and seeds and fertilizer, for pictures, for electric power, for books and magazines and for all the things that people buy and use when they have a place to live in which they can take pride.

In essence what I am proposing is that leadership in marketing can and should expand and improve the art and science of distribution and inspire it with the sense of new and higher and wider horizons. In large measure you have already recognized the value of this art and science and it is heartening that you have done so. The very fact of your offering these awards today in recognition of noteworthy advances is in itself evidence of the value you have placed on the techniques of distribution. I urge that you go a step farther and carry the implications of this science and art to their logical conclusion—the recognition of those steps necessary by business and community leadership to make for richer and broader and better distributed aggregate markets as an essential factor in the continuous progressive advance of our country and our society as a whole.

Only in this way can we assure the sustained prosperity for which all the elements of leadership in our economy are eternally striving.

The N. Y. S. E. and the Curb

(Continued from page 79)

and in providing a continuous market-place for the securities of American investors.

It is a distinct compliment to the Stock Exchange that the Curb has patterned many of its policies after those of the older institution. In all modesty, I would be the last to question the wisdom of the Curb's Governors in pursuing this course. I am reminded of an incident which occurred, some years ago, at a conference between groups representing both exchanges, at which some problem of the moment was under discussion. Bill Lockwood, I am told, was eloquently making a point.

"You know," Bill said, "the Curb has deflected considerable criticism from the Stock Exchange."

John Hancock, who was presiding at the conference and who was then a Governor of the Stock Exchange, retorted, "Yes, Bill, the Curb may have been a deflector, but it also has been a good absorber."

Fewer Problems Today

Those were days of the distant past when it seemed that every day brought a new problem for both exchanges. Our problems are fewer today. The Stock Exchange and the Curb have often disagreed over various questions, mostly of a minor nature, but I say, with great pride in both institutions, that they have never disagreed with respect to their broad objectives and purposes.

They agree that the fundamental reasons for the existence of securities markets are (1) that capital and management must be brought together in order that the two jointly may provide benefits for the general public—benefits which people otherwise would not enjoy; and (2) to maintain liquid markets for the public's investments in our great enterprises.

Joint Purposes of NYSE and Curb

Our exchanges agree that they have no franchise, no privilege to conduct themselves differently from the rest of their fellow human beings.

They agree that they must perform responsibly if they are to continue to deserve the public's confidence.

They agree that the very essence of stock exchange principles (and I, of course, include the other organized exchanges of the country) is full disclosure.

They agree not only that there shall be full disclosure of information by listed companies, but that prices shall be openly established in these markets in the interest of the investing public.

They agree that confidence in management, confidence in stock exchanges, confidence in stockholders can be retained only in proportion as the people observe and as they believe that these groups fulfill their obligations to each other and to all the people.

They agree in the principles of voluntary restraint and self-government.

They agree that there should be continuing cooperation between the exchanges and the regulatory agencies and that this cooperation should be based upon mutual confidence.

They agree that they must always be the worthy servants of American industry and American investors.

Above everything else, they agree that, here in America, the foundation of freedom is free markets and that if our people are to remain free, their markets must remain free.

As I close, I would like to dwell for a moment upon the subject of free markets. I am speaking of free markets in the broadest sense. Either you have free markets or you do not. My conception of a free market, whether for securities or anything else, is one in which all meet on a basis of perfect equality, with the rules clearly defined and rigidly observed. That is the ideal toward which our exchange markets have striven over the years.

Blyth & Co., Inc., Offers Hilton Hotels Stocks

Blyth & Co., Inc., heads an investment banking syndicate which on July 2 offered to the public 350,000 shares of common stock (par $5) of Hilton Hotels Corp., at $17.50 per share.

Blyth & Co., Inc., also offered to the public on the same date an issue of 24,000 shares of 4% convertible preference stock (par $50) of Hilton Hotels Corp. at par ($50 per share), plus accrued dividends from June 1, 1946.

In addition to the above, the company is offering 50,000 shares of common stock directly to certain key emplyoees at the public offering price.

The convertible preference stock is being sold for the account of C. N. Hilton, President of the company. Net proceeds received by the company from the sale of the common stock will be available for general corporate purposes. While the company has not made any specific allocation of the funds, it has, however, undertaken a $1,500,000 improvement and modernization program for the Plaza Hotel in New York, which is one of its properties. The company has also agreed to make an investment of approximately $150,000 in the Palm Beach Biltmore Corp. which has a contract to purchase the Palm Beach Biltmore Hotel, Palm Beach, Fla. The company also contemplates the acquisition by purchase, or lease, of additional hotels.

The preference stock is convertible at the option of the holder at any time prior to redemption and prior to Dec. 31, 1960. This stock will also have the benefit of a sinking fund, starting April 15, 1947.

Blyth & Co., Inc., is the sole underwriter of the convertible preference stock.

Tripp & Co. Adds Doty

Tripp & Co. Inc., 40 Wall Street, New York City, announce that Robert I. Doty is now associated with them in their trading department.

Wittich Appointed Director

Wilbur R. Wittich of Maxwell, Marshall & Co., New York City, has been elected a director of the Hanson-Van Winkle-Munning Company of Matawan, New Jersey.

Customers and Competitors In Latin America

(Continued from page 75)

execute devices to raise the standards of living of the ordinary peoples of the countries to the south. What we are doing is a partial manipulation of their economies so that they earn more, so in turn they can buy more American merchandise. Based on the results obtained so far, if surplus purchasing power is ever developed through our schemes, other nations will receive most of the benefits. More about this later.

Not Ready for Higher Living Standards

The plain truth is that most of the ordinary peoples of Latin America are not ready to accept the benefits of higher standards of living. Take the case of my friend in Lima, Peru, who manages a good-sized factory. Recent upping of pay forced by the party presently in power, called Apra, gave his workers roughly twice the daily wages they used to earn. Did these workers take home twice the pay they used to? They did not. They simply stayed home half the week, because they earned in three days what they used to earn in six, and that's all they seemed to want. Very few workers showed up on Monday morning, or on Saturday, so my friend was forced to have on his payroll about 25% more workers than could fit inside his plant, if they all showed up at once. And at that, he has a hard time hiring all the employes he actually wants to have.

The effects of climate, state of health, and above all the heritage of customs and practices are more fundamental than increased daily wage rates, and require much more attention. Let's make this pinchpenny Congress of ours vote substantial appropriations to be used for many more visits of Latin American doctors and lawyers and educators and dieticians and technicians and business men, and above all let's have hundreds, maybe thousands, of scholarships available to Latin American youngsters selected primarily from ordinary homes in the smaller towns and cities. And while they're here, inculcate in them the desire and necessity for the better things of life, based not on North American ideals and practices, but rather, attuned to the finest concepts of their own Latin culture. Sure—we have done some of these things—but not with mutual understanding—not with the graciousness which couples their visible thanks with that warm inner glow of heartfelt appreciation that forges unbreakable chains of lasting friendships.

It's an accepted fact that for many years good feeling has existed between Argentina and Great Britain. I was never quite sure just why, so I spent a little time investigating during the time I spent in Buenos Aires. The answer is simple, and fundamental — the English people have always rendered service to Argentina in a respectful, friendly, understanding fashion. Every day hundreds of thousands of Argentines are reminded of England's unquestioned service to them when they ride on the British-owned railroads. The road that leads to the south operates one of the largest and busiest stations I have ever seen—during each 24 hours, 230 trains arrive and depart from Buenos Aires—and on time, too. And it is this very road, say my Argentine friends who furnished the information, that the world will look to next year to determine just how far the present Argentine Government will go towards nationalization. For—next year the Bartolome Mitre law expires.

Expiration of the British Railway Concession in Argentina

This is the law that the then Argentine President, Bartolome Mitre, caused to be enacted, giving to English interests the right to build and equip a railroad to the south of Buenos Aires, without payment for the right-of-way, without taxes, and guaranteeing a 7% return on the investment for a period of years. If the railroad earned less than 7%, the Argentine Government would make up the difference—if it earned more, the overage beyond 7% would be repaid to Argentina. Yes, you guessed it—for practically all its existence, the railroad paid just about 7%.

Whether this law will be renewed is not known. Perhaps it will, or perhaps Argentina will take over the road. We'll know a lot more about Argentine policies for the future when the law expires.

While I'm on the subject of the Argentine, I want to make reference to a signed article by T. R. Ybarra in the New York "Times" of Monday, June 24. He said in effect that former Ambassador Spruille Braden's actions, both in Buenos Aires and in Washington, were seriously detrimental to the welfare of American business in Argentina. He based this statement on remarks made to him by Americans doing business in the Argentine.

Now, I was interested in that same subject when I was in Buenos Aires, and I asked a number of Argentine business men about it. They didn't share the opinion of Mr. Ybarra's friends at all. They liked Mr. Braden's iron courage, and the steadfast way he stuck to his principles. They criticized his technique and handling of the material in the blue book, while admitting that its text was probably largely factual. Most of the distributors I visited practically begged me to use influence to get their principals in the United States to send more goods quickly, and one of them sent an additional order for $20,000 to be sure to have enough goods on hand. The evidence I saw was against Mr. Ybarra's friends' opinion.

Ybarra's article went on to say that our State Department hindered American business in Argentina because it cared more about international politics than rendering service to American businessmen. Now, there's a statement exporters can really sink their teeth into. The greatest number of export travelers that I know never go near our embassies for information — it's much easier to get help and information elsewhere. During my recent trip, I contacted four embassies—two of them gave me magnificient help—and the other two were unable to answer fundamental questions. We need great numbers of higher calibre men in our foreign service, and a good way to start attracting them is to offer decent salaries.

The Reciprocal Trade Treaties

Our policy on reciprocal trade agreements needs a little strengthening, too. Several countries, notably Chile, are negating the effectiveness of these symbols of free trade by the simple process of requiring import licenses, and then stifling competition to home industries by denying import licenses requested by local distributors of American goods or raw materials.

I had intimate contact with two such cases when I was in Santiago. In the first case, the local distributor of a well-known American pharmaceutical product was denied an import license to replenish his regular stock, and was informed that no further licenses would be granted. The distributed wanted to know why, and he was informed that there was a similar product made locally, and if he didn't import any of the American product, a number of native workmen would be put to work because more of the local product would be sold. Protests were lodged, of course, but I cannot report the result, because I had to leave before the case was settled.

The second case concerned a distributor of American pills. He asked for a permit for 150 gross, and they told him all he could import was 50 gross, and furthermore he could only spend on advertising 10% of the actual cost of the pills, plus a reasonable amount for office expense. The reason given for this restriction of advertising expense, which saving, incidentally, must be passed along to the consumer, was that no one should make high profits out of public health.

The possibilities of discrimination under this import license procedure are serious enough to warrant corrective negotiation by our State Department.

We must always keep in mind that the larger Latin American countries fully intend to compete with us in supplying the needs of the smaller countries. I walked into a large general store in Antofagasta, and saw washbowls, bathtubs, toilet bowls, etc., made in Brazil and Argentina. I saw a very nice line of stainless steel cooking utensils made in Argentina and a very reasonable quality line of enameled cooking ware made right in Chile itself. I hope our State Department is on the ball, here. When the projected Chilean steel mill, and the copper tube mill begin to operate, there'll probably be more licenses denied unless the proper adjustment is made.

The OPA Ceiling Price on Coffee

Of all the discussions I engaged in, the one that really had me backed up against the wall was in Bogota, Colombia. There, I had the great privilege and pleasure of talking to several of the leading statesmen of that country. I got along fine, answering their questions, until we sat down to dinner. Then with one on each side, and another across the table, they wanted to know why our OPA set the ceiling price on coffee at 19 cents, when the average sale price for years had been 25 cents. They wanted to know how they could be expected to continue to buy American goods in quantity when we forced them to sell their principal agricultural crop so far below the customary market price. I couldn't tell them the answer, and tried to wriggle out by asking why they didn't consult our embassy. They said they had, and couldn't find out why the 19 cent price.

We all finally agreed that the OPA policies could not be fathomed by mere men, and they very graciously let me get off the hook by saying that they had great confidence that the United States would give them relief soon. I hope their patience is greater than mine would be under similar circumstances. This same argument was put up to me in Costa Rica. The folks there were just as mystified at the 19 cent price.

In every single country I visited, at least one person, usually more, asked me about the strikes we were having, and wanted to know why our government didn't do something about getting production going. Their interest, of course, was a lot more than academic, because many lines were in short supply, and they really needed more goods. They were really scared in Puerto Rico, however, when the possibility of a shipping strike became known in the press. So many of their necessities are imported, that they visualized a return to the condition that existed during the early part of the war, when crackpot ideas about food distribution and the submarines of the enemy combined to cause real distress.

Transportation in Latin America

Transportation, or rather the lack of it, continues to be the retarding factor that prevents many areas in Latin America from developing fruitfully. Many of you will remember Dr. Hunnicutt, President of Mackenzie Institute of Brazil, who spoke to you last season. I had the pleasure of sitting beside him at a Rotary Club luncheon in Sao Paulo, where we discussed the prognostications he made in his address. One of the things he had said was that Brazil desperately needed more transportation of every kind, if their national economy was to have the opportunity to stabilize itself.

Transportation in Brazil is in a really desperate condition. There are just not enough busses, street cars, auto trucks, railroads and airlines to handle even the bare requirements of normal living. In the central business section of Sao Paulo, right now, people have to stand in line, waiting for busses and cars to get home, for as long as an hour. The queues contain hundreds of people in rush hours. They are still waiting for new busses to arrive.

Bread was practically nonexistent in many parts of Brazil a short time ago. Yet there were huge quantities of foods on the inland Brazilian farms that rotted because they could not be carried to markets—no trucks.

There is a huge steel mill at Volta Redonda, in upper Brazil, that was supposed to start operating some time ago. The inquiries I made concerning it indicated that no one had yet figured out where the railroad facilities were to be obtained to carry the ore to the furnaces, the coal to the storage yards, and the finished steel to the warehouses of the purchasers.

The country of Colombia has three railroads. None of them connect, or even run reasonably close. Barranquilla, the normal port for Bogota, has been blocked for such a long time that most shipments were diverted to Buenaventura, on the Pacific side. There, your goods were placed on a railroad, carried up to a point beyond Medallin, and then had to be unloaded and placed on trucks to be carted 35 or 40 miles and placed on the railroad that would carry them to Bogota. Colombia will never reach its reasonable potential until this problem is solved.

Mexican railroads operate at only a small percentage of the efficiency of American lines.

All these people need rolling stock of all kinds—immediately—desperately. How they get along as well as they do with their meagre equipment is a mystery to me.

Foreign Competition for South American Markets

I think our manufacturers would do well to remember from time to time that the stockrooms of Latin America are slowly but surely receiving merchandise that we hoped to supply, but didn't, from England, Sweden, Switzerland, France, Belgium, Canada and Russia. Yes, I said Russia. A newspaper publisher said to me that the States and Canada wouldn't send him more paper that he badly needed, before the beginning of 1947, so he was forced to order some from a Russian house that promised him newsstock for prompt delivery.

I held in my own hand, in the office of a Latin American firm, the bill of lading for what I believe is the first large shipment of genuine French perfumes to be sent to Spanish America. That's bad news for American perfumery houses.

What I'm leading up to here is probably quite obvious. It's a question, directed at American exporters in general, a question asked of me dozens of times during the past 4 months—"Why don't your people allocate to export the same percentage of their goods that they have always shipped to export, and divide it as fairly as you can. We know you have had productions troubles, and that you can't supply all your domestic customers, but it is not fair to us, your customers of many years, to send us nothing, or practically nothing. We must have goods to stay in business. Just give us our normal percentage of whatever you produce, and we will be content."

I know, for I have seen the letters, that many, many American manufacturers created ill will by the brusque tactless manner in which they turned down export orders. Some are even stupid enough to come right out and say that it will be many months before they can ship anything because they do not have enough to fill all their domestic orders.

This principle of allocating a percentage of production for export markets is a sound, basic principle, one that deserves the most serious and solemn consideration. Right now, the proper handling of this problem is the greatest potential good-will producer we have at our disposal.

Industrialization of Latin America

I want to touch on another matter that has disturbed me for years. It's usually called the Industrialization of Latin American Countries. Our braintrusters justify our sponsoring this industrialization process because they say our best customers have always been the most highly industrialized countries, like Germany before the war, for instance. They would have us believe that building Latin American factories to make their own goods instead of buying them from us will give the average Latin American more money with which to buy the things they can't make. This process also is described as "increasing the standard of living." The things an industrialized Latin American country is not supposed to be able to make at a competitive price are such items as cars, refrigerators, radios, etc.—production line goods. That's fine, so far as these manufacturers are concerned—but how about the thousands of other items we make here, now. What are those manufacturers going to do with their decreased rate of production because their former export orders were industrialized away from them? How about their higher unit costs because they produce less? Who is going to hire the 10% of their workers who formerly produced export goods? Government figures show that 10% of our workers are producing products for foreign markets. Will they be absorbed in the automobile, refrigerator, radio, and similar production line industries? I wonder!

The larger countries of Latin America are striving mightily to become as self-sufficient as they can. They hope some day their imports will be minor in their economic patterns. If that's what they want, and they're willing to live with the consequences, they have a perfect right to become isolationists, in theory and in practice. But let's not have any nonsense like attempting to justify lessening our own production capacity so that we can strengthen industry in other countries, on the off chance that we can help the general population of such countries to buy more of a restricted list of items they can't produce cheaply.

The advocates of a world state as the means of obtaining universal peace might be interested in an economically weaker America. But I'm not. I want to see the United States become stronger and stronger, increasing the quality and the service of the goods it sends abroad, and producing such enormous quantities that we can bring the prices down to the point where the largest number can afford them. By following that principle, developed in terms that our friends to the South understand and accept, we'll have more customers, and fewer competitors in Latin America.

Depressions Hit Top and Bottom Incomes The Hardest

(Continued from page 81)

seems probable that the incidence of unemployment varies inversely with the level of skill and income of the working group and its rank in the production hierarchy."

Finally, the relatively indispensable high-pay workers are usually better able to ward off pay cuts, especially since they tend to be more strongly organized.

Owners vs. Tenants

As between home owners and tenants, there seems to be a definite tendency for owner incomes to drop in times of depression at a slightly higher rate than those of tenants.

Inter-City Disparities

Among the 33 cities covered by the study, the general income level declined during the 1929-33 period at rates ranging from 24% for Richmond, Va., to 51% for Racine, Wis. The average decrease was 37%.

As between individual cities, those marked by higher average incomes tended to have smaller income decreases than the less prosperous, the depression thus apparently having had the effect of accentuating intercity disparities.

Lack of Uniformity in Individual Family Income Changes

The report shows that the families that belonged to any particular income bracket at the beginning of the depression fared differently during its course. The receipts of some declined by a large percentage, those of others rather little, those of still others actually increased.

"Heterogeneity," the wide range in 1933 of the various incomes whose recipients had made up a single income group in 1929 was particularly pronounced in the bottom and top income brackets; individual family incomes in the intermediate groups apparently conformed a good deal more closely to the average pattern of income change during those years.

The relative position of different recipients shifted considerably during the period. In most cities 10 to 15% of the families that were included in the lower half of the income recipients in 1929 were in the upper half in 1933. Corresponding percentages passed from the upper to the lower half.

Dr. Mendershausen's investigation is published by the National Bureau of Economic Research as a report in the series of studies in income and wealth.

Hungerford Plastic Common Stock Offered

First Colony Corp. (New York) made a public offering on June 28 of 74,000 shares of 25-cent par common stock of Hungerford Plastics Corp. at $4 per share.

Proceeds will be used to retire certain obligations and for expansion, alterations to plant, purchase of additional production and tool equipment, and for general corporate purposes.

The company, which has a new plant in New Providence, N. J., produces plastic products, including compounding of molding material and manufacture of molds used in that connection, and is engaged in research and development, primarily in the thermoplastics and powder metal fields, on a contract basis for other companies.

Long Island Airlines Common Stock Offered

L. H. Rothchild & Co., New York underwriter, on July 2 offered to the public 99,500 shares of $1 par common stock of Long Island Airlines, Inc., at $3 per share.

Proceeds from the sale will be used to purchase Grumman amphibian planes and parts so that Long Island's first air commuter service between Manhattan Island (N. Y.) and summer resort towns on Long Island (N. Y.) may be inaugurated.

After giving effect to the current financing, the company will have outstanding 137,000 shares of an authorized issue of 300,000 shares of the $1 par common stock.

Blyth & Co. Opens Branch in Houston

HOUSTON TEXAS — Blyth & Co., Inc., investment bankers and securities dealers, announce the opening of a branch office in the City National Bank Building. The new office will be under the management of N. B. Van Arsdale, who has been associated with Blyth & Co., Inc., for eleven years and has been transferred to Texas from the New York office. With the opening of the branch in Houston, Blyth & Co., Inc., now has twenty-five offices strategically located throughout the country.

Roberts Carson Opens

GAFFNEY, S. C. — Roberts P. Carson is engaging in a securities business.

UN OBSERVATIONS

(Continued from page 66)

This attitude, it must be realized, was not monopolized by the Soviet, but was shared by the other Big Powers including the Senate-conscious United States delegates. This troublesome factor publicly manifested itself to some extent in the negotiations over devising the Security Council, where definite decisions regarding enforceability had to be arrived at. In the formulation of the many ramified activities of the Economic and Social Council, on the other hand, in the emphasis on its worthy idealistic aims the complete absence of *teeth* for internationally-directed enforceability was publicly overlooked. The lack of realization at that time that complete freedom of action on national lines was not to be interfered with, has been followed by needless surprise over some of the ensuing altercations which have developed at Hunter over even relatively non-controversial social and economic proceedings.

* * * *

The most serious glossing-over at San Francisco, in the continuing opinion of this writer, occurred in connection with the veto power in the voting procedure of the all-powerful Security Council. In the overeagerness of Mr. Stettinius to finish the Conference with at least some kind of charter, and without too much delay, the great fundamental importance of the strong veto provisions was wishfully belittled. Excuses were made, seeping down from the top officials, to journalists, to lay bar-flies, along so-called "realistic" lines, such as war being unavoidable anyway in case of disagreement between any of the Big Powers, etc., etc. But such justification overlooked two facts, namely: that (a) while such "realism" may reflect the true situation, it nevertheless denotes the complete futility of attempting a *world* organization—be it christened League of Nations or by any other global name—and (b) of greater importance, a single nation's power arbitrarily to veto punishment of its own wrongdoing is affirmatively harmful in protectively cloaking actually criminal aggression with a mantle of sanctified legality.

But what was bad enough at San Francisco has become much worse since. The two-month "Battle of the Veto" there was finally settled under the explicit assurance given by the Big Powers to the other nations that the veto arrangement would only be used sparingly, in emergency, and with a great sense of responsibility. This was like a government bureaucrat's plea for an unconstitutional or otherwise unwarranted law conferring excessive authority, on the justification that the authority will not be exercised. At any rate, Russia, the only nation invoking the veto at all thus far, has done so no less than seven times. She used it to defeat a resolution in the Syria and Lebanon case in London. Combined with the "Gromyko walk-out technique" she used it in the Iranian proceedings at Hunter. Last week she used it three times regarding Spanish resolutions. She effectively used the threat of veto to get her way in blocking the majority will, regarding Britain in Greece and in the choice of the permanent Secretary-General.

Additionally—and unrealized by the public because of the technicalities involved—Russia has at Hunter attained the fullest rights which she demanded at Yalta and San Francisco, and which had been denied in the final agreements there. She has attained a double veto, or a "total veto"; that is, by winning the right even to veto a decision as to whether a particular question is subject to the veto, she has in effect the right to veto any matter at all.

* * * *

On various other general phases of sovereignty the Russians can, with some logic, point a finger at the United States policy in upholding our national rights vis-a-vis the demands of global government. In the formulation of the Charter we refused to go along with provisions for compulsory jurisdiction by the International Court of Justice. We were among the most voluble nations, along with Australia, in insisting that the Organization take no action interfering with domestic affairs—a basic provision which surely vitiates the effectiveness of the Organization.

Again with an eye on the Senate, our delegation at San Francisco placed severe restrictions on the use of military forces by the Security Council.

* * * *

And it is we who are also being charged with **imperialism,** because of our attitudes and policies in the Pacific; our exclusiveness in Japan; our troops in China; our efforts toward extending our share of influence throughout the Western Hemisphere by means of our alleged South American "blocs" etc.; our assurances to the Senate and the people that none of our possessions will be relinquished to UN trusteeship; our plans for seizing as "bases" for our strategic purposes Pacific islands which were mandated under the League of Nations. Then too, administration of the Panama Canal by us instead of internationally, is cited as inconsistent with our pleas to support the UN spirit throughout the world.

* * * *

The disappointing supplanting of worthy ideology by national interests has been evidenced in many situations. In the Spanish case, surely neither Britain's Labor Government nor our own New Deal-ish Administration have any spiritual sympathy for the Franco regime. But these ideological motives are outweighed by the political considerations of the strategic position of Spain at the western entrance of the Mediterranean, and the possible communist infiltration and domination of that strategically situated land.

Irrespective of what action UN should or should not take vis-a-vis Franco in following the pleas of the Spanish Republicans, the recent reflections of one of the latter are valid; namely, that "Spain's political and civil problems are being used by the Powers as an **"international playing card"**; that "the emphasis is on political maneuvering, not human beings"; and that "Spain has disappeared; what remains now are merely political attitudes."

And Russian ideological inconsistency is clearly illustrated in the Argentine situation. She bitterly fought the admittance of that country to the United Nations at San Francisco, but the real and outFranco-ing Fascism of the Peron Government has not prevented her recognition of that regime and her establishment of trade relationships with it.

Craven-Ellis and Cortney Clash on Keynes Theory

(Continued from page 68)

Theories", addressed to my house 21, Portland Place, London, W.1., which I regret to say was blitzed in the Battle of Britain 1940. Will you please note the above address for further communications.

I have not yet read the booklet except the explanatory note, and I feel that, if the booklet is written and based upon the explanatory note, there will be a great deal upon which I shall desire to comment. In the meantime, I am giving you my observations on the explanatory note. I will first of all take point four.

I think it is hardly correct to say that exchange control, as practised by Great Britain and those nations who voluntarily joined the Sterling Area, "is the diabolic instrument of economic nationalism and totalitarianism." Great Britain went off the Gold Standard in 1931, due to the fact that American economy sucked the gold of the world into her country and thereby removed the foundation to which currency over a wide field was anchored. Having the knowledge and experience of very many years where gold has failed this country, in fact on five occasions since 1844 the banking system would have gone bankrupt had it not been that the Government stepped in and saved the situation, we decided that we would adopt a managed currency instead of the automatic system which is the essential feature of the Gold Standard. After doing this Great Britain moved towards prosperity and it was not long before she almost completely recovered from the effects of the world crisis in 1931. Other nations saw the advantages of our system and voluntarily joined what is known as the Sterling Area, which means that countries trading with Great Britain left their favorable trade balances in sterling deposited in London. The countries which joined the Sterling Area also prospered. While this was taking place the United States remained in a state of depression, with millions of unemployed, and I contend would have continued to do so had it not been that the world war created a demand which gave America her opportunity to find work for her people. This, in my view, was an illusion because it has given American people the impression that their monetary and financial system is a right one. In other words, it has played right into the hands of the international financiers who, under a Gold Standard, dominate the situation and control the economic life of the people.

You go on to say, ". . . I believe that for the preservation of democracy and peace, free convertibility of currencies is as essential as freedom of speech . . .". Why America will not learn I do not know. Within the British Commonwealth of Nations and the Sterling Area after 1931, when a managed currency was adopted, there has been the freest convertibility that is possible. The £ sterling succeeded in financing nearly two-thirds of the trade of the world and all the countries within the Sterling Area became prosperous while America continued in depression. In practice there was no necessity to adopt exchange control within the Sterling Area; it was only adopted when Great Britain undertook, through her equalization fund, to deal with the convertibility between the countries which were in the Sterling Area and the countries which were outside the Sterling Area. So far as Great Britain was concerned, she did not wish to have exchange control but, because of the policies adopted by the U.S.A. and other countries outside the area, she was compelled to do it. If America had had sufficient vision when she went off the Gold Standard she would have joined the Sterling Area, then other countries which were under her economic domination would have followed, and we should have had a system through the Sterling Area of the freest convertibility between nations the world has ever experienced. Within the Sterling Area currencies were never more stable, the confidence in the Sterling Area even today is so great that several nations who are in the Sterling Area use the £ sterling as the backing for their currencies to the extent of something like £1,500,000,000 instead of gold. On the other hand, gold is so unstable that its price today is ranging from 174/- to £21 per ounce. Bretton Woods provides for the currencies of the member nations being expressed in gold at its value at June 1944. But, what value does this mean? Is it the value of 174/-, which is the official price, or is it the value in the world markets? The whole position under Bretton Woods is the most outrageous and ridiculous position that was ever created, and I do not envy the Board of the International Monetary Fund in deciding what is the price of gold. Overwhelming opinion in this country is against a Gold Standard and our present Socialist Government has committed the greatest crime of all time in accepting a loan from the U.S.A. with the conditions it involves, such as becoming members of the International Bank and the International Monetary Fund. We can quite well carry on and, within a few years, reach the greatest measure of prosperity ever, without the necessity of the financial co-operation of the United States.

It is true we are short of goods because this country — and this point does not seem to be appreciated in the U.S.A.—devoted the greatest percentage of manpower per population to the war effort than any of the Allies. We sacrificed everything to defeat the German terror, and if America, who grew wealthy and found her people employment by not being an al.y in the earlier part of the war, was desirous of playing her just part in world affairs the proper course for her to have taken was to say to Britain, "What goods do you want that we can supply? These will be delivered to you on credit conditional upon your liquidating this credit by supplying us with goods after your industries have been rehabilitated, reconstructed and get into total production." There is no system of world trade which will maintain the peace other than that of goods for goods and not goods for gold or money.

The policy of the U.S.A. as it seems to be at the moment will inevitably destroy the Bretton Woods proposals, as their policy of gold, tariffs and exports will put the U.S.A. into fundamental disequilibrium within a very short period. The fact remains that the U.S.A. has not yet learned that international trade can only be carried on when it is to mutual advantage. There is no point in thrusting exports on countries who are unable to pay for them with the sole object of creating favorable trade balances which can never be liquidated. It seems to me that the U.S.A. is desirous of emulating Great Britain when, after the industrial revolution, she set out to develop the world. It is common knowledge that this country's favorable trade balances, accumulated during the period of the industrial revolution when Great Britain was playing her part in developing the world, which were converted into long term loans, have resulted in the British investing public losing over the last hundred years something like £6,000,000,000. World conditions are so vastly different today it is not possible for the U.S.A. to emulate the part Britain played in World affairs and I predict that if America's policy of making loans to other countries continues, in time the losses of the U.S.A. will be even greater than those of Great Britain.

I think it would be safe to say that the industrialist countries of the world, in particular the U.S.A., know all there is to be known regarding production, but all countries fail because they have not yet solved the means of distribution. If the vast productive power of the U.S.A. is to be absorbed, and there is no reason why it should not be, it will require a very much higher standard of living for the peoples of America. Surely this a far better problem to work out than taking the short cut with surpluses and dumping them on the rest of the world? Especially, as history has shown so frequently that this form of trading which breaks down world economy, creates bitterness between nations and ultimately war. You may recollect that the Report made following the Hot Springs Conference stated that there had never been sufficient purchasing power to enable the goods the world could produce to be distributed. I am convinced this is a correct position and the U.S.A. with her great wealth expressed in terms of industrial power has an opportunity of leading the World to the greatest prosperity ever through solving this problem of distribution. There will be no need for U.N.O. and all the international conferences which are constantly taking place in different capitals of the world if only we can equate consumption to production.

Throughout the war at public meetings as well as in the House of Commons I have stressed the paramount importance of co-operation between the United States and the British Commonwealth of Nations and, being desirous of establishing better relations between these two, I formed the British-American Committee in the House of Commons the purpose of which was to take what steps were necessary to improve the relations. The proposal for a customs union put forward by the late Lord Keynes would have established machinery for international trade which I am convinced would have made a momentous contribution to improving the relations between the United States and the British Commonwealth of Nations, as well as the rest of the world. Your Economic Advisers apparently thought otherwise. They would not accept the Keynes proposal and subsititued for it, through Bretton Woods, the International Monetary Fund and the International Bank which, in my view, constitute a new world menace and will be a handicap to establishing the loyal co-operation which you and I appear to be so convinced is an essential condition. I think the difficulty arose from the fact that the American Experts were too gold minded. They had before them at the time the history of the Gold Standard, which has so frequently broken down, and the British system of Managed Currency, which brought prosperity to all nations within the Sterling Area in a very short time, and could have brought even greater prosperity if only the authorities responsible for the management had been a little more farseeing. The greatest service your Experts could have rendered to the people of the U.S.A. was to have recommended the U.S.A. to voluntarily come into the Sterling Area. A more recent example of modern monetary technique is to be found in Belgium. That country is making progress towards recovery and prosperity at a far greater rate than any of the other European nations who were involved in the war due almost entirely to a managed monetary system.

Yours faithfully,

W. CRAVEN-ELLIS.

P.S. A copy of this letter has been sent to the Editor of the "Commercial & Financial Chronicle."

P.P.S. I was M.P. for Southhampton 1931-45.

Mr. Cortney's Reply

Mr. W. Craven-Ellis
Estate House
Dover House
London, w. 1
England

Dear Mr. Ellis:

I have your letter of June 21st, 1946. If my explanatory note alone was capable of provoking you to write such a long letter, then I can well imagine what I am entitled to expect when you will have read my eassay on the Economic and Political Consequences of Lord Keynes' Theories.

In point of fact, if I would have to answer your letter, I think that with one or two additional comments, in which I may indulge in this letter, I would simply have to re-write my essay on Lord Keynes' theories.

Your great bugaboo is the gold standard, and you seem to put the blame for our economic troubles and the great depression on the gold standard. Now, the main reason for which I wrote my essay on Lord Keynes' theories was to destroy this very idea which I consider false because unsupported by facts. I endeavored to discharge the gold standard of the responsibility for the great depression, because if we continue to remain hypnotized by this false diagnosis, we will neither look for the real cause of troubles, nor be able to find the proper remedies.

I must, therefore, refer to the essay I have written in order for you to understand my arguments and to find the real answer to your headache. I wish, however, to add the following comments in answer to a few of your statements:

You take exception to my assertion that exchange control is the diabolic instrument of economic nationalism and totalitarianism. Do you know of any totalitarian country without exchange control? Conversely, I contend that exchange control will lead, willy-nilly, to regimentation and to economic nationalism.

Economic liberalism cannot live without an automatically functioning international monetary system. The correlation between exchange control and economic regimentation and nationalism has been proven, I should think ad nauseum, by the German Nazi dictatorship. What has been less emphasized is the relation which exists between our individual liberty and exchange control. It seems to me that the liberty for a person to leave his country is a fundamental guarantee of all his other liberties. A person is deprived of this liberty if he cannot take along with him his savings.

Just imagine that you were born in Germany sometime in the 1900's, and that you reached a mature age of conscious thinking by the time Hitler had grabbed power in Germany. Suppose you had your heart and mind in the right place and that you were ashamed of the disgraceful behavior of the German people under such an abhorent regime. Suppose also that you wanted, under such circumstances, to desolidarize yourself from such shameful conduct on the part of a nation, and that you wanted your liberty as a man,—as a person — could you have left Germany? What kind of liberty would you have enjoyed if you would have been incapable of taking along with you your savings?

There are times, of course, when even a liberal government is entitled to intervene, in economic affairs, and if necessary to impose exchange controls. This is true, in my mind, only in time of war, as England had to do during its heroic fight against the Nazis. But exchange control has no place in a democracy in time of peace.

I also realize that for England, it is no free choice whether she will eradicate exchange controls or not. I fully realize that Great Britain could get rid of exchange control only if she is helped to do so by the United States. This is the reason why I have never stopped advocating a loan to Great Britain, sufficiently large to permit her to get rid of exchange control and to resume multilateral international trade.

As I have endeavored to explain in my essay on Keynes, it is not the gold standard which is responsible for the great depression, but the great depression which engulfed the gold standard. (See also the August 11, 1945 issue of the "Economist".)

Great Britain was forced off the gold standard in 1931 because of the montary inflation during the war of 1914-1918, the level of wages after 1918, the internal debt and the bad loans made to Austria and Germany before 1931. It is not true that Great Britain went off the gold standard due to the fact that "American economy sucked the gold of the world into her country." You will perhaps do me the honor to read the "Dollar Mystery" which was published in the "Commercial and Financial Chronicle" of Oct. 19, 1944, which may perhaps remove from your mind this false idea.

You assert that after Great Britain went off the gold standard, she moved toward prosperity. The cause of Britain's prosperity after 1931 has been analyzed by many economists, including myself. While it is true that Great Britain could not help leave the gold standard in 1931, I dare assert that the relative deflation she underwent in the period between 1925 and 1931 was one factor which helped her to recover from the effects of the world crisis which started in 1929.

You believe in managed money and I don't. In point of fact, I believe that the greatest service rendered by the gold standard was to bring about the prevention of the squandering of money by politicians, demagogues and those who believe that there is an easy way out of our mistakes in economic matters. One of the first things our statesmen would do well to learn again is "what is money." It is the complete ignorance in economic and monetary matters of many of our statesmen which is probably responsible for many of the ills from which we are suffering, and from which we seem incapable of recovering.

In your letter, you also say "gold is so unstable that its price today is ranging from 174 shillings to 21 pounds per once". No, Sir, it is not gold which is unstable. It is the avalanche of paper money which results in people wanting to get rid of it, because they have no confidence in it. Therefore, the price of gold will vary according to the stringency of the Gestapo behind the exchange control.

I believe there are few human beings who are more penetrated with the conviction that the future of what we have come to call the "western civilization" will depend on the most loyal and intimate cooperation between the United States and Great Britain, and I wish to add, France.

It is unfortunate that ill-advised doctrinaires, even when well-meaning, should be permitted to undermine the cooperation necessary for the survival of our civilization.

I hope you will not mind my frankness, as only a friend can afford to be frank and sincere. I still hope that if and when you will have read my essay on the Economic and Political Consequences of Lord Keynes' Theories, you may realize that you, yourself, have been a victim of false and unverified theories, and that you have been led to be afraid of the gold standard by a wrong diagnosis of our economic ills.

Please believe me,

Yours most sincerely,

PHILIP CORTNEY.

Bailey Admitted To Federal Bar

BOSTON, MASS.—Benjamin A. Bailey, Vice-President of Dayton Haigney & Co., 75 Federal Street, has been admitted to the Federal bar. He is a member of the Boston Bar Association, New York Society of Security Analysts, and the Boston Security Traders Association.

New York Stock Exchange Weekly Firm Changes

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

Joseph H. Kastor retired from partnership in Einstein & Stern on June 30th.

Murray McConnel retired from partnership in Hayden, Stone & Co. on June 30th.

John B. Moriarty withdrew from partnership in Mitchel, Whitmer, Watts & Co. on June 27th.

Dudley Olcott, limited partner in Billings, Olcott & Co., died on June 27th.

Pennsylvania Electric Bonds & Stock Offered

An investment banking group led by Kuhn, Loeb & Co., Lehman Brothers and Drexel & Co., on June 28 formally offered publicly an issue of 101,000 shares of cumulative $100 par value preferred stock, 3.70% series C, of Pennsylvania Electric Co. at $102.50 per share, and accrued dividend from June 1, 1946. The group was awarded the issue on June 26, having submitted a winning bid of $100.5191 per share and specified the dividend rate.

On June 28, there was also offered to the public an issue of $23,500,000 first mortgage bonds, 2¾%, series due 1976, of Pennsylvania Electric Co at 102.47% and accrued interest by an investment banking group headed by Halsey, Stuart & Co. Inc. who had been awarded this issue at competitive bidding with a bid of 101.78.

Proceeds from the sale of the above mentioned issues, together with other funds, will be applied by Pennsylvania Electric Co. to purchase of all assets of Pennsylvania Edison Co. The financing, and the application of the proceeds, are part of a plan for dissolution of Pennsylvania Edison Co. filed with and approved by the SEC under the terms of the Public Utility Holding Company Act of 1935. The plan calls for redemption by Pennsylvania Edison Co. of its outstanding first mortgage bonds and retirement of its preferred stock issues. Associated Electric Co., voting stock of which is owned by General Public Utilities Corp., controls the two Pennsylvania companies.

B. G. Cantor & Co. Adds to Trading Dept.

B. G. Cantor & Co., 61 Broadway, New York City, have added Harry Ellman, Alton Cedar, Jack Bernstein, and Jesse Witzel to their trading department, of which Harold M. McDowell is Manager, Irving Ehrlich is in charge of the firm's research department.

Newburger, Loeb Adds Stellwagen & Smith

Newburger, Leob & Co., 15 Broad Street, New York City, members New York Stock Exchange, announces that Frank B. Stellwagen has joined the firm's investment research department and that Walter C. Smith is now in the municipal bond department.

Tomorrow's Markets Walter Whyte Says—

By WALTER WHYTE

Death of Price Control brings heavy public buying into market. Consider such participation dangerous and warn readers not to follow.

Just to make it clear I want to say that I'm one of the Wall Street crowd who doesn't look upon the passing of OPA as an unmitigated blessing. I'm wholly selfish in taking this stand. I prefer to trade in markets which go up and down. I don't want any Easy Street where everything goes one way.

* * *

I remember another period when the philosophy of the one way street was promulgated. That period was called the New Era. There were all sorts of pontifical statements issued by people who should know better. They all had one thing in common. The millenium had arrived and from then on everybody would have two cars. Prosperity was here to stay. Well known economists, one was my instructor, said that the American people had arrived to a point where depressions were a thing of the past; a new level had been reached and anybody who feared depressions was unpatriotic.

* * *

Those of you who were around in the summer of 1929 and the fall of that year remember what happened. Instead of hearing more things about a new era we began to look for corners around which the famed prosperity was supposed to be coming.

* * *

OPA wasn't a sinecure, nothing man-made ever is, but was something that stopped prices from skyrocketing. God knows I'm all for higher prices. But I don't long for something that explodes with a beautiful flash then plummets to darkness. I'm vain enough to believe I can take care of myself in an economic crisis. I think I know enough about trends to jump in the right direction. But if my experience and my mail is any yardstick, I don't think the average person can do it.

* * *

Last week the fate of the price control law was sealed. The market showed it and acted accordingly. Naturally I didn't know what the news would be. But I did know that something was happening that would raise prices. So I warned readers who were short of the market that a signal had been given and it was time to cover. The point of divergence was the stopping of the decline just under the 200 industrial figure. That was the same level at which the market stopped going down in the first week of May.

* * *

Monday's market opened with a bang. Everybody who had heard about inflation for so many months dived in without any knowledge of what it was all about. It was an escape from the dollar with a vengeance. I have repeatedly said here that I don't believe in panic action. I see no reason to change now. If stocks reflect the prosperity of the companies who issue them, then I say that most stocks are much too high.

* * *

The basis of prosperity is production and sales. Opponents of the OPA claim that with price control out, production will increase. I don't see it that way. A company which is fully integrated, from raw material to the finished product, can make money. But I don't know of a single company which isn't dependent in some way on some raw material the price of which it doesn't control. And assuming it does, it still has consumer resistance to overcome. And even if his resistance is weak the chances are that his pocketbook will be just as weak. The man with a surplus will have to think first of buying the necessities before he buys stocks. The producer who wants to hold the line will have to hope that his supplier of raw materials will also hold the line. There are so many weak links in this chain that I cannot see how it will hold. The end of the road still looks like a period of depression and the market hasn't nullified this outlook by its outburst.

* * *

During Monday's wild buying surge, most of which came from the boardroom public, there was selling of equal proportions going on. At times this selling was carefree, at others it was well calculated and handled capably. The sum result was that the market managed to regain most of its recent loss but was stymied at the old 210 figure. I don't consider that figure sacroscant. I think it can be passed. But I don't think it will mean the beginning of a new bull market.

* * *

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.]

William Blair & Co. Adds Five to Staff

CHICAGO, ILL. — William Blair & Co., 135 South La Salle Street, members of the New York and Chicago Stock Exchanges, have added G. Fabian Brewer, Herbert J. Burt, Edward McCormick Blair, Bowen Blair, and Leslie H. Huettmann to their staff. all were formerly in the U. S. Naval Reserve with the rank of Lieutenant Commander, with the exception of Mr. Brewer who served as Captain in the U. S. Infantry.

H. I. Baker & Co. Formed in New York

H. I. Baker & Co., Inc., has been formed with offices at 40 Wall Street, New York City. Officers are Harold I. Baker, Robert Z. Block and Joseph F. Trapani. Mr. Baker was formerly a partner of Baker & Co., with which Mr. Trapani was also connected. Mr. Block was in the trading department of Herzog & Co.

In Louisville Office of Merrill Lynch, Pierce, Fenner & Beane

LOUISVILLE, KY. — William R. Black has become associated with the Louisville office of Merrill Lynch, Pierce, Fenner & Beane, 231 South Fifth Street, as accountant executive. Mr. Black recently completed intensive classroom work at the firm's training school in New York.

We Must Split the Atom of Peace

(Continued from page 79)

Oceans and mountains are no longer barriers. Travel time is measured in hours instead of days. Our scientists tell us they are on the threshold of air speeds faster than sound.

Meanwhile, chemists and physicists have literally been remaking matter itself—fashioning it anew for greater service to mankind — or for its destruction. However, the release of nuclear energy, potent as it is, does not monopolize the spotlight. In our everyday life, we are reaping the benefits of chemical research and development applied directly to improving living conditions and to making this a much better world —in a material sense.

We now have all kinds of things made of plastics. We have man-made rubber, better than natural rubber for many purposes. Our ladies have nylon stockings — when they can get them. Ask them if they want to go back to natural silk. Soon we will have woolen suits which are shrink-proof, mothproof, and moisture-proof. I am sorry that, even with the aid of OPA, we have not yet learned the art of making them priceproof.

Our cars run better and further because of high octane gas. We can now get a motor oil — a little more expensive to be sure—which lubricates equally well in the hottest and coldest climates.

Our wives already have synthetic detergents which clean better than ordinary soap — a boon to bartenders because they remove lipstick from the rim of glasses.

Best of all, during the past ten years, developments in the field of chemo-therapy have produced such spectacular products as the sulfa drugs, atabrine, blood plasma, vitamins, penicillin and streptomycin to save the lives and improve the health of mankind.

Penicillin is particularly interesting. It is made by live mold organisms — penicillium notata, commonly known as "Bugs." It involves biochemistry, the study of life processes. Some of the molds, like some human beings, are very temperamental. Occasionally they go on strike for no apparent reason.

The bugs are inarticulate. They lack the advantage of public relations counsel. So when they strike, it is difficult to find the cause and to apply a remedy. Last fall, for example, just when penicillin output was attaining its peak, the bugs suddenly struck. A number of plants closed down. It was discovered that there had been some change in their nutrient corn steep liquor—a better reason for striking than some others I know of.

Confusion in World Affairs

In strong contrast with the progress of science and industry, World affairs over the past twenty-five years have been a welter of confusions, social and economic upheavals, terrific international pressures, and finally war. At times we seemed to be making some progress toward solving these problems as we went along. But now we know that we never really came to grips with them at all. All that we did was to patch things up on a day-to-day basis so that the final reckoning was simply postponed. Expedients which resulted in a global war, as frightful and devastating as the one we have just fought, clearly were not solutions. We were slow to recognize, to understand, to take the measure of these things, and even now we have not yet devised effective remedies.

We are shocked and humiliated by the spectacle of the great nations that won the war being unable to make the peace. Something about our international political system is radically wrong.

The honest truth is that international relations are still conducted like a poker game where the players call each others' bluffs until the kitty gets so big that one of them draws a gun and grabs it.

Many have came to the conclusion that the present national political structure has been completely outmoded by scientific discoveries, by industrial growth, by economic needs. The airplane knows no national boundaries. Radio waves pass through the ether without regard to political units. The demand for food, for raw materials and for markets transcends arbitrary political boundaries. All these have long been pressing against imprisonment within national walls, but without sufficient violance to break through. It always seemed possible to temporize, to compromise, to shilly-shally, to appease and finally go to war. But now, for the first time, we are squarely up against something where these expedients just won't Something real, concrete, and inescapable — the atom bomb.

The Bombs' Challenge to Civilization

The bomb doesn't challenge simply an enemy nation. It challenges civilization itself. This time we must act promptly and effectively. It is a case of do or die. The need for new international political forms and concepts has long been clear. But the bomb makes them imperative.

Therein lies our great hope for the future — or our destruction.

I am not talking about anything Utopian. Wall Street and Utopia are rather far apart. I am talking about something abounding in common sense, something realistic and hardboiled, something deeply, intensely and vitally practical. The changes in our international structure necessary to achieve peace are not impossible. They are inevitable. They will come about either by reasonable agreement among the peoples or by force of circumstance and of arms —by conquest.

Mankind's fate now hangs on the outcome of a race between knowledge and wisdom. The pace was never as hot as it is now. On the side of knowledge, science has contributed instruments of destruction which surpass the wildest flights of the imagination and make the prophecies of the comic sheets seem conservative by comparison. We used to regard T.N.T. and airplane bombs as frightfully destructive. They are tame compared to the more advanced types of atomic weapons, bacteriological warfare, crop destruction, and other means of mass slaughter. Tantalyzingly enough, almost every one of these murderous instruments has like power of increasing human welfare.

The march of such knowledge will not halt. It builds up like a snowball. With each new discovery comes the basis of many more, each one of which in turn has potentialities for good or evil. Fate has put the two alternatives within our grasp.

No single nation approaching problems of common concern from the point of view solely of its own security can find their solution or even its own security. They must be handled jointly by all nations in the common interest. As things now stand the threat of war lurks behind every failure to achieve unanimity among the great nations, — diplomatic war, economic war, and finally shooting war.

Sovereignty and Peace

I raise the question whether there can possibly be real peace in a world where each nation remains absolutely independent, sovereign and supreme. We answered that question once in a case of our own colonies in the early days. The most profitable political deal in the world's history was our colonist exchange of some sovereignty for much peace in the creation of our own constitution, which also remains the most successful peace plan that has ever been devised, even though the seal of blood had finally to be placed upon it.

All of us in this room are traders. We believe by trading. We know that a transaction which involves giving more than is received in return is unsound and that this practice can only be continued until one's capital is exhausted.

I raise another question — is not that exactly what we are doing so far as absolute national sovereignty is concerned? The so-called sovereign states, our own and all others, are making continually greater demands upon the resources and lives of their citizens. Their maintenance is costing constantly more and more in blood, in property, in peace of mind.

Would it not be sound to swap a measure of ur present absolute national sovereignty for a measure of peace and prosperity? We could then keep all that we prize most highly and which is now in jeopardy. What are we asked to give up? Mainly the sovereign right of murdering our fellowmen when we don't agree with them. This does not seem to me to be a right of great value.

National Sovereignty a Short Sale

Frankly, absolute national sovereignty looks to me like a short sale. It costs too much for what you get.

Clearly, unless we can find some means for establishing and maintaining world peace, neither in this nor any other country, will individual liberty, private enterprise, or democracy be preserved. Our only alternative is to continue the armament race until we finally get into another war.

Much is being said in the press currently and at meetings about control of the atomic bomb and of other weapons of mass destruction. Serious men from many nations are giving their best toward the solution of this problem, but let no one draw a false conclusion. Regardless of the care and thought devoted to the means of control, there is no absolute control of such weapons short of the abolition of war itself. The success of any effort toward control must be measured against this standard. This is very plain speaking. It is intended to be, and there is need for it.

We fought one war to make the world safe for democracy. Subsequent events made a mockery of our effort. We fought another war to restrain aggression. I need hardly undertake an appraisal of our success. Military victory happily saved us from a terrible fate, but it has not brought us the peace that we fought for.

These questions are not remote from any of us. They concern each one of us directly and most intimately. We are all stockholders in the enterprise of world peace. Maybe it is time for the stockholders to organize and to take a hand to solicit proxies for peace. I am beginning to doubt whether international management problems will be settled in any other way.

The great challenge of our time is to make our discoveries and accomplishments in the field of human relations match our feats of science and industry — to split the atom of peace that dwells in the hearts of all good people everywhere. If we achieve this, the future will be bright indeed.

We did it once before in devising our own great constitution. I, for my part, feel sure that we can do it again, even though the goal may be a long and hard one.

Broker-Dealer Personnel Items

(Special to THE FINANCIAL CHRONICLE)

BOSTON, MASS.—**Carrol W. Bailey** has been added to the staff of **Ballou, Adams & Co., Inc.**, 75 Federal Street.

(Special to THE FINANCIAL CHRONICLE)

BOSTON, MASS.—**Joseph A. Buonomo** is with **F. L. Putnam & Co., Inc.**, 77 Franklin Street.

(Special to THE FINANCIAL CHRONICLE)

BOSTON, MASS.—**Levi B. Nicewonger** has become connected with **Raymond & Co.**, 148 State Street.

(Special to THE FINANCIAL CHRONICLE)

BRATTLEBORO, VT.—**Hubert Moore, Jr.**, is with **White, Weld & Co.**, 111 Devonshire Street, Boston, Mass.

(Special to THE FINANCIAL CHRONICLE)

COLUMBUS, OHIO—**Warren B. Georgenson** is with **Slayton & Co., Inc.**

(Special to THE FINANCIAL CHRONICLE)

FRESNO, CALIF.—**William M. Donleavy** and **Harvey H. Shields, Jr.**, are with **First California Company, Inc.**, Bank of America Building.

(Special to THE FINANCIAL CHRONICLE)

FRESNO, CALIF.—**William D. Hall** has joined the staff of **Raymond E. Hall & Sons**, Helm Bldg.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—**George B. Knox** is now associated with **Harker & Co.**, 210 West Seventh Street.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—**Rupert C. King** is with **Merrill Lynch, Pierce, Fenner & Beane**, 523 West Sixth Street.

(Special to THE FINANCIAL CHRONICLE)

OAKLAND CALIF.—**John T. Bullock** has joined the staff of **John B. Knox & Co.**, Central Bank Building.

(Special to THE FINANCIAL CHRONICLE)

SACRAMENTO, CAL.—**Harry L. Schmid, Jr.**, is connected with **William D. James Company**, California State Life Building.

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, MO.—**Arthur A. Glick** is with **Slayton & Co., Inc.**, 408 Olive Street.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, CALIF.—**Joseph P. Talbot** is now with **Hannaford & Talbot**, 519 California Street.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, CALIF.—**Charles B. Russell, Jr.**, has been added to the staff of **Merrill Lynch, Pierce, Fenner & Beane**, 301 Montgomery Street.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, CALIF.—**John F. Carter** is with **Schwabacher & Co.**, 600 Market Street.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, CALIF.—**Violet B. Cima** has joined **Sutro & Co.**, 407 Montgomery Street. Miss Cima was previously with Walston, Hoffman & Goodwin.

(Special to THE FINANCIAL CHRONICLE)

SAN JOSE, CALIF.—**Joseph E. Larzelere** is connected with **H. Irving Lee & Co.**, First National Bank Building.

California Electric Power Bonds Offered

An underwriting group, headed by Halsey, Stuart & Co. Inc., on July 3 offered to the public an issue of $16,000,000 first mortgage bonds, 3% series due 1976, of California Electric Power Co. at 104½% and accrued interest. The bankers were awarded the bonds at competitive bidding on July 1 with a bid of 103.7199.

The new bonds are redeemable other than for the improvement fund at prices ranging from 107¾% to 100%. Special redemption prices range from 104⅛% to 100%.

The proceeds are to be applied to the redemption of $16,000,000 of first mortgage bonds, 3½% series due 1968.

The company is engaged principally in the generation, purchase and sale of electric energy. The territory served covers extensive areas in California and parts of Nevada and Arizona. Through two ice divisions, the company also manufactures and sells ice in portions of California. Interstate Telephone Co., the wholly owned subsidiary, supplies telephone and telegraph service in California and Nevada.

Webster, Marsh Admits

CHICAGO, ILL. — Webster, Marsh & Co., 120 South La Salle Street, members of the Chicago Stock Exchange, have admitted Royal C. Vilas to limited partnership in the firm. Agatha Hollenbach is no longer a partner.

Canadian Securities

By WILLIAM McKAY

Today more than ever a cautious approach to the problems of financial management is strongly indicated. In accordance with customary procedure the Canadian Minister of Finance has presented a budget, the keynote of which is wise restraint. All tax cuts are postponed to Jan. 1, 1947 and instead of the anticipated total abolition of the Excess Profits tax there is a reduction from 20% to 15%. Although the Corporation tax is cut from 40% to 30% the reduction is no doubt a precautionary step to cover possible provincial re-entry into the tax field. Concessions are made to individual tax payers mostly in the form of the raising of exemptions which will result in the removal of about 500,000 persons from the tax roll.

Possibly the most important feature of the Dominion Budget was the new 5 year taxation agreement offered to the provinces on an optional basis. This represents a strong constructive bid to break the deadlock created by the intransigeance of the provinces of Ontario and Quebec which resulted in the collapse of the recent Dominion/Provincial conference. It is doubtful, however, whether this new proposal could have been opportunely made had it not been for the untiring efforts of Premier Garson of Manitoba to secure an acceptable formula.

Long before the overhaul of the Dominion/Provincial tax structure became an issue of national concern Premier Garson was the pioneer advocate of tax and constitutional reform. Had the smaller provinces followed his able leadership during the Dominion/Provincial conference its lamentable failure could have been avoided. Doubtlessly as a conquence of Mr. Garson's subsequent perseverance and persuasive eloquence Premier Drew of Ontario significantly announced from Winnipeg his determination to salvage the Dominion/Provincial discussions. As the attitude of Quebec had been merely passively resistant and the smaller provinces stood so much to lose by the withdrawal of Federal financial assistance, the way was thus paved for Finance Minister Ilsley to offer the provinces a fresh opportunity to place the Canadian tax struction on a sane and sound foundation.

During the past week little occurred to disturb the market stagnation of the past few months. In the external section activity was confined to desultory trading in Albertas which registered a slight advance. Internals again were in fair demand which was no doubt stimulated by reports, that apart from the forthcoming issue of Canada Savings bonds for the small investor no further Dominion public offerings are contemplated. However, it would appear that this understanding is not entirely accurate as Finance Minister Ilsley recently stated in the House of Commons that the sales of Canada Savings bonds were not expected to cover the Government's total borrowing requirements. Moreover, he further indicated that a substantial portion of these requirements would be

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NYSE Governors Hear Arguments on Corporate Membership

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fore, that permissive incorporation will prove a deterrent during bad times to combinations similar to the large partnerships which grew out of the last depression."

The Capital Problem

Mr. Ames argued that the corporate form is a better safeguard for protection of member capital than partnership.

"It is taken as axiomatic," he said, "that the securities business requires substantial capital. This capital can be obtained from one of two sources: first—through the investment of new money in the securities business by wealthy individuals; or secondly—by the building of capital in the business itself through the retention of earnings. While there is now over $300,000,000 of member capital, and while member houses are at present in strong financial positions, it is essential that the continuity of this capital be safeguarded. Furthermore, in any growing business such as ours, or in any business where capital is furnished by a relatively limited number of individuals who may die or withdraw from the business, it is essential that there should be a continuous flow of new money into the industry. In the analysis given below, I shall try to demonstrate why many men, and particularly those who have large resources, are withdrawing their capital from the securities business. This analysis will also demonstrate why men of substance are not interested in investing funds in member partnerships.

"Another influence at work weakening the capital in our business," Mr. Ames added, "is the estate tax law, and a review of the simple mathematics of that law sheds additional light on the seriousness of the problem at hand. Take the case of the man who, having worked all his life, a good part of which was under tax laws substantially more liberal than those now in effect, has built up the capital in his firm to $500,000."

Summarizing the reason why New York Stock Exchange firms should be granted the right to incorporate their businesses, Mr. Ames mentioned the following:

1. There is a substantial body of opinion among all types of houses now favoring permissive incorporation.
2. The proposed amendments to the Constitution have been designed not simply to meet the objections which have been raised in the past, but incorporate the experience of the fourteen registered securities exchanges with corporate members in other parts of the country.
3. The amendments have been meticulously drawn to provide the same beneficial controls over the officers and directors and stockholders of member corporations which are presently in force with respect to member firms and their partners.
4. We are advised by counsel with broad experience with both types of organization that these controls can be maintained.
5. Permitting member houses to incorporate allows them to strengthen their capital structure in two ways: one, where proper, by building their capital and reserves through the retention of earnings in the business; and, two, by making it possible for them to attract new capital to the business.
6. If smaller firms are in a position to make adequate provision in good years against the exigencies of bad times, a great deal of

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SEC Arguments for Control of 'Unregistered Companies' Unsound

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and public interest." It is also stated that "as a result of existing legislation, it is possible for investors to obtain reliable information with respect to securities which are listed by their issuers on security exchanges, and with respect to public utility holding companies and subsidiaries and registered investment trusts. Corporations issuing such securities file with the Commission current reports on their financial position. Since these reports are public information, the investor can buy or sell on the basis of something other than 'tips' and 'trends'."

Before quoting more interesting statements from this report let us examine the above statements. Is there any evidence in the record of the past 13 years that the investor has been protected in the registered or listed securities and has suffered from the lack of such protection in unregistered or unlisted securities? What is the evidence? The entire period has been one of abnormal conditions. Up until the war the Roosevelt fear depression governed the capital markets. Since the war began, the capital, production and investment facilities of the country have been largely directed to war activities. The SEC has lived only in a period of abnormal psychology. However, both investors and corporate managers will verify the fact that they have had no less protection in the case of unregistered and unlisted companies, and in many instances they have fared very much better because of the greater freedom of action and less restraint and red tape which delays and kills business.

The claim that reliable information is furnished by the registered and listed companies and that this protects the investors whereas investors in unlisted securities have no such information and are therefore unprotected is a gross overstatement.

In the first place this information is almost always exploited by those in the KNOW, whether in the government or private life, before it reaches the public. Then when these reports reach the public they are often misleading and misused. The government spends millions of the peoples' money to provide reports which are valuable, but essentially to those who have a large research staff to interpret and use them after properly analyzing their meaning. The public has no such facilities.

Some examples will make clear the failure of this information to serve the public as intended. One large company engaged in manufacturing in the industrial heavy goods industries issued a report last winter giving in the last quarter and the annual reports a very rosy picture of earnings and promises. All the tipsters touted this company as a promising growth company and its stock was widely bought. One large investment trust which had a very good research staff looked deeper into the evidence than the reports indicated and made arrangements to dispose of a special large offering of this stock. But it was too late. This came just before the passing of the dividend. The public were thoroughly hooked. The stock is now selling down more than 25% below the price a year ago. Very often these reports are used as authoritative leverage for the distribution of stock. I do not call this helpful or protection for the public. But it is helpful and protection for those large organized trusts and firms who can keep up to date, ahead of the reports and the publishing of such information by the SEC. The SEC reports serve the few well. Many a large company who would not have done this kind of thing before will do it now because it is legal, even though at times the data in scraps is misleading.

Many such reports could be given in evidence that the information furnished is useful to those having the facilities to analyze them, but the small investors and the public at large are not furnished such information and interpretations in time to enable them to act thereon. There is no doubt about the the need for information, and information over a period of time long enough to give accurate data for judgment, but the government information and the published facts by the SEC in particular do not serve the public in this way. The claim is a gross misstatement.

Some other examples that may help to demonstrate the incorrectness of the claims made of the protection to stockholders of the Securities Act and the Public Utility Holding Company Act may be cited. Whether by design or not, the information published by the Commission and as analyzed by those firms that have competent research staffs, the news appears in the press and financial circles and letters from time to time about the probable break up value of the various holding companies and the probable recovery value of the common and preferred stock of these companies. This information has cost the original investors in these companies BILLIONS. The public investor can not and does not read and understand these complicated reports made by the SEC which are so very useful and informative to the few able to spend large sums on getting at the economic truth of these values. What public investor and casual reader of the financial page of the daily paper was not told that the probable break up value of United Corp. was less than one dollar? It is now above $5 after the public has parted with a lot of stock on this information. Commonwealth and Southern was reported to be worth less than one dollar. It is now above $5. Northern States Power A was reported to have as much as $16 dollars break up value. It is now above $60. The numerous preferred stocks and bonds have had many and varied break up values set on them based on the SEC reports. Hundreds and thousands of investors have sold their stocks on this information. Is this protecting the investor? In my opinion, if Congress would examine the intent and administration of the Public Utility Holding Company Act and how the original investors have been swindled by misinformation, they would uncover a scandal that has cost investors more than ten thousand Teapot Domes could ever have cost the country.

These examples could be multiplied by the hundreds. I doubt the benefits of the SEC's information to the public investor. But, as stated above, it is useful and saves money for those few that are in a position to capitalize on it. Information is needed and these analyses are intended to emphasize the unfairness and unjustified claims made by the Commission with respect to serving the small investor. Moreover, these statements seem to imply that the unregistered and unlisted companies do not keep their security holders informed and use their privileges to take advantage of the investor and even swindle him. My experience has been far superior with the well managed unlisted companies than with the listed companies and the flow of tips from SEC reports after insiders have exploited them, and by insiders in this case I mean those who are in the know before the information is printed and those few who are able to digest the information and make use of it to the detriment of the small investor.

The Investor's Voice in the Management

This situation is far from as satisfactory as the SEC would have Congress believe. Certainly every management should seek from any security holder any and all information and suggestions that could be helpful, and helpful suggestions can come from the most unexpected sources. But how many stockholders are able to pass on important technical, legal and financial problems of the corporation? How many of them can pass on the merits of board members, or officers? When a small stockholder, busy with his special trade, owns shares in a dozen or more large corporations, is he qualified to vote on the problems that come up in the annual meeting and determine the course of action or choice? All of this and the claims of the SEC about protecting the investor implies that corporate managements are dishonest and are spending their time trying to outwit and swindle the investors who furnish the capital to make the business go and provide jobs for those who work at the business. This is just untrue no matter who infers it.

The managements of many corporations are individuals who built up the business. They own these businesses or a large part of them. Additional capital has been furnished by stockholders who are willing to share the risks or by lenders who wish to loan their capital but are less willing to take risk. Such managements are risking all they have, their life savings, their reputation and their livelihood in these businesses. They certainly want the goodwill and cooperation of their investors and their workers as well as the buyers of their goods and services.

Then there are large corporations which due to time and need have grown far beyond the ownership of one or many individuals. Such corporations as railroads, large utilities, telephones, chemicals and hundreds of others have many hundred thousand stockholders and bondholders. These managements have to make good, so to speak, or step down and make room for more efficient men. Businesses do not run of their own accord. Every business board that is on to the job is looking for the best management within their means. A really good management is worth its hire and a poor management is a calamity to any business.

Security holders should study the management of business and invest their money with the successful management. This rule of investment will be far more protection than all the data ever printed by the SEC.

What SEC Proposals Comprise

These provisions deal with registration, periodic reports, proxies, and the activities of officers, directors and principal stockholders. This writer questions whether these have not done more harm than good to the corporations covered and to the economic welfare of the country. Registration has been far too costly and the information furnished has never been of much help to the individual investor. In many of these reports covering hundreds of pages, the essentials bearing upon the value of the securities could be reduced to a few typewritten pages, and clear-cut explanations given that the investor could understand. These reports have been a deterrent and a costly use of the time of the management. If the billions of dollars that have been lost from business by the delays and time consumed by these unessentials could be correctly estimated Congress would be amazed.

Periodic reports as now made are often misleading and misused. The more information the better. Information must be handled in the proper perspective with respect to the business, seasonal conditions and other matters bearing on a going concern. Very often reports are used in just the opposite way to what the stated intention of the SEC would have them convey. The managements of most corporations would make reports at the proper times and with the proper information and explanations if left to their own initiative. But with present legal oppression, they dare not say anything except what is obvious.

With respect to the activities of officers and directors some one should point out how many corporations have lost their able managements because the men of character and integrity do not wish to be a party to the present requirements which make it impossible for them to do their best for their investors and the public. Many a strong corporation has lost its ablest men to small corporations where the management is free and can run its business for the best interests of the workers and those who furnish the capital.

THE BENEFITS CLAIMED ARE DOUBTED. THE SECURITIES ACT SHOULD NOT BE EXTENDED TO MORE CORPORATIONS BUT THE ORIGINAL INTENT AND THE ADMINISTRATION OF THE ACTS SHOULD BE THOROUGHLY INVESTIGATED FOR THE BEST INTERESTS OF THE NATIONAL ECONOMY.

Instead of extending the Securities Exchange Act to cover a large number of unlisted corporations with a probable result of killing the natural and normal development of small business and the over-the-counter markets, Congress should examine and restate their intent in the original acts. Then they should have an unbiased commission investigate the workings of the administration of these acts and the effect on the national economy during the abnormal times through which the SEC has lived. Has the Commission carried out the intent of Congress? Has the SEC done more harm than good? Has the administration of these acts created conditions in the capital markets comparable to prohibition in the liquor trades and with the Black Markets created by the OPA? After Congress has thoroughly investigated the workings of the SEC and how the investor has not been protected but in many instances thoroughly misled by this so-called "protective" agency, it will easily understand the necessity for a complete revision of the existing statutes, rather than an extension of the powers now being sought by the SEC.

Neither honesty nor good management can be legislated. We need rules of common law that will put a management out of business which is not honest or able. Information should be made available to all at the same time and not to the few able to spend millions to investigate and interpret it.

If the Securities Exchange Act and its administration was investigated during these abnormal times and revised for the best interests of the production enterprises of the country, and then after a few years of operations in normal times again revised to conform to the best needs of our production and distribution enterprises, then all enterprise could cooperate in the perpetuation of sound, free enterprise under the same laws.

Curb Awards Pins

Thirteen charter members of the New York Curb Exchange Twenty-five Year Club, formed on the silver anniversary of the exchange, were presented pins signifying membership in the club. The presentation was made in the office of the Exchange President on behalf of the members and officials of the institution by Edward C. Werle, Vice-Chairman of the board of governors. Mr. Werle thanked the recipients of the pin for their loyalty and their substantial contribution to the progress of the exchange.

The employees who received the pin in yesterday's ceremony were Henry W. Badenberger, Gustave R. Becker, Edward G. Breitweiser, Louis S. Burgess, Francis J. Cavanaugh, Christopher C. Hengeveld, Jr., Martin J. Keena, Joseph J. Kroll, John W. McDonough, Charles E. McGowan, Edwin J. O'Meara, Francis P. Reid and Charles H. Vernon.

NYSE Governors Hear Arguments on Corporate Membership

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the pressure for merger into larger organizations will be removed.

7. The creation within a corporation of sound capital structure with adequate reserves properly supervised by the Exchange will provide for a protection of customer interest equal to or greater than that offorded by the unlimited liability of individual partners.

8. Tax-favored profit-sharing and pension plans may be established for officers of a corporation which are not possible for the partners in a partnership.

9. By admitting to membership the best of those corporations now in the securities business whose common stockholders are active participants in the business, additional seats on the Exchange will be placed in strong hands.

10. These new members will exert their influence to encourage listing of many securities which are now traded in the over-the-counter markets.

11. In addition, all of their sales representatives will be potential ambassadors working for the good of the New York Stock Exchange. The volume of business transacted on the Floor of the Exchange will be increased.

12. The position of the New York Stock Exchange as the dominant influence in the securities business will be further strengthened. The advantages so gained will accrue to all the members.

George R. Kantzler's Arguments

In his statement opposing the proposal to admit corporations to Stock Exchange membership, Mr. Kantzler stressed the importance of unlimited liability as an important contribution to the excellent solvency record of member firms.

"The interests of officers in a corporation," Mr. Kantzler stated, "cannot be substituted for the interests of partners whose entire financial worth is involved. Limited liability, inherent in corporations, would deprive the public of the protection afforded by the unlimited liability of partnerships. The proponents of corporate membership will argue that the unlimited liability of partnerships is of no value in practice but it is quite likely that the reaction of the public to the limited liability of corporations would be unfavorable. Firms with a speculative tendency might very easily become considerably more reckless if they knew their liability was limited to the amount invested in the member corporation.

"A solvent corporation might become insolvent through fraud or an inadvertent mistake or neglect and the liability of the corporation would be limited. Whereas if a firm failed for the same reason or reasons, the liability of the partners continues to the extent of their worth. It can not properly be contended that the wealth of each partner is an unknown quantity for the reason that any client entitled to this information can easily obtain it."

Mr. Kantzler expressed the fear that if corporations were admitted to membership, banks and insurance companies would gain admission, and thereby relegate the commission brokerage function to a position of minor importance, as is the case in the Amsterdam and Zurich exchanges.

Effect on Exchange Business

Mr. Kantzler answered the argument that corporate membership would create a greater demand for seats and increase business on the Exchange with this statement:

"The proponents of corporate memberships continually argue by assumption that corporate memberships would create an additional demand for seats and that corporate members would bring additional business to the Stock Exchange. This is a very doubtful premise and it is hard to prove or disprove, but I am not convinced by the argument. There would certainly be a great deal of institutional business lost to member firms through the purchase of memberships by the institutions. If the Exchange now accepts even rigidly restricted corporations into membership, as time goes on with the possibility of a change in the complexion of the Board of Governors, there is apt to be a gradual loosening of requirements until all kinds of corporations interested in the securities business might be included.

"It is conceivable that the advent of corporate memberships might result in a supply of seats coming on to the market as corporate members became larger and larger, covering more and more territory and by ruthless competition absorbing or eliminating the smaller firms. One seat is all that is needed to qualify for the franchise.

"To argue that it would increase our business and broaden our market cannot be proven. On the contrary, the best evidence available proves that it would do no such thing. It has been the experience of local exchanges in which membership privileges are granted to corporations that the corporations not only make no effort to increase their exchange business but use the accounts carrying listed securities as leads for their more profitable over-the-counter, underwriting and distributing businesses. A partner of a substantial member firm advises me with respect to corporate memberships on the San Francisco and Los Angeles Stock Exchanges that in the case of San Francisco corporations are restricted to an associate or limited membership and there are only two left now as against four in 1942. In Los Angeles there are now 16 corporations holding regular memberships as against 22 in 1943. A substantial majority of corporate members in Los Angeles are primarily engaged in underwriting and distribution of securities and their Stock Exchange activities have always been of secondary importance. The majority of the incorporated firms holding memberships have done very little, if anything, to build up the Exchange but, on the contrary, have used the Exchange and its facilities in order to build up their underwriting and distributing business. Officers of some corporations engaged in the securities business have said that even if their companies could become members they would not make a special effort to obtain listed commission business. Most successful corporations doing an underwriting, distributing and over-the-counter business refuse to put themselves under our constitution and rules."

Attracting Capital

Mr. Kantzler answered the contention that corporate membership would attract new capital to the Exchange by saying:

"It has been contended that new capital can be more easily attracted to a corporate member than to a member firm. A person wishing to engage in the business will certainly consider that if he, or the executor of his estate in the event of his death, wishes to withdraw from a corporation a buyer will have to be found for his stock at a reasonable price acceptable to both the remaining stockholders and the Stock Exchange which may not be possible; and if the remaining stockholders do not want to take up his interest, he or his estate might find it impossible to withdraw for anything like the book value of the stock, if they could withdraw at all. In the case of a partnership, withdrawal may be effected by a simple notice to the partners with payment in full and in case of death withdrawal may be automatic. Partnership capital is infinitely more liquid than corporate capital.

"Limited partnership capital is easily obtained by substantial firms and is a much more attractive medium because of its liquidity than preferred stock in a corporation. A partnership that can demonstrate its earning power has no difficulty in obtaining adequate capital upon reasonable terms."

Concluding his arguments, Mr. Kantzler stated:

"Because of the fact that the public is now adequately served and that no valid argument has been presented to prove that admitting corporations to membership in the New York Stock Exchange would be in the public interest; because of the value to the general public and to the Stock Exchange community of unlimited liability in partnerships; because of the far-reaching legal and political implications to the probable disadvantages to the industry; the likely possibility of taking in, step by step, an ever-widening circle of corporations gradually relegating the commission brokerage function to a position of minor importance; because of the fact that those exchanges permitting corporate members have concluded that it is an unsatisfactory arrangement; and the fact that no case at all, proving and advantages to the industry, has been put forward, the inescapable conclusion must be that it would be to the disadvantage of the Stock Exchange industry to admit corporations into membership in the New York Stock Exchange.

"On the question of the advantages and disadvantages of being a corporate member, I have shown that the disadvantages outweigh the advantages as far as taxes are concerned and that no other argument worthy of consideration has been advanced which would warrant the proposed radical change in what is now a satisfactory system under which the commission security business has steadily grown and has been operating satisfactorily for over a century and a half."

Business Man's Bookshelf

American Portrait, An—Illustrated history of the American Insurance Company of Newark, N. J.—established in 1846—board—American Insurance Company, Newark, N. J.

New York and the Future—Illustrated brochure on New York City's future—The Bankers Trust Company of New York—board.

Raw Material Problems and Policies—League of Nations Publications II—Economic and Financial 1946. II.A.2—paper—Columbia University Press, New York City—$1.00.

May, Borg Admits

May, Borg & Company, 65 Broadway, New York City, members of the New York Curb Exchange, have admitted Spencer W. Frank to partnership in the firm.

"Counter" Groups Study SEC

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man of the corporate committee, stating the nature of the problem as he sees it and asking for comment on the question. At the request of Thomas Graham, of the Bankers' Bond Co., of Louisville, Ky., President of the association, the letter is to be sent to the entire membership of the association.

Mr. Mosley's letter reads in part as follows:

"Your Chairman has carefully read this document and talked to Mr. James E. Treanor in charge of the trading and exchange division of the Commission. I believe the arguments and presentations set forth by the Commission have a great deal of merit. They undoubtedly have and will continue to receive the fullest support on the part of the New York Stock Exchange, the New York Curb Exchange and probably all other exchanges. It is rather difficult to argue against the apparent benefits to the investors by the enactment of this additional legislation. However, I feel our association should give this matter serious consideration as it materially enlarges the scope of the activities of the SEC and for its effect on the over-the-counter business.

"The report above referred to states, and there is no question in the mind of your Chairman, that one of the direct results of this legislation, if enacted, will be the speedy listing of additional over-the-counter securities on one or more exchanges. The reasons are rather obvious. It can be assumed the Commission will look with favor on listing applications inasmuch as full financial information will now be available. It should be borne in mind that application to permit certain over-the-counter stocks to be traded in the unlisted section of the Curb would undoubtedly be granted except for the lack of this financial information."

The Board of Governors of the New York Security Dealers Association spent more than two hours discussing the question at a luncheon meeting at the Bankers' Club last Friday afternoon. Finally, it decided to delegate to its Committee on Public Relations, headed by Frank Dunne, of Dunne & Co., a former President of the association, the task of making a thorough investigation of the probable effects of the proposed legislation on the over-the-counter market and on the investing public in general and to submit to the board any recommendations for action it thinks should be taken. The committee will meet sometime next week, but it is doubtful if it will be ready to make any report of its finding before the following week. Beside Mr. Dunne, the committee includes Philip L. Carret, of Carret, Gammons & Co.; George Geyer, of Geyer & Co., Inc., and Clarence E. Unterberg, of C. E. Unterberg & Co.

Though some members of the board, like some sections of the over-the-counter market, are inclined to view with favor the publication by the smaller corporations of their operating results as a guide to investors, the board as a whole, it is understood, shares the general apprehension felt by over-the-counter dealers generally that the SEC's proposal, as stated, if enacted into law, would make it easy for the organized national securities exchanges to make a "raid" on their business.

The feeling is growing in over-the-counter circles, in fact, that the move to require the small corporations with unlisted securities to abide by certain sections (12, 13, 14 and 16) of the Securities Exchange Act of 1934, though coming from the SEC, was really inspired by the New York Curb Exchange which, they feel, is out to get new business—ruthlessly, if necessary.

Five years ago when the suggestion which is now being made by the SEC was first recommended by the last president of the New York Stock Exchange, the danger that the change in the law would tend to drive the over-the-counter business to the exchanges was fully discussed before the SEC.

As seen by the dealers in the over-the-counter market, the greatest need is to obtain "safeguards" against any raids by the national securities exchanges on the business ordinarily done in the over-the-counter market when the SEC's proposal is taken up by Congress.

A certain fatalism has overtaken some portions of the securities market with regard to the seeming inevitability of government controls. Many men who have been staunch fighters in the cause of free markets—that is, markets functioning with a minimum of government regulations and restrictions—are seemingly willing now to bow to what they call the social trend. This is evident in the position apparently taken by the New York Security Dealers Association at its session last week. But perhaps it is just a case of fatigue because the going has been hard. It should be plain to all, however, that this is no time to give up the struggle.

If the Government agencies get "real tough," say some of the now more acquiescent men in the securities business, they too will get tough. But how much tougher could the present recommendation of the SEC to Congress possibly be? What else is needed to arouse a fighting spirit? Here is a measure which would severely cripple the over-the-counter market and injure the public interest at the same time! It may take the force of additional circumstances to arouse some of these minds out of their complacency. Necessity, after all, is a powerful driving force and the need for action will soon manifest itself if the SEC makes any headway at all with its suggestion.

There is a feeling in some quarters that instead of being willing now to compromise the whole issue of the unlisted market, the dealers and traders' associations might better instead seriously question the SEC's motives with regard to the entire over-the-counter market. Anyone really familiar with the securities market knows very well that the public interest will not be served if the over-the-counter market is not allowed to function in a natural way. It is obvious that the SEC's recommendation as phrased at present is not the solution even to the problem it is supposed to tackle—the protection of the investor.

Canadian Securities

(Continued from page 113)

met by public offerings of the usual type at appropriate times.

With regard to immediate prospects there is still no reason to anticipates any early change in the present dull, inactive pattern. The proposed Montreal refunding appears to be almost indefinitely postponed and the only feature of interest in the near future is the Gatineau Power and Light financing. The issue of $55 million new First Mortgage bonds due June 15, 1970 will be offered for competitive bidding on July 9 of which $45 million will be payable in U. S. funds. In addition there will be an offering of $9½ million Sinking Fund debentures due June 15, 1961 also payable in U. S. funds.

Criticizes Federal Reserve Monetary Control Plan

(Continued from page 71)

be increased on the volition of the banks irrespective of national monetary policy."

To the natural question, why not release the Reserve Banks from this assumed obligation to buy government securities at the pegged rates, the Board argues that the resultant rise in interest rates would increase the cost of servicing the national debt and have undesirable repercussions in the market for outstanding government securities.

In other words, here we have manifested again the old dilemma which has plagued the monetary authorities since the end of the war — of wanting to control debt monetization and credit expansion and at the same time of not wanting to see interest rates advance.

The New Powers Proposed

It is in the face of this dilemma that the Board recommends for the consideration of Congress three new proposals for expanding monetary controls:

"1. 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.

"2. 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.

"3. To grant additional power to the Board to raise reserve requirements, within some specified limit, against net demand deposits."

These represent important extensions of federal powers, and the Board does well to suggest them for consideration and study rather than urge them for early adoption. In presenting these proposals, the Board has sketched only the broad outlines, leaving a great deal unexplained, such as definition of "long-term" securities, the matter of limits to powers, and the legal means by which non-member banks would be brought under its authority. Hence, any analysis at this time must be preliminary and in terms of broad principles and the raising of questions, rather than in terms of precise technical arrangements.

Limitation on Bank "Long-Term" Holdings

Proposal Number 1—to place a maximum on the amount of long-term marketable securities that a commercial bank may hold against its net demand deposits — evidently looks towards placing a check upon the alleged practice cited above of commercial banks selling their short-term, low-yield governments to the Federal Reserve, thereby acquiring additional reserves which they used on a multiple basis to bid away longer-term, higher-yield bonds from non-bank investors, with consequent increased monetization of debt.

As a matter of fact, it is to be noted that, despite the strong inducement to such switching afforded by a more or less pegged interest rate pattern that has ranged from ⅜% on Treasury bills and ⅞% on certificates to 1½ and 2% on medium and long-term bonds eligible for bank investment, the banks as a group have, as statistics show, consistently maintained an average maturity of about four years on their government security portfolios. While positions of individual banks have, of course, differed, the banking system as a whole has only about kept pace with the average run-off of maturities that occurs with the passage of time.

What the proposed new restrictions would mean in actual practice would depend a great deal upon the definition of "long-term." In the market, the accepted usage of the term is to describe securities maturing in over ten years. But should this be the definition, it is difficult to see how the proposal could be very effective in preventing further debt monetization. For with the commercial banking system holding some $31 billion of time deposits, against which the proposed restrictions as to investment would not apply, and with the system holding only some $6 billion of governments of over ten years to call dates, it is evident that even after liberal allowance for present long-term holdings of non-federal securities, the capacity of the banks to absorb long-term securities within the proposed rules would still be very large.

For action under the proposal to be truly effective, "long-term" apparently would have to be defined as something quite different than is customarily understood. Which raises a serious question as to what the Board really has in mind. Would "long-term" mean anything over five years, or even anything over one year?

Manifestly, any interpretation of the latter nature would mean a decided departure from banking practices in the past. All sorts of difficulties may be envisioned. If applied rigidly, the obvious result would be to force an unloading of the proscribed "long-term" securities on the market. At best, the provisions, if applied uniformly and with any force at all, would hit different banks differently, raising important questions of equity, of potential losses on securities acquired at premiums, of losses of necessary current earnings, etc.

While the Board, it is true, suggests some administrative flexibility authorized "to meet differences among banks," this could conceivably be summed up in the single term — discrimination. Certainly, the task of applying such "flexibility" fairly in a country of 14,000 banks would be a formidable one.

Required Bill and Certificate Reserves

The second proposal — to require the commercial banks to hold a specified percentage of Treasury bills and certificates "as secondary reserves" against their net demand deposits—would seem to raise equally, if not more, perplexing problems. In advancing this proposition, the Board observes:

"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."

What the Board does not say directly, but which seems implicit, is that the plan, by forcing banks to hold particular kinds of government securities in specified amounts, would enable the Treasury to pay as little interest on them as it pleased to do.

Apart, however, from this point, this proposal would encounter much the same difficulty in allowing for the different positions of individual banks that were mentioned above in connection with the bond limitation plan. Unless provisions were applied so loosely as to exert little restraining influence, they would be harder on some banks than upon others Banks would be forced to scramble about, trading off notes and bonds for bills and certificates. Nor would the provisions for "administrative flexibility" in applying the restrictions as between different groups of banks be any easier to work satisfactorily than under the bond limitation plan.

The day to day problems of bankers in adjusting their reserve positions would be considerably complicated by this tricky new kind of reserve requirements, notwithstanding the Board's suggestion that in meeting such requirements banks be permitted to hold vault cash or excess reserves in lieu of government securities.

More serious still are the possible restrictive effects of the proposal on bank commercial lending operations. Apparently the very banks most active in the community in commercial lending, and hence with the lowest percentages of governments already in their portfolios, would be most likely to be penalized. A bank making a new loan, thereby expanding its deposits, might find itself having to borrow at the Federal Reserve at the 1% discount rate, or sell relatively high-yield notes and bonds, not only to gain reserves to cover the regular reserve requirements but to be able to buy, **in addition**, the required amounts of ⅜% bills or ⅞% certificates. It may well be questioned whether this type of penalty serves to encourage resumption by the banks of "their normal peacetime functioning in the financing of commerce, industry, and agriculture," indicated by the Board as a desirable objective.

Power to Raise Reserve Requirements

The third propsal — to grant additional powers to the Board to raise member bank reserve requirements — has as its stated purpose to "strengthen the capacity of the Federal Reserve to prevent credit expansion on the basis of additional reserves obtained through gold imports or return flows of currency from circulation."

Since the Reserve Banks, however, already have ample amounts of government securities which they could sell in order to mop up any excess funds resulting from gold imports or redeposits of currency, it is not clear why this additional power is wanted.

As the Board itself recognizes, with present conditions of relatively small excess reserves increases in reserve requirements would force liquidation of bank assets and raise interest rates unless the Reserves Banks come to the rescue with additional funds supplied through open market operations. Thus, as the Board says, "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."

Existing Powers Sufficient

From the brief review presented here the reader may perhaps get an idea of the many great uncertainties and complexities involved in these proposals. We have suggested some of the difficulties and possible implications. That the proposals would involve a far-reaching extension of controls over the banking system, substituting in large measure for the judgment of individual bankers, a complicated system of new rules and regulations dictated by Washington, is clear. The great danger is that banking will be put in such a strait-jacket as to seriously impair its ability to carry on the normal functions and serve the public.

Of course if the Board's recommendations were the only conceivable way to handle an inflationary situation, we might have to give serious consideration even to such dangerous proposals, for inflation itself is a grave danger. But it is far from clear that there is any need for such extreme powers.

The fact is that, as has been pointed out again and again, the authorities already have very large powers at hand if they will but use them. A first step that has already been taken is the use of the Victory Loan balances to retire debt, and particularly debt held by the banks. Another step was the elimination by the Federal Reserve of the ½% preferential discount rate on loans to member banks secured by short-term government collateral. Still another measure that is being taken is the drive to increase sales of savings bonds and to persuade present holders to keep the bonds they have.

The problem of credit control is basically related to the budget position. If expenses are kept down to the point where the country has a budgetary surplus and is retiring debt, the amount of securities held by the commercial banks and by the Reserve Banks will be steadily reduced, thus reducing the inflationary pressures.

Then, of course, it is essential that the country's central banking system shall be free to use in the public interest the recognized instruments of credit control — the discount rate and open market operations, which were conferred upon it by the Federal Reserve Act. For the Board to plead that it cannot use these powers because of a commitment to the Treasury to maintain current interest rates at their unprecedentedly low level is far afield from the intent of the authors of that Act.

"I Am Not Afraid of the Future!"

(Continued from page 70)

swers—intelligent, courageous answers—will be found.

During the last three years you may have grown weary of my warnings as to what would happen if price and rent controls were weakened or abandoned. I know some people felt that I overemphasized what might happen.

Price Advances

Actually, yesterday's increases turned out to be worse than I had feared. On Monday alone, the index of spot market prices for basic commodities took the phenomenal jump of 3.7%. I doubt if this daily increase could continue under any circumstances. But if it did it would take only about 20 days like this to double—or more than double—your cost of living. In some markets the prices of live hogs shot up more than one-third in *one* day. The prices of beef steers hit the highest peak in 81 years. With the removal of meat subsidies, these prices would mean that eventually you would pay at least 50% more in the stores.

Corn rose an average of nearly 30%—and twice that in some markets. That will mean higher costs for thousands of people who use corn to feed livestock or to manufacture other products.

Oats and barley also rose sharply. Cotton futures reached the highest peak in 23 years. Eventually that would mean sharp increases in the prices of cotton clothing. Here in Washington butter skyrocketed from 63 cents a pound to 94 cents in a few hours.

You know what happened to rents. One hotel in Florida raised its rates from the OPA ceiling of $55 to $160. And at the same time they notified their tenants that maid service and the usual supply of fresh linen would be cut off. There were rent increases on a broad scale in almost every city in the country.

I certainly hope that you were not hit personally by all those price and rent increases yesterday. I hope both Houses of Congress will quickly pass the necessary legislation to put our inflation control program back into effect—to allow us to push those prices and rents down again, and keep the rest from shooting upward. The action of the House of Representatives in approving a 20-day extension resolution last night has already had a quieting effect.

But let me make one point just as clear as I possibly can. The price and rent increases you read about in your paper yesterday and today are only a taste of what lies ahead if we accept anything less than really effective price and rent control legislation.

Let me explain what I mean by that. Most of the fantastic price and rent increases we had yesterday occurred because a *few* producers, a *few* storekeepers, a *few* landlords and a good many speculators saw fit to take advantage of the situation. They pushed their prices up over night even though their costs had not increased at all. With the exception of those increases which occurred because subsidies went out the window, it was pure speculation, pure profiteering.

Responsible merchants and businessmen took an entirely different attitude. In hundreds of advertisements they outlined their determination to "hold prices at their present ceilings as long as possible." Or they said they would not raise their prices until their own costs went up. Many landlords said the same thing.

I'm sure they meant every word they said. Most businessmen were making good profits under price control. They have no desire to see inflation sweep the country.

But here's the trouble. Even the most patriotic and foresighted businessman doesn't have much to say about it when prices start to go up all across the board.

He may be sincerely determined to hold *his* prices down. But if he is a manufacturer and wants to stay in business he must have raw materials. If he is a retailer he must have goods to sell. When prices go up generally, the manufacturer and retailer *must* pay higher prices for their raw materials or finished goods.

An increase in the price of iron ore in Minnesota means an increase in the price of steel, which in turn means an increase in the price of your new refrigerator, or your washing machine, or your automobile. An increase in the price of cotton means higher prices for fabrics and eventually higher prices for shirts—even though the manufacturer who makes the fabric takes only the same profit on each yard of fabric—even if the retailer who sells the shirt is sincerely anxious to protect you.

One Man's Price Is Another Man's Cost

The point is that one man's price is another man's cost. As one man's price increases a little, the next man's cost goes up—and then *his* price must be increased. The same thing happens to wages. Rents go up and food goes up. Then workers go after higher wages in an effort to protect themselves. These higher wages increase the cost of doing business all along the line—and finally reflect themselves in the prices you pay in the stores.

All this doesn't happen in a day. The whole process takes weeks and even months. But the result is the same. With costs rising almost daily, manufacturers and retailers have to scramble for raw materials and finished goods—and always at higher and still higher prices.

That's the kind of situation we've been trying to avoid for four long years—the dog chasing his own tail—and always chasing it up hill.

Prices on June 30th—before price and rent controls went out the window—were a lot higher than you or I would like to see them. But the fact remains that they had gone up less than one-third as much as they rose in the period of the first World War.

Until last Saturday night, milk and eggs and bread and canned goods and cereals and meat and most fruits and vegetables were selling at just about the same prices that they sold for three years ago when price controls really became effective. Instead of 27 cents a pound for sugar you were still paying only seven or eight cents.

If you were living in a rented house or apartment, in an OPA rent control area, you were paying last week about the same rent that you paid two or three years ago.

The price of steel had increased less than one-tenth as much as during the period of World War I. And while apparel prices in many cases had gone much too high—and while much of the quality was shoddy—even here, where our record was poorest, the increases had been only about a quarter of what we had in the first World War period.

During the war and the reconversion period, we have managed—in the face of tremendous difficulties—to keep our economy on a relatively even keel. During the war and since V-J Day—under the same price and rent control program which has been so bitterly attacked in the last few months—we have established the greatest production records the world has ever seen.

Meanwhile the incomes of most groups—not all but *most* groups—have reached all-time high levels. We have demonstrated the tremendous things we can do when we pull together as a united and confident people.

That record was a good record. But it was not achieved without many aches and pains. The right to protect the value of our wages and savings has always been a bitter fight.

As a result, I, together with thousands of others who have taken part in this struggle against higher prices and higher rents—have been forced to fight every step of the way. We have had to maintain our lines firmly and vigorously against special interest groups. We have had to fight against speculators and lobbyists.

We have had to fight year after year to secure the necessary legislation from Congress. We have had to fight to get the money with which to administer our program in the most efficient possible way. We have had to fight to get the necessary funds to combat the black marketeers. And this year—with the war finally won and many of our businessmen restless and anxious to be free of controls which are bound to carry with them some irritations, we have had our toughest fight of all.

Pressures on Congress

For the last six months Congress has been bombarded by attacks against price and rent controls—some organized and some spontaneous. Individuals and special interest groups from one end of the country to the other have demanded the removal or the weakening of the controls which we had established over the products which they make or sell.

Congress was sincerely impressed by these pressures. If you had been living in Washington, as I have, you could well have understood the reason—however strongly you might condemn the final action which Congress took.

Through nearly five months of conferences and debates, it tried to devise a price control bill which would make everybody happy—a bill that would keep some check on the prices and rents you pay, but which would eliminate at the same time all the irritations or the individual hardships from one end of the country to the other. In other words, Congress mistakenly tried to legislate a painless program of inflation control.

I warned and warned and warned that this objective—desirable though it might be—was impossible of attainment. I pleaded that six to ten months of reasonably effective price and rent controls—followed by a few additional months of orderly decontrol—would see us over the hump. I described the tremendous production which, under stable prices, would flow from our factories between now and next Christmas. But my warnings fell on deaf ears. The majority of the members of Congress were determined to take a grim chance—and that is exactly what they did.

One concession followed another. As each concession was granted demands for new concessions inevitably became even harder to resist.

An Impossible Bill

When all the concessions were finally added up together, the result was a bad bill—an impossible bill. Under that bill, any effort to control rents and prices would have been a farce. Under that bill, black markets would have multiplied. Under that bill, substantial increases in your prices and rents would have flowed in an endless stream. Under that bill, we would have had *legalized* inflation.

In the end—and on June 28th—two days before the price and rent control laws expired—this impossible price and rent control bill was sent to the President for his signature. The Congress had taken four and a half months to work out a crucial piece of legislation. And they had given the President two days in which to study it—bad as it was.

That bill was not intended to enable OPA to keep living costs stable. Its supporters did not even claim that it would do this.

The best testimony on this point is that of Senator Taft, who wrote the most damaging price-raising provision of the bill. He has publicly stated that prices ought to go up an average of at least 50% over the pre-war level. This would mean a rise of 15% or more above the prices we had established under our program.

I know of no one who seriously claimed that the increase in the cost of living could have been held to *less* than 15% under the bill which Congress passed last Friday.

Certainly this was not the argument which was made to the President in favor of signing the bill. The argument, purely and simply, was that the bill which Congress passed was at least better than no bill at all. The President was told that if he vetoed the bill—bad though it might be—Congress would then refuse to take any further action whatever.

I doubt if any President, in peacetime, has ever had to face so hard a decision. To make it doubly hard the decision had to be made almost overnight.

To have approved legislation which would deliberately let the cost of living of the American people go up in a few months by at *least* 15% would have been to take on a terrible responsibility.

Such an increase—happening in a short time—would have been three times the total increase in the cost of living in the last three years. It would have quickly added the gigantic sum of $18 billions a year, at the least, to the living expenses of American families.

Such an increase by itself would have taken away, at one stroke, one-seventh of the total value of everybody's war bonds, savings accounts, insurance policies and other securities with a fixed dollar value. It would have deprived all our veterans of one-seventh of the benefits which Congress had previously provided for them. It would have visited untold hardship upon the millions of our citizens with fixed or limited incomes.

Those increases would be disastrous in themselves. But many conscientious numbers of Congress—men who had fought and fought unsuccessfully to get us the kind of legislation we really needed—thought that even such increases would be less bad than the increases we would have with no legislation at all.

Supports President's Agreements

But here was the weak spot in their argument. President Truman saw it clearly and had the courage to act on his conviction. Every American family has reason to be grateful for that.

The important point was that this bill provided no stopping place. The idea that you could have an increase of as much as 15% in living and business costs—in a short period of time—and then expect everything to flatten out, would not stand careful analysis.

Such an increase in itself would have created hopeless uncertainty and confusion. OPA could not have written regulations fast enough to keep up with the price increases which the bill required. Under the peculiar provisions of the bill, OPA could not have enforced the regulations after it had written them. OPA's effort to administer this impossible bill would have only added to the uncertainty and confusion.

While OPA was trying to gather the necessary information and to write the regulations necessary to legalize price increases, businessmen would naturally have been stalling their deliveries while they waited for higher prices. Production, instead of being speeded up, would have been slowed down to a walk.

The language of the bill itself showed that once you got a 10 or 15% increase—or any increases in prices—you could not stop there. Under Senator Taft's and Senator Wherry's amendments, every new cost increase had to be added to prices. Every new price increase for a selling industry, therefore, would become a new cost increase for a buying industry, and a basis for another price increase.

Automobile manufacturers, for example, would no sooner get *their* Taft increase than the industries making things that go into automobiles would get *theirs*. And automobile prices would have to go up again. When labor began getting its new wage increases all up and down the line, the merry-go-round would have been going full tilt.

The bill which Congress sent the President, in other words, was no better than no price control law at all. Because the attempt to administer it would have delayed production, it was probably *worse* than no price control law at all.

But there was a second and even more important weak spot in the argument that this price control bill—weak though it might be—was better than no bill at all. The President was convinced that if the real issue was squarely and clearly presented to Congress, then Congress would act to provide us with the kind of legislation which would enable us really to hold down rents and prices.

If the President had signed the bill which Congress sent him, he would at the same time have deprived you and your family of your last opportunity to get real protection under a good price control law. The great thing which the President accomplished by his veto was to save that opportunity for the country.

The whole issue has now been reopened. And again, the way that issue will be decided rests in your

(Continued on page 127)

Securities Now in Registration

• INDICATES ADDITIONS SINCE PREVIOUS ISSUE

• Ace Gold Mines, Inc., Lewiston, Idaho

June 24 (letter of notification) 295,000 shares of $1 par common stock. **Offering**—Price, $1 a share. No underwriting. **Proceeds** — For expansion, property payments and working capital.

• Acme Electric Corp., Cuba, N. Y. (7/17-19)

June 26 filed 132,740 shares ($1 par) common stock. **Underwriters**—Herrick, Waddell & Co., Inc., and First Colony Corp. **Offering**—To be offered publicly at $5 a share. **Proceeds**—Company will receive proceeds from the sale of 68,880 shares and four selling stockholders will receive proceeds from the sale of 63,860 shares. The company also will receive proceeds from the sale of 20,000 warrants for common stock to the underwriters at an aggregate price of $200. The warrants or shares of common stock issuable upon their exercise are being acquired by the underwriters for investment. Of the net proceeds ($292,940) $50,000 will be used to pay current bank loans; about $20,000 will be used for machinery and equipment, and the remainder for working capital. **Business**—Corporation last June 1 succeeded to the business of Acme Electric & Manufacturing Co. by issuing to the latter company 2,000 shares of preferred and 201,120 shares of common stock. The registration said Acme Electric & Manufacturing will be dissolved and distribute all of the preferred and common stock of Acme Electric Corp. to its stockholders in the same proportion as their interest in Acme Electric & Manufacturing. Acme Electric Corp. manufactures electrical and electronic transformers, fluorescent ballasts and other electrical equipment.

Aikman (A. M.) Jr. Mfg. Co., Drexel Hill, Pa.

June 20 (letter of notification) 100,000 shares ($1 par) class A common stock. Offering price, $3 a share. No underwriting. **Proceeds**—Of the proceeds, the company will use $75,000 for buildings, $60,000 for machinery and equipment; $50,000 for lumber and hardware, and the remainder as working capital.

Air Cargo Transport Corp., New York

June 19 filed 435,000 shares ($1 par) common stock. **Underwriters**—By amendment. Price by amendment. **Proceeds**—Of the total, 35,000 shares are being sold by stockholders and the remainder by the company. The latter will use $60,000 of the proceeds to repay a bank loan, about $500,000 for new equipment and $250,000 for ground installations at various points in the United States.

• American Broadcasting Co., Inc., N. Y. (7/16)

June 27 filed 950,000 shares ($1 par) common stock. **Underwriter**—Dillon, Read & Co., Inc., New York. **Offering**—A maximum of 100,000 shares of the stock being registered may be sold by the company to persons, firms, or corporations with whom the corporation had network affiliation agreements on March 31. The remainder will be offered publicly. Price by amendment. **Proceeds**—Of the net proceeds, the company will use $4,000,000 to prepay 2% notes, due Oct. 14, 1947, and about $2,800,000 for acquisition of radio station WXYZ at Detroit, subject to approval of the Federal Communications Commission. The balance will be added to general funds. **Business**—Radio network.

• American Home Products Corp., New York (7/17)

June 28, 1946 filed 116,926 shares of ($1 par) capital stock. **Underwriters**—No underwriting. **Offering**—The shares will be offered to stockholders of record July 31 in ratio of one new share for each 10 shares held. The terms of offering of unsubscribed shares will be determined by the directors. Price by amendment. **Proceeds**—Liquidation of $6,000,000 short term bank loans; balance to purchase additional land, plants, machinery and equipment to improve manufacturing facilities and provide for possible growth of the company's business. **Business**—Manufacture of pharmaceutical and other products.

• American Research & Development Corp., Boston (7/22)

July 2, 1946 filed 200,000 shares ($1 par) common. **Underwriters**—Estabrook & Co., and Harriman Ripley & Co., Inc. **Offering** — To institutional investors at a minimum of 1,000 shares each, and to others at a minimum of 400 shares each. Price, $25 a share. **Proceeds**—Estimated net proceeds of $4,893,000 will be used to purchase equipment, Government bonds and for operating expenses. **Business**—Company was organized last June 6, as an investment company.

American Telephone and Telegraph Co., N. Y.

June 20 filed $125,000,000 40-year debentures, due 1986. **Underwriters**—Company will invite sealed bids for the purchase of the debentures. Probable bidders include Morgan Stanley & Co., and Halsey, Stuart & Co. Inc. Price by amendment. **Proceeds**—To provide funds for additions and improvements to the company's plant and plants of its subsidiaries.

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.

• Arcweld Manufacturing Co., Inc., Seattle, Wash.

June 24 (letter of notification) 100,000 shares ($1 par) common and 852 shares ($100 par) preferred. Offering price, $1 a share of common and $100 a share of preferred. No underwriting. **Proceeds**—For working capital.

Arkansas West. Gas Co., Fayetteville (7/15)

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.

Beatrice Foods Co., Chicago (7/10)

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 expires July 9. **Proceeds**—Redemption of old preferred not exchanged. For details see issue of May 30.

• Black Hills Power and Light Co., Rapid City, S. D. (7/22)

July 2, 1946 filed 13,500 shares ($100 par) cumulative preferred stock and 15,000 shares ($1 par) common stock. **Underwriters**—Dillon, Read & Co. Inc., New York. **Offering**—Company will offer 8,500 shares of preferred in exchange for shares of outstanding 5% preferred stock on a share for share basis. Common initially will be offered for subscription to common stockholders of record on July 19, in ratio of 3/20th of one share of new common for each share held. Unsubscribed shares of common and remaining shares of preferred will be offered to the public at prices supplied by amendment. **Proceeds**—Net proceeds will be used to redeem unexchanged shares of 5% preferred at $110 a share and accrued dividends and to pay for other corporate purposes. **Business**—Public utility.

Brooklyn (N. Y.) Union Gas Co.

May 3 filed $34,000,000 general mortgage sinking and improvement fund bonds due June 1, 1976, and 70,000 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.; Blyth & Co., Inc., F. S. Moseley & Co., and Otis & Co. (stock only). **Bids Invited**—Company will receive bids for the bonds at its office 176 Remsen St., Brooklyn, N. Y., up to 11.30 a.m. (EDST) July 9 the interest rate to be specified in the bid. Bids for the stock will be received up to 11:30 a.m. (EDST) July 23, the dividend rate to be specified in the bid.

Budd Company, Philadelphia (7/9)

May 24 filed 540,573 shares of no-par common stock. **Underwriters**—Carl M. Loeb, Rhoades & Co., and Blyth & Co. Inc. **Offering**—Shares are offered for subscription to common stockholders of record on June 21 at the rate of one additional share for each five common shares held at $16 per share. 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 Oregon Power Co.

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.; Harriman Ripley & Co. **Offering**—Stock is being sold by Standard Gas and Electric Co., parent, of California. **Bids Rejected**—Standard Gas & Electric Co. rejected June 25 two bids for the purchase of the stock as unsatisfactory. Blyth & Co., Inc., and First Boston Corp. bid of $28.33 a share, and Harriman Ripley & Co. bid of $24.031 a share. Stock will again be put up for sale when market conditions improve.

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.

• Capital Marine Supplies, Inc., Washington, D. C.

June 26 (letter of notification) $40,000 of 10-year 5% sinking fund notes and 4,000 shares of $1 par common stock. Offering price, $500 a unit consisting of $500 par value of notes and 25 shares of common. No underwriting. For hiring store to sell Higgins boats and other marine products.

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., and The First Boston Corp. **Offering**—The shares are offered for subscription to common stockholders at the rate of one new share for each 2 9/10ths shares held at $32.50 per share. Rights expire July 8. 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. (7/12)
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. (7/17)
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.

● **Clair Carlton Criss, Omaha, Neb.**
June 26 (letter of notification) preorganization subscriptions for 15,000 shares at $20 a share. No underwriting. For organization of an automobile insurance company.

Clinton Industries, Inc., St. Louis
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.

Columbia Aircraft Products Inc., Somerville, N. J. (7/15)
June 26 filed 150,000 shares ($4 par) 30c cumulative convertible preferred stock, convertible into common stock in the ratio initially of 1½ shares of common for each share of preferred. **Underwriters**—Floyd D. Cerf Co., Inc., Chicago. **Offering** — Company initially will offer 59,585½ shares for subscription to present common stockholders at $4.50 a share in the ratio of one share of preferred for each share of common held. The offering to common stockholders excludes the two principal stockholders who have waived their rights to subscribe. The remaining 90,414⅔ shares and any shares not subscribed to by common stockholders will be offered to the public through underwriters. **Price**—$5 a share. **Proceeds**—Approximately $55,000 for payment of Federal taxes; $250,000 for payment of a loan; $50,000 as a loan to Palmer Brothers Engines Inc., a subsidiary, balance working capital.

● **Commonwealth Aviation Corp., New York (7/17)**
June 28, 1946 filed 150,000 shares ($10 par) 4½% cumulative convertible preferred stock and 300,000 shares ($1 par) common stock. **Underwriters**—To be supplied by amendment. **Price**—$12 a share of preferred and $7 a share of common. **Proceeds**—Estimated net proceeds of $3,420,000 will be used for working capital. **Business**—The company was organized in May, 1946, and proposes to acquire "all or as much as possible" of stocks of Commonwealth Aircraft Inc., a Kansas Corporation, Columbia Aircraft Corp., a New York corporation, and Cairns Corp., a Delaware corporation. Company manufactures certain types of small airplanes.

Consolidated Retail Stores, Inc. (7/19)
June 6 filed 60,000 shares 4¼% cumulative preferred stock, series A (par $50). **Underwriter**—Central Republic Co. (Inc.), Chicago. **Offering**—New preferred is 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 are 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. Exchange privilege and rights expire July 18. 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 (7/17)
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**—Payment of portion of the costs of construction and improvement program.

Coro, Inc., New York (7/9)
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**—Constructing a four-story annex to company's Providence, R. I., plant; rehabilitation of Providence factory, machinery and equipment, etc.

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.

Dana Corporation, Toledo, Ohio (7/10)
June 20 filed 100,000 shares of cumulative preference stock ($100 par). **Underwriters**—Group headed by Merrill Lynch, Pierce, Fenner & Beane, New York. Price by amendment. **Proceeds**—Net proceeds, together with other funds if necessary, will be used to prepay $10,000,000 of bank loans. The bank loans were issued to provide funds for the company's 1946 construction program.

Dazey Corp., St. Louis, Mo. (7/8-12)
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, and Allen & Co. **Offering**—Offering prices are $10 a share for the preferred and $4 a share for the common.

● **Dean Anderson Campaigns, Inc., Philadelphia**
June 28 (letter of notification) 60,000 shares of $5 par 5½% preferred. **Offering**—Price, $5 a share. No underwriting. For general expenses of business and servicing of contracts.

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 at $2.36 per share. **Proceeds**—Proceeds will be added to cash balances to be applied to the payment of current or other liabilities.

Derby Gas & Electric Corp., New York
June 19 filed 20,066 shares (no par) common stock. **Underwriters**—No underwriters were named and there was no indication that there would be any. **Offering**—The shares will be offered for subscription to present common stockholders at the rate of one share for each 10 shares held. Price by amendment. **Proceeds**—Proceeds, together with other funds, will be applied as loans to the company's three Connecticut subsidiaries: Derby Gas & Electric Co.; Wallingford Gas Light Co., and the Danbury and Bethel Gas and Electric Light Co.

Detroit Aluminum & Brass Corp., Hamtramck, Mich.
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.

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.

● **Electric Auto-Lite Co., Toledo, Ohio (8/4)**
June 26, filed 298,971 shares ($5 par) common stock. **Underwriters**—Lehman Bros., and Smith, Barney & Co. **Offering**—Shares initially will be offered for subscription to common stockholders at the rate of one share for each four shares held. Rights expire Aug. 3. The underwriters will determine whether there will be a general public offering of unsubscribed shares. Price by amendment. **Proceeds**—Company will use $10,000,000 of net proceeds toward the payment of its current bank loan with Central Hanover Bank & Trust Co. and other banks. The remainder will be used to replenish working capital for expenditures made in post-war expansion program and for completion of the program. **Business**—Manufacture of starting, lighting and ignition units for motor vehicles, storage batteries, spark plugs and other products.

● **Emerson Stone Adams, Omaha, Neb.**
June 26 (letter of notification) preorganization subscriptions for 15,000 shares at $20 a share. No underwriting. For organization of a fire insurance company.

Engineers Waterworks Corp., Harrisburg, Pa.
June 24 (letter of notification) $275,000 4% debentures due 1971. **Underwriters**—C. C. Collings & Co., and Stroud & Co., Inc., Philadelphia. Price, $101. Proceeds for purchase of additional water properties or their securities and for other corporate purposes.

Field & Stream Publishing Co., N. Y. (7/8-12)
June 19 filed 58,800 shares ($2 par) common stock. **Underwriters**—Lee Higginson Corp., New York, heads underwriters. **Offering**—Shares will be offered publicly. Price by amendment. **Proceeds**—Shares are being sold by four stockholders.

Films Inc., New York (7/22-26)
June 25, filed 100,000 shares ($5 par) class A stock and 100,000 shares (10 cent par) common stock. Each share of class A stock is initially convertible into 2 shares of common stock. **Underwriters**—Herrick, Waddell & Co., Inc., New York. **Offering**—To be offered publicly. At $8.10 a unit consisting of one share of class A stock and one share of common stock. **Proceeds**—$201,000 for retirement of 2,010 shares ($100 par) preferred stock at $100 a share; remaining proceeds, together with other funds, will be used for production of educational films.

● **Florida Dairies Co., Miami, Fla.**
July 1 (letter of notification) 44,272 shares of no par common stock. **Offering**—Price, $3 a share. No underwriters. For improvement of bottling plant, dairy farm and for working capital.

Florida Public Utilities Co., W. Palm Beach, Fla.
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 (7/22-26)
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.

Forest City Mfg. Co., St. Louis (7/17)
June 17, filed 280,000 shares ($1 par) common stock. **Underwriters**—Peltason, Tenenbaum Co., St. Louis. **Offering**—Shares will be offered publicly at $11.25 a share. **Proceeds**—Net proceeds go to the selling stockholders.

● **Franklin Mining Co., Denver, Colo.**
June 28 (letter of notification) 42,075 shares of $1 par common stock. Offering price, $1 a share for 17,075 shares and $1.25 a share on 25,000 shares. **Underwriters**—William A. Condon and Investment Supervisors, Inc., both of Denver. **Proceeds**—For mine development.

● **Frontier Refining Co., Denver, Colo. (7/16)**
June 27 filed $100,000 of 4½% first mortgage bonds, due 1951; 3,500 shares ($100 par) 5% cumulative preferred stock and 15,000 shares ($1 par) common. **Underwriters**—Peters, Writer & Christensen, Inc., and Sidlo, Simons, Roberts & Co., Denver. **Offering**—The bonds and preferred stock will be offered to the public, but the common stock initially will be offered for subscription to present stockholders at $11 a share at the rate of 12 shares for each 100 shares held. Unsubscribed shares of common will be offered publicly. **Price**—The bonds will be sold at $101; preferred at $100 a share, and unsubscribed shares of common at $11 a share. **Proceeds**—Estimated net proceeds of $575,000 will be added to working capital. **Business**—Refining crude petroleum and distributing petroleum products.

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. **Bids Invited** — Bids will be received at company's office, Room 1700, 360 St. James St., West, Montreal, P. Q., up to 11 a.m. (EDST) July 9, for the purchase of $45,000,000 bonds Series C, $10,000,000 bonds Series D and $9,500,000 debentures, the interest rates to be specified in the bids.

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● **Gellman Manufacturing Co., Rock Island, Ill.**
June 25 (letter of notification) 14,755 shares of common. Offering price, at market. **Underwriter**—Merrill, Lynch, Pierce, Fenner & Beane. **Proceeds**—For capital expenditures.

General Builders Supply Corp., N. Y. (7/8-12)
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.

Great Lakes Plating Co., Chicago (7/15-19)
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.

● **Greens Ready Built Homes Inc., Rockford, Ill. (7/22)**
July 2 filed 350,000 shares ($1 par) common stock. **Underwriters**—R. H. Johnson & Co., New York, and Shillinglaw, Bolger & Co., Chicago. **Offering**—Price, $3.50 a share. **Proceeds**—Net proceeds will be used partly for working capital and to pay for production equipment now being acquired by the company. **Business**—Company was incorporated April 16, 1946, and expects to start volume production of prefabricated houses this month.

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.

● **Hartfield Stores, Inc., Los Angeles, Calif. (7/29-31)**
June 27 filed 100,000 shares ($1 par) common stock. **Underwriters**—Van Alstyne, Noel & Co., New York, and Johnston, Lemon & Co., Washington, D. C. **Offering**—To be offered to the public at $8 a share. **Proceeds**—Company is selling 60,000 shares and stockholders are selling 40,000 shares. The company will use its proceeds to pay the costs of opening additional stores and to expand merchandise in its existing stores. **Business**—Operation of nine retail women's and misses' apparel stores in California.

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.

● **Holt (Henry) & Co., Inc., New York (7/17)**
June 28, 1946 filed 20,000 shares of 4½% ($25 par) cumulative convertible preferred stock and 33,884 shares ($1 par) common stock. **Undrewriters**—Otis & Co., Cleveland, Ohio. **Offering**—Company is selling the preferred shares and stockholders are selling the common shares. **Price**—$25 a share of preferred. Price for the common by amendment. **Proceeds**—Net proceeds to the company will be added to general funds. Company will use about $41,200 for redemption of class A stock not exchanged under its recapitalization plan and about $150,000 to finance the newly organized "Non-Fiction Book Club, Inc." **Business**—Publishing house.

● **Homestake Silver-Lead Mining Co., Wallace, Ida.**
June 24 (letter of notification) 1,500,000 shares (10c par) common stock. Offering price, 12½ cents a share. **Underwriter**—Richard K. Fudge, Wallace, Idaho. **Proceeds**—For mine development.

Hoving Corp., New York (7/15)
June 20 filed 495,700 shares ($1 par) common stock. **Underwriters**—Blyth & Co., Inc., New York, heads the underwriters. Price by amendment. **Proceeds**—Of the proceeds, the company expects to use about $8,079,000 for the purchase from Atlas Corp. of 84,744 shares of common stock of Bonwit Teller & Co. and remaining proceeds will be added to general funds for use in an expansion program.

Illinois Power Co., Decatur, Ill.
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.

● **Industrial Brownhoist Corp., Bay City, Mich. (7/17)**
June 28, filed 309,716 shares ($1 par) common stock. **Underwriters** — Gottron, Russell & Co., Cleveland, and Goshia & Co., Toledo. **Offering**—Of the total, 137,515 shares will be offered to the public and 172,201 shares will be offered for exchange to first preferred stockholders on a share for share basis. Unsubscribed shares will be offered to the public. Price by amendment. **Proceeds**—Net proceeds will be used to redeem 57,128 shares of second preferred stock at $17.20 a share and to redeem shares of first preferred stock not converted into common prior to the redemption date. **Business**—Manufacturing of locomotive and wrecking cranes.

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, $32.50 per share. Underwriters will purchase unsubscribed shares plus an additional 65 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 (7/17)**
June 28, 1946 filed 27,500 shares ($15 par) common stock. **Underwriters**—No underwriting. **Offering**—The shares being registered are the estimated maximum to be distributed as part consideration for acquisition of Scharff-Koken, St. Louis, Mo., which manufactures fibre shipping containers. The latter company will distribute the stock to its stockholders and liquidate.

Jack & Heintz Precision Industries, Inc., Maple Heights, Ohio (7/9-10)
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.

Koppers Co., Inc., Pittsburgh, Pa. (7/25)
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.

● **Koppitz-Melchers, Inc., Detroit, Mich.**
June 25 (letter of notification) 128,697 shares of common stock to be offered to present shareholders. Offering price, $1 a share. No underwriting. **Proceeds**—To make repairs and additions to present plant for purpose of increasing the brewery's capacity.

● **Kungsholm Baking Co., Inc., Chicago (7/16)**
June 27 filed 100,000 shares ($1 par) common stock. **Undrwriter**—Ames, Emerich & Co., Chicago. **Offering**—To public at $9 a share. **Proceeds**—Company will use part of the net proceeds to acquire the assets of Century Biscuit Co., Indianapolis, Ind. Of the remaining proceeds it will use $125,000 to purchase two ovens, about $70,000 to pay off mortgages and bank loans, and the balance for working capital. **Business**—Manufacture of cookies.

Le Roi Co., Milwaukee, Wis. (7/10)
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. For details see issue of June 20.

● **Lime Cola Co., Inc., Montgomery, Ala. (7/17)**
June 28, 1946 filed 225,000 shares (10 cent par) common stock. **Underwriters**—Newburger and Hano, Philadelphia, and Kobbe Gearhart & Co., Inc., New York. **Price**—$5.50 a share. **Proceeds**—Estimated net proceeds of $1,018,000 will be added to working capital. The company plans to use part of the funds for construction of a bottling plant in Montgomery. **Business**—Manufacturer of carbonated, non-alcoholic beverage.

● **Liquid Conditioning Corp. of New York (7/22)**
July 3 filed 70,600 shares ($10 par) class A common stock. **Underwriters**—No underwriting. **Offering**—Price, $10 a share. **Proceeds**—Proceeds will be used to pay for its temporary quarters in New York, for furniture and fixtures, equipment and other corporate purposes. **Business**—Company was organized May 6, 1946, and its principal business will consist of the manufacturing of equipment and materials used for conditioning of water and other liquids.

Loew Drug Co., Inc., Corpus Christi, Texas (7/10)
June 21 (letter of notification) 54,000 shares ($5 par) 30c cumulative dividend preferred stock on behalf of the company and 54,000 shares of 10c par common stock on behalf of stockholders. Offering price, $5.50 a unit consisting of one share of preferred and one share of common. **Underwriters**—First Colony Corp., and Childs, Jeffries and Thorndike, Inc. Proceeds to the company will be used for general corporate purposes.

Mada Yellowknife Gold Mines, Ltd., Toronto
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.

Maine Public Service Co., Preque Isle, Me.
June 25 filed 150,000 shares ($10 par) capital stock. **Underwriters**—To be determined through competitive bidding. Probable bidders include The First Boston Corp.; Kidder, Peabody & Co., and Blyth & Co., Inc. (jointly); Harriman Ripley & Co. **Proceeds**—The shares are being sold by Consolidated Electric and Gas Co., parent of Maine Public Service, in compliance with geographic integration provisions of the Public Utility Holding Company Act.

● **Majestic Radio and Television Corp., St. Charles, Ill.**
June 28 (letter of notification) a sufficient number of company's common shares to total $100,000 being offered by E. A. Tracey, President of the company **Offering**—Price at market. **Underwriter**—Kobbe, Gearhart & Co. **Proceeds**—Go to the selling stockholder.

● **Mar-Tex Realization Corp., Dallas, Texas**
June 28 (letter of notification) 150,000 shares of common stock. **Offering**—Price, $2 a share. No underwriting. **Proceeds** — For expansion and purchase of additional properties.

Maryland Casualty Co., Baltimore (7/29)
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; The First Boston Corp.; Lehman Brothers, and Paine, Webber, Jackson & Curtis. **Offering**—Stocks initially will be offered for subscription to present common stockholders in ratio of one share of cumulative preferred for each 3⅓ shares of common held and one share of convertible preferred for each 1⅔ shares of common held. Subscription price by amendment. **Proceeds**—Net proceeds will be used to pay entire indebtedness of Maryland Holding Co., Inc., a wholly owned subsidiary, to Reconstruction Finance Corp.

Menasco Manufacturing Co., Los Angeles (7/23)
May 17 filed 370,000 shares of common stock. **Underwriters**—Sutro & Co., and G. Brashears & Co. **Offering**—Stock is being offered to shareholders of record July 1 in ratio of two new shares for each five shares held at $4 per share. Rights expire July 22. 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.

Meredith Publishing Co., Des Moines, Iowa (7/22)
June 25 filed 129,000 shares ($1 par) common stock. **Underwriters**—Stone and Webster Securities Corp. **Offering**—To be offered to the public. Price by amendment. **Proceeds**—Net proceeds go to three stockholders who are selling the shares.

● **Metaline & Pine Creek Consol. Mining Co., Spokane, Wash.**
June 24 (letter of notification) 750,000 shares of common. Offering price, 20 cents a share. **Underwriter**—E. J. Gibson & Co., Spokane. **Proceeds**—For development of mining property, exploratory work, and for mining machinery.

Michigan Gas & Elec. Co., Ashland, Wis.
June 24 filed $3,500,000 of series A first mortgage bonds, due 1976; 14,000 shares ($100 par) cumulative preferred stock and 120,000 shares ($10 par) common stock. **Underwriters**—To be determined by 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. **Offering**—New preferred will be offered on a share for share exchange basis to holders of its outstanding 7% prior lien, $6 no-par prior lien, 6% preferred and $6 (no par) preferred. Of the common stock being registered, company is selling 40,000 shares, Middle West is selling 57,226 shares and Halsey, Stuart & Co. Inc., New York, is selling 22,774 shares. **Proceeds**—Michigan will use net proceeds from bonds to redeem $3,500,000 3¾% series A first mortgage bonds, due 1972, at 106.75 and interest. Net proceeds from sale of common and from shares of new preferred not issued in exchange will be used to redeem $375,000 3½% serial de-

bentures, due 1951, at 101.2 and interest. It also will redeem at 105 and accrued dividends all unexchanged shares of prior lien and preferred stocks.

● **Michigan Steel Casting Co., Detroit, Mich. (7/16)**

June 27 filed 100,000 shares ($1 par) common stock. **Underwriters**—Cray, McFawn & Co., Detroit. **Offering**—To be offered publicly at $8.25 a share. **Proceeds**—Estimated net proceeds ($685,500) will be used as follows: About $130,000 to purchase additional facilities from Defense Plant Corp.; approximately $102,000 to expand the company's fabricating division; about $100,000 for expansion of precision casting division; about $60,000 for purchase of tools and patterns and to increase inventory for stainless pipe-fitting business, and the remainder for increasing inventory of stainless steel-rolled products, expansion of warehouse division and for working capital. **Business**—Operation of divisions for steel casting, alloy casting, fabrication, warehouse and precision casting.

● **Midvale Mining Co., Seattle, Wash.**

June 21 (letter of notification) 1,690,000 shares of 5-cent par non-assessable common. Offering price, 5 cents a share. No underwriting. **Proceeds**—For mine development.

Missouri Power & Light Co. (7/10)

May 22 filed $7,500,000 first mortgage bonds, due 1976, and $4,000,000 ($100 par) cumulative preferred stock. **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. **Bids Invited**—Bids for the purchase of the securities will be received at office of Beekman & Bogue, Room 1922, 15 Broad Street, New York, N. Y., up to 12 noon (EDST), July 10.

Montgomery Ward & Co., Inc., Chicago (7/15)

June 24, filed 1,304,286 shares (no par) common stock. **Underwriters**—No underwriters. **Offering**—The stock will be offered for subscription to common stockholders of record on July 18, at the rate of one share for each four shares held. **Price**—$50 a share. **Proceeds**—Net proceeds, estimated at $64,876,228, will be added to the company's general resources.

Mountain States Power Co., Albany, Ore.

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 Chair Co., Owensboro, Ky. (7/10)

June 21 filed 136,877 shares ($1 par) common stock. **Underwriters**—The Bankers Bond Co., Inc., Louisville, Ky., and Cruttenden & Co., Chicago, heads underwriters. Price, $5.25 a share. **Proceeds**—Of the net proceeds to the company, amounting to $147,711, it will use $65,000 to reimburse its treasury or make further expenditures in the rehabilitation and expansion of a new chair plant formerly used by its now dissolved subsidiary, Murphy Box Co., and for machinery and equipment for the plant. It will apply $35,000 for construction of a warehouse and the remaining proceeds as working capital.

Murphy (G. C.) Co., McKeesport, Pa. (7/8-12)

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.

● **National Airlines, Inc., Miami, Fla. (7/17)**

June 28, 1946 filed 150,000 shares ($1 par) common stock. **Underwriters**—Lehman Brothers. **Offering**—Price by amendment. **Proceeds**—Net proceeds, with other funds, will be used to purchase new Douglas DC-6 airplanes. **Business**—Air transportation.

● **National Alfalfa Dehydrating & Milling Co., Lamar, Colo. (7/29)**

June 28 filed 28,960 shares of 4½% cumulative preferred stock ($100 par) and 212,200 shares of common stock ($1 par). **Underwriters**—Stone & Webster Securities Corp., and Bosworth Chanute Loughridge & Co. Price by amendment. **Proceeds**—Shares are outstanding and are being sold by stockholders. **Business**—The company was organized May 4, last, for purpose of manufacturing alfalfa meal. It acquired the properties, assets and business of the Denver Alfalfa Milling & Products Co. division of Ralston Purina Co. and Pecos Valley Alfalfa Mill Co.

● **National By-Products Inc., Des Moines, Iowa**

July 1 (letter of notification) 1,200 shares ($1 par) common stock being offered by E. J. Lindhart, President of the company. **Offering**—Price, $41 a share. **Underwriters**—Brailsford & Co., Chicago. **Proceeds**—Go to the selling stockholder.

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

New Issue Calendar

(Showing probable date of offering)

July 8, 1946

Dazey Corp. — Preferred and Common
Field & Stream Publishing Co. — Common
General Builders Supply Corp. — Pfd. and Com.
Murphy (G. C.) Co. — Common

July 9, 1946

Brooklyn Union Gas Co. 11:30 a.m. (EDST) — Bonds
Budd Co. — Common
Coro, Inc. — Common
Int. Minerals & Chemicals Corp. — Common
Jack & Heintz Precision Industries — Pfd. and Com.

July 10, 1946

Beatrice Foods Co. — Preferred
Dana Corp. — Preference
Le Roi Co. — Preferred
Loew Drug Co. — Preferred and Common
Missouri P. & L. Co. 12 Noon (EDST) — Bds. & Pfd.
Murphy Chair Co. — Common
North American Car Corp. — Preferred
Philco Corp. — Preferred
Portland Gas & Coke Co., 11:30 a.m. (EDST) — Bonds

July 11, 1946

Pere Marquette Ry. — Equipt. Trusts
Rome Cable Corp. — Preferred
Wyandotte Hotel Co. — Debs. and Common

July 12, 1946

Chadbourn Hosiery Mills, Inc. — Pfd. and Com.
Stratford Pen Corp. — Common
United Cigar-Whelan Stores Corp. — Preferred

July 15, 1946

Arkansas Western Gas Co. — Common
Columbia Aircraft Products, Inc. — Preferred
Great Lakes Plating Co. — Common
Hoving Corp. — Common
Montgomery Ward & Co. — Common
Neville Island Glass Co. — Class A and Common
Oberman & Co. — Preferred and Common
Rheem Mfg. Co. — Common
Solar Mfg. Co. — Preferred
Steep Rock Iron Mines, Ltd. — Capital Stock
U. S. Spring & Bumper Co. — Pfd. and Com.

July 16, 1946

American Broadcasting Co. Inc. — Common
Frontier Refining Co. — Bonds, Pref. and Common
Kungsholm Baking Co. — Common
Michigan Steel Casting Co. — Common
National Dairy Products Co. — Common
Radio-Keith-Orpheum Corp. — Common

July 17, 1946

Acme Electric Corp. — Common
American Home Products Corp. — Capital Stock
Chicago & Southern Air Lines — Common
Commonwealth Aviation Corp. — Preferred & Com.
Container Corp. of America — Capital Stock
Forest City Manufacturing Co. — Common
Holt (Henry) & Co. Inc. — Pref. and Common
Industrial Brownhoist Corp. — Common
International Paper Co. — Common
Lime Cola Co. — Common
National Airlines Inc. — Common
Northwestern P. S. Co. — Bonds, Pref. & Common
Pal Blade Co. — Capital Stock
Reeves Brothers Inc. — Common
Seagram (Jos. E.) & Sons — Debentures
Trailmobile Co. — Common
Yonkers El. Lt. & Power Co. — Bonds

July 19, 1946

Consolidated Retail Stores Corp. — Preferred
Scudder, Stevens & Clark Fund — Capital Stock

July 22, 1946

American Research & Devel. Corp. — Common
Black Hills Pwr. & Lt. Co. — Pref. and Common
Films Inc. — Class A and Common
Flying Freight Inc. — Common
Greens Ready Built Homes Inc. — Common
Liquid Conditioning Corp. — Class A Common
Meredith Publishing Co. — Common
Nugents National Stores Inc. — Common
Riverside & Dan River Cotton Mills — Preferred
State Street Exchange — Bonds

July 23, 1946

Brooklyn Union Gas Co., 11:30 a.m. (EDST) — Preferred
Menasco Manufacturing Co. — Common

July 25, 1946

Koppers Co. — Preferred
Sunray Oil Corp. — Debs. and Common

July 29, 1946

Maryland Casualty Co. — Preferred
Nat'l Alfalfa Dehydrating & Mill. Co. — Pfd. & Com.
Newport Electric Corp. — Preferred

July 30, 1946

Spiegel, Inc. — Common

August 1, 1946

Sardik Food Products Corp. — Capital Stock

August 4, 1946

Electric Auto Lite Co. — Common

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 Dairy Products Corp., N. Y. (7/16)**

June 27 filed 300,000 shares of common stock. **Underwriters**—No underwriters. **Offering**—The stock is reserved for issuance to key employees of the company and its subsidiaries as provided under the company's employees' shares purchase plan. Since adoption of the plan in 1944, the company said privileges to purchase stock have been granted for a total of 227,950 shares. The privileges expire in May, 1954. Price to be determined by directors. **Proceeds**—To be added to working capital. **Business**—A holding company whose operating subsidiaries are engaged in manufacture of diversified lines of dairy products.

Neville Island Glass Co., Inc., Pittsburgh (7/15)

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.; Herrick, Waddell & Co., and Buckley Brothers. **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.

Newport (R. I.) Electric Corp. (7/29)

June 25, filed 7,732 shares ($100 par) cumulative preferred stock. **Underwriters**—Stone & Webster Securities Corp. **Offering**—Shares initially will be offered for subscription to common stockholders in ratio of 0.13 shares of preferred for each share of common held. Unsubscribed shares will be offered to public through the underwriters. **Price**—By amendment. **Proceeds**—Refunding.

North American Car Corp., Chicago (7/10-11)

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.

● **Northern States Power Co., Minneapolis, Minn. (7/17)**

June 28 filed 275,000 shares of cumulative preferred stock. **Underwriters**—To be determined by competitive bidding. Probable bidders include Lehman Brothers, and Riter & Co. (jointly); Dillon, Read & Co. Inc., and Smith, Barney & Co. **Offering**—Holders of company's $5 series cumulative preferred stock will be offered the right to exchange their shares for new preferred on a share for share basis plus a cash adjustment. Shares of new preferred not issued in exchange will be sold to underwriters. Price to be determined by competitive bidding. **Proceeds**—Net proceeds will be used to redeem unexchanged shares of old preferred at $110 a share. **Business**—Public utility.

● **Northwestern Public Service Co., Huron, S. D. (7/17)**

June 28 filed $5,275,000 first mortgage bonds, due 1976; 26,000 shares ($100 par) cumulative preferred stock, and 110,000 shares of $3 par common. **Underwriters**—To be determined by competitive bidding. Probable bidders include Halsey, Stuart & Co. Inc. (bonds); Harriman Ripley & Co., Inc.; Lee Higginson Corp.; A. G. Becker & Co., Inc., and Harris, Hall & Co. (Inc.). **Offering**—Securities will be sold at competitive bidding. The offerings are in connection with a recapitalization plan of the company in which holders of old preferred stock will be offered the right to exchange a maximum of 26,000 shares for new preferred, on a share for share basis, plus a cash adjustment. Price to be determined by competitive bidding. **Proceeds**—Estimated net proceeds of $10,021,000 will be used with other funds for redemption of $5,276,000 of first mortgage 4% bonds, due 1970, at 105¼%, and for redemption of unexchanged shares of old preferred. **Business**—Public utiltiy.

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(Continued from page 121)

Nugent's National Stores, Inc., N. Y. (7/22-26)
June 21 filed 85,000 shares ($1 par) common stock. **Underwriters**—Newburger & Hano, and Kobbe, Gearhart & Co., Inc. Price, $6.75 a share. **Proceeds**—Net proceeds to the company, estimated at $350,200, will be applied as follows: About $111,300 for retirement of outstanding preferred stock; $41,649 to purchase 100% of the stock of two affiliates, and balance $197,000 for other corporate purposes.

Oberman & Co., Jefferson City, Mo. (7/15-16)
June 21 filed 80,000 shares ($10 par) 5% cumulative convertible preferred stock and 75,000 shares ($1 par) common stock. **Underwriters**—Herrick, Waddell & Co., Inc., New York, principal underwriter. **Offering**—To be offered publicly. Price, $10 a share for preferred and $6 a share for common. **Proceeds**—Of the $1,055,000 estimated net proceeds, the company will use approximately $189,000 to retire its 1,890 shares of $6 cumulative preferred stock and about $300,250 to retire mortgage notes. The balance will be used for general corporate purposes.

● **Pal Blade Co., Inc., New York (7/17)**
June 28, 1946 filed 232,500 shares ($1 par) capital stock. **Underwriters** — F. Eberstadt & Co., Inc. **Offering** — Shares are outstanding and are being sold by 10 stockholders. Of the total 225,000 shares will be offered publicly and the remaining 7,500 shares are being offered by A. L. Mailman, one of the selling stockholders, to all salaried employees of the company and subsidiaries. Price by amendment. **Business**—Manufacture of safety razor blades and cutlery.

Pan American Airways Corp., Wilmington, Del.
June 21 filed an unspecified number of shares ($2.50 par) capital stock, issuable upon exercise of stock purchase warrants. **Underwriters**—No underwriting. **Offering**—For issuance on exercise of stock purchase warrants. Price: The stock purchase warrants evidence the right to purchase capital stock of the company at $18 a share to Dec. 30, 1947. **Proceeds**—To be added to general funds.

● **Pan American Mining and Developing Co., Salt Lake City, Utah**
June 28 (letter of notification) 50,000 shares of 25 cent par common. **Offering**—Price, $1 a share. **Underwriter**—Kay L. Stoker, Salt Lake City. **Proceeds**—For securing title and testing of newly acquired placer property and other expenses.

Philco Corp., Philadelphia (7/10)
June 20 filed 100,000 shares ($100 par) preferred stock, series A. **Underwriters**—Smith, Barney & Co., New York, heads underwriters. **Offering**—To be offered publicly. Price, by amendment. **Proceeds**—Net proceeds will be added to cash funds.

Pittston Co., Hoboken, N. J.
May 9 filed a $7,000,000 15-year 4% debentures due April 1, 1961, and $1,242,300 20-year 5½% cumulative income debentures due Jan. 1, 1964. **Underwriters**—Blair & Co., Inc. **Offering**—Price to public by amendment. **Proceeds**—Payment of promissory notes aggregating $8,000,000. For details see issue of May 16.

Portland Gas & Coke Co., Portland, Ore.
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. **Proceeds**—To retire long-term debt, etc. **Bids Invited**—Bids will be received at 2 Rector Street, New York, Room 2033, up to 11:30 a.m. (EDST) July 10, the interest rate to be specified in the bid.

Portland (Ore.) Transit Co.
June 14 filed $1,250,000 4% convertible debentures due June 1, 1966, and 200,000 shares of common stock (par $1); also an additional 128,750 common shares for conversion of debentures. **Underwriters**—First California Co.; Scherck, Richter & Co.; Weeden & Co.; Allen & Co., and Rauscher, Pierce & 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.

● **Potomac Properties, Inc., Washington, D. C.**
June 24 (letter of notification) 1,000 shares of 7% cumulative preferred ($100 par) and 2,000 shares of common ($5 par). Offering price, $550 a unit consisting of 5 shares of preferred and 10 shares of common. No underwriting. For purchase of equipment and land for real estate development, housing projects and operation of real estate brokerage office.

Prestole Corp., Toledo, Ohio
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.

● **Price and Rankin, Inc., Hoboken, N. J.**
June 28 (letter of notification) 150 shares of no par common stock. **Offering**—Price, $100 a share. No underwriting. **Proceeds**—For corporate expenses.

Radio-Keith-Orpheum Corp., New York (7/16)
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.

● **Reeves Brothers, Inc., New York (7/17)**
June 28 filed 398,819 shares of common stock (par 50c). **Underwriters**—Lehman Brothers and Commercial Investment Trust Inc. for 383,819 shares, the balance (15,000 shares) to be offered by company to certain officers and employees. Of the stock to be offered by the underwriters, 55,000 shares are to be purchased from the company and 328,819 shares are to be purchased from certain stockholders.

● **Reiter-Foster Oil Corp., New York**
June 27 (letter of notification) 54,600 shares of 50 cents par common stock. **Offering**—Price, $1 a share. **Underwriter**—The Federal Corp., N. Y. **Proceeds** — For working capital.

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.

● **Rheem Manufacturing Co., San Francisco, Calif. (7/15)**
June 26, 1946 filed 200,000 shares ($1 par) common stock. **Underwriters**—Blyth & Co., Inc. **Offering**—Company will sell 130,000 shares to the public through the underwriters and 70,000 shares to Bethlehem Steel Co. **Price**—By amendment. **Proceeds**—Estimated net proceeds ($6,500,000) will be used to replace working capital, purchase and construct new buildings, purchase new equipment and machinery, for investment and to augment working capital. **Business**—Manufacture of steel products including steel containers and household and general utility products.

● **Riverside and Dan River Cotton Mills, Inc., Danville, Va. (7/22)**
July 2, 1946 filed 50,000 shares of 4½% cumulative prefered stock ($100 par). **Underwriters**—Scott and Stringfellow, Richmond, Va. **Offering** — New preferred will be offered in exchange for shares of the company's outstanding 6% preferred, on a share for share basis. Such holders also will receive a $5 cash payment and accrued dividends on the old preferred. It is expected that unsubscribed shares will be sold to underwriters for public offering. Price, by amendment. **Business** — Spinning and weaving cotton and synthetic fibres and the finishing of cloth.

Rochester (N. Y.) Telephone Co.
June 26 filed $6,238,000 of 2½% first mortgage bonds, series A, due 1981. **Underwriters**—To be determined by competitive bidding. Halsey, Stuart & Co. Inc., has guaranteed a bid of par plus premium of $32,000. **Offering**—Bonds were issued and sold by the company to Halsey, Stuart & Co. Inc. last April 30 for Halsey's own account and not for public distribution. The price was 100 plus interest from April 1 to April 30, together with a premium of $32,000. Under the agreement company agreed to register the bonds, and to offer the bonds at competitive sale. **Proceeds**—Refunding.

Rome (N. Y.) Cable Corp. (7/11)
May 29 filed 63,276 shares of cumulative convertible preferred stock (par $30). **Underwriters**—Carl M. Loeb, Rhoades & Co. **Offering**—Shares are offered for subscription to common stockholders of record June 24 at rate of one share of preferred for each three shares of common held at $30 per share. Rights expire July 10. **Proceeds**—Net proceeds will be used toward completion of a construction program and to carry larger inventories.

Rudy Furnace Co., Dowagiac, Mich.
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 increse working capital.

● **Ryniker Hat Corp., Elmira, N. Y.**
June 26 (letter of notification) 2,000 shares of class A stock and 500 shares of 6% preferred stock. Offering price, $100 a share for each. No underwriting. **Proceeds**—For working capital.

Sardik Food Products Corp., New York (8/1)
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.

● **Scudder, Stevens & Clark Fund, Inc. (7/16)**
June 27 filed 30,000 shares of capital stock. **Underwriters**—No underwriters. **Offering**—To the public, at market. **Proceeds**—For investment. **Business**—Investment company.

● **Seagram (Joseph E.) & Sons, Inc., New York (7/17)**
June 28, 1946 filed $50,000,000 20-year debentures, due 1966. **Underwriters**—Harriman Ripley & Co., Inc. **Offering**—Price by amendment. **Proceeds**—Net proceeds, together with other funds, will be used to redeem $50,000,000 20-year 3¼% debentures, due 1965, at 105%. **Business**—Distillery of various brands of whiskies and gins.

● **Sears, Roebuck & Co., Chicago**
June 28, 1946 the savings and profit sharing pension fund of Sears, Roebuck and Co. employees filed 400,000 shares (no par) capital stock and 25,000 memberships in the fund. **Underwriters** — No underwriting. **Offering** — Shares are the estimated maximum which may be purchased by the fund for its members during a 12 months' period and the memberships are the estimated maximum which may be offered to eligible employees during the period.

Segal Lock & Hardware Co., Inc., New York
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.

● **Shackleton Piano Co., Louisville, Ky.**
June 26 (letter of notification) 10,000 shares ($10 par) common to be offered for subscription to present stockholders. Offering price, $10 a share. No underwriting. For expansion of business.

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.

Spiegel, Inc., Chicago (7/30)
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 ⅙th of a share for each share held. Unsubscribed shares will be offered to the public. **Price**—By amendment. **Proceeds**—$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; balance, working capital.

● **State Street Exchange, Boston, Mass. (7/22)**
July 1, 1946 filed $1,750,000 second mortgage 4% non-cumulative income bonds, due 1961. **Underwriters**—Roger W. Babson, Wellesley Hills, Mass., and Charles F. Ayer. **Offering** — Company will issue $750,000 of the bonds to two banks which hold two first mortgages on all of the company's real estate and the remaining $1,000,000 of the bonds will be offered to the company's stockholders in the ratio of one bond for each unit of 3½ shares of stock held. Unsubscribed shares will be sold to underwriters. Price to stockholders $27.50 a share and price to underwriters $26.50 a share. Company has been advised by underwriters that they intend to resell the bonds to the public at some future time, if conditions are favorable. **Proceeds**—Of the proceeds, company will pay $225,000 to the two banks holding its mortgages and the balance will be retained for necessary repairs to its real estate. **Business** — Owns and operates lands and buildings in Boston.

Steep Rock Iron Mines Ltd., Ontario, Can. (7/15-19)
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.
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.

Stratford Pen Corp. (7/12)
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. Of above, 5,000 shares are reserved for employees at $8.65 per share.

Sunray Oil Corp., Tulsa, Okla. (7/25)
June 24 filed $20,000,000 20-year debentures, due 1966, and 1,000,000 shares ($1 par) common stock. **Underwriters** are headed by Eastman, Dillon & Co. **Offering**—To be offered to the public. Price, by amendment. **Proceeds**—Company will use $25,500,000 of the net proceeds to retire 255,000 shares of 4¼% cumulative series A preferred stock at $100 a share and $13,029,250 to redeem $12,350,000 of 15-year 3¾% sinking fund debentures, due 1959, at 105½. The remaining proceeds will be used to reimburse its treasury for expenditures to be made in redemption of its 4½% preferred on July 17 at $41.50 a share plus accrued dividends.

● **Trailmobile Co., Cincinnati, Ohio (7/17)**
June 28, 1946 filed 25,000 shares ($5 par) common stock. **Underwriters**—Stifel, Nicolaus & Co., Inc., and A. G. Edwards & Sons, Offering price by amendment. **Proceeds**—Net proceeds go to the Columbia Terminals Co. which owns 108,487 shares of the company's outstanding common. **Business**—Manufacture of truck-trailers.

Trane Co., La Crosse, Wis.
June 20 filed 59,505 shares of common stock (par $2) of shares filed 45,905 are being sold on behalf of company and 13,600 on behalf of three stockholders. **Underwriter**—Cruttenden & Co. **Proceeds**—For plant additions, improvements, etc., redemption of 6% preferred stock and working capital.

Transwestern Royalty Co., San Antonio, Tex.
June 25, filed 75,000 shares ($10 par) capital stock and subscription warrants for the stock. **Underwriters**—No underwriters. **Offering**—The stock will be offered for subscription to holders of capital stock of Transwestern Oil Co. at rate of one share of Transwestern Royalty stock for each 10 shares of Transwestern Oil stock held. **Price**—$12 a share. **Proceeds**—$750,000 to repay a bank loan; balance for working capital.

● **Trustees Loan & Discount Co., Inc., Birmingham, Ala.**
June 27 (letter of notification) $300,000 of 4% debentures. Offering price, 100%. No underwriting. To liquidate existing obligations and to invest in business.

● **Tung-Glow Mining Corp., Reno, Nev.**
June 25 (letter of notification) 200,000 shares of common stock. Offering price, $1 a share. No underwriting. **Proceeds**—For purchase of machinery and equipment and mining operation.

United Cigar-Whelan Stores Corp., N. Y. (7/12)
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 are 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 on or before July 11. 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 States Spring & Bumper Co., Los Angeles (7/15)
June 24, filed 30,000 shares ($50 par) 4½% cumulative convertible preferred stock and 80,000 shares ($1 par) common stock. **Underwriters**—Dean Witter & Co. **Offering**—To be offered publicly. **Price**—By amendment. **Proceeds**—Company will use $950,000 of net proceeds to retire long term bank loans; $750,000 to retire short term loans; about $400,000 for machinery and equipment; any remaining to working capital. **Business**—Manufacture of automobile leaf springs, bumpers, and fender guards.

Vacuum Concrete Corp., Philadelphia
May 28 (letter of notification) 25,000 shares of common stock (par $1). 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.

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.
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.

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.

● **Yonkers Electric Light & Power Co., Mt. Vernon, N. Y. (7/17)**
June 28, 1946 filed $9,000,000 of debentures, due 1976. **Underwriters**—To be determined by competitive bidding. Probable bidders include Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; Lehman Bros., Harriman Ripley & Co., and Union Securities Corp. (jointly); Blyth & Co., Inc.; Shields & Co., and White, Weld & Co. (jointly); W. C. Langley & Co.; Merrill Lynch, Pierce, Fenner & Beane and Kidder, Peabody & Co. (jointly). **Offering**—To the public. **Price**—To be determined by competitive bidding. **Proceeds**—Net proceeds, together with other funds, will be used to redeem $9,515,000 of 12-year, 3½% debentures, series due 1950, at 102%. **Business**—Public utility.

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 approved proposal that present 7% preferred stock be exchanged for new 4½% issue.

American Bosch Corp.
April 16 reported that Alien Property Custodian may shortly ask for bids on 535,000 shares (77.24%) of the stock of the corporation. Probable bidders include Glore, Forgan & Co. and Lehman Brothers (jointly), and Blyth & Co., Inc., and Merrill Lynch, Pierce, Fenner & Beane (jointly).

American Gas & Power Co.
April 10 company (name to be changed to Minneapolis Gas Co.), under modified plan approved by SEC, reserves right to make public offering of not in excess of 874,078 shares of new common stock. Probable bidders include White, Weld & Co., W. C. Langley & Co., Otis & Co.

● **American Locomotive Co., New York**
July 3 reported company shortly will present a refinancing plan to stockholders under which the present outstanding 200,000 shares of 7% cumulative ($100 par) preferred stock will be called. The redemption funds will be raised by the issuance of new preferred stocks carrying a substantially lower dividend rate. Probable underwriters include Union Securities Corp.; Blyth & Co., Inc.; Eastman, Dillon & Co., and The First Boston Corp. It appears evident, however, that even with substantial premiums to be paid in the redemption of the old stock, the company will be able to effect a considerable saving in preferred dividend requirements. In October, 1945, the company redeemed 124,601 shares of the 7% preferred by lot, with the funds provided by the sale of 400,000 additional shares of the company's common stock.

American Overseas Airlines, Inc.
June 25, in connection with 3-for-1 split-up of 1,000,000 shares of capital stock to be voted on July 11, it is stated that the split-up is for the purpose of broadening the market for the corporation's stock and thus facilitate the issue and sale of additional shares to provide funds to meet enlarged capital requirements. Probable underwriters, if new financing is undertaken, include Emanuel Deetjen & Co. and Lehman Brothers.

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 23, a recapitalization program providing for retirement of present outstanding preferred shares and eliminating of arrears, involving issuance of new preferred stocks and the sale of additional shares of common stock together with the refunding of a portion of company's bonded debt was announced. The plan calls for retirement of 532,996 shares of $6 prior preferred and 33,715 shares of 7% preferred stock. To effect such retirement the company proposes to issue 350,000 shares of first preference stock, 300,000 shares of second preference stock and 1,355,240 additional shares of common stock. The new first preference stock will have a stated value of $100 a share. These shares will be offered to holders of the present $6 prior preferred at the rate of 1 4/10ths shares of new stock for each share of old stock held. The new second preference stock also will have a stated value of $100 a share and will be convertible into common "at a rate to be fixed by the board of directors not exceeding 5½ shares of common stock for each share of second preference stock." Second preference stock, together with such shares of the first preference stock as

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(Continued from page 123)

are not exchanged for the $6 prior preferred stock, will be sold to the public through an underwriting syndicate headed by Kuhn, Loeb & Co.

Net proceeds from sale of the second preference stock will be applied to the redemption of the unexchanged shares of $6 prior preferred stock and the outstanding shares of 7% preferred stock. The 1,355,240 shares of additional common will be offered for sale to present common stockholders by issuance of negotiable warrants for the purchase of the additional shares on a pro rata basis. It is contemplated that the offering price of the common shares to present shareholders will be below the market price and it is expected that the warrants will be traded on the New York Stock Exchange.

Artloom Corp., Philadelphia

July 16 stockholders will vote on increasing common stock by 300,000 shares, the new stock to be offered stockholders at $10 per share. Proceeds for expansion and working capital. Management does not anticipate entering into any underwriting arrangement.

Atlantic Refining Co., Philadelphia

May 7 stockholders approved proposal to increase the company's indebtedness from time to time by additional amounts not in excess of $50,000,000 in aggregate. The purpose of the plan, it was said, is to place the company in a position to fund bank loans, add to working capital and to provide funds for capital expenditures. Probable underwriters include Smith, Barney & Co.

Atlas Imperial Diesel Engine Co., Oakdale, Calif.

April 19 stockholders voted to split common stock 2 for 1 and create new preferred 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.

June 22 it was reported that one effect of the railroad freight rate adjustment is expected to be a stimulation of bond refundings. Among the roads whose refinancing programs may then crystallize, the Baltimore & Ohio is named as a leading prospect, now that all barriers to the consummation of its $500,000,000 debt adjustment plan have been eliminated. Other portions of the debt now thought to be attractive possibilities for a refinancing operation besides the $76,900,000 of first mortgage 4s and the $67,800,000 first mortgage 5s. There are $37,200,000 of Southwestern Division 5% bonds, $36,800,000 Pittsburgh, Lake Erie & Western 4s, and $10,000,000 Toledo-Cincinnati Division mortgage series A 4s. Probable bidders, if refunding operations crystallize, are Kuhn, Loeb & Co., and Halsey, Stuart & Co. Inc.

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. Under tentative plans, call date will be Oct. 1, next.

Beam (James B.) Distilling Co.

June 30 reported company planning some new financing with F. S. Yantis & Co., Chicago as probable underwriter.

● **Belden Manufacturing Co., Chicago**

June 28 directors authorized the offering of 26,530 shares of common stock (par $10) to stockholders of record July 8 in ratio of 1 to 10. Formal offering expected July 15. Issue will not be underwritten.

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.

Carolina, Clinchfield & Ohio Ry.

June 26 it was reported that a refunding of the $21,400,000 first mortgage 4% series A bonds of 1965 is seen as a possibility. Probable bidders include Kidder, Peabody & Co.; Halsey, Stuart & Co. Inc.

Central Electric & Gas Co.

June 11 stockholders voted replacement of the authorized but unissued 50,000 shares ($50 par) $2.25 preferred stock with an equal number of new no-par $2 preferred stock with a stated value of $50. Initially it is planned that 35,000 shares of the latter stock will be issued. Company plans to issue an additional 175,000 shares ($1 par) common stock of which there are now outstanding 797,600 shares. Proceeds of the preferred and common stock sales are to be used to repay a $3,000,000 bank loan and to augment working capital.

Central & Southwest Corp.

Pursuant to plan of Central & South West Utilities Co. and American Public Service Co. approved by the SEC a sufficient number of shares of Central & Southwest Corp., the new company, would be sold at competitive bidding to provide funds, not otherwise supplied, to retire outstanding preferred stocks of Central and American. Possible bidders: Glore, Forgan & Co.; Lehman Brothers-Lazard Freres & Co. (jointly); Smith, Barney & Co.-Harriman, Ripley & Co. (jointly); Blyth & Co., Inc.; Stone & Webster Securities Corp. and First Boston Corp. (jointly).

Century Manufacturing & Instrument Co.

May 29 reported Estes, Snyder & Co., may underwrite offering of common stock following merger of Century and Continental Geophysical Service Co.

Chesapeake & Ohio Ry.

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.

Citizens Utilities Co.

June 26 reported that present plans call for interim borrowing from banks to effect the redemption on or about Sept. 1 of $4,208,000 5½% bonds and for the subsequent issuance of a like amount of new lower interest bearing bonds.

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.**

July 3 company formally submitted to the New York Public Service Commission its plan to issue $290,000,000 of new mortgage bonds as part of a plan to redeem $304,240,000 of callable mortgage bonds and debentures and $15,869,000 of non-callable mortgage bonds due in 1948 and 1949—a total of $320,109,000 of long-term debt. The $290,000,000 of new mortgage bonds would be sold by bidding in three separate issues in rapid succession, the first two to be $100,000,000 each and the third for $90,000,000. After issuing the first series the company would then call its $179,240,000 of callable mortgage bonds and obtain discharge of mortgages covering $15,869,000 of non-callable bonds. In another part of the plan the company proposes to refinance the outstanding 2,188,890 shares of $5 cumulative preferred stock. Probable bidders include Morgan Stanley & Co.; Halsey, Stuart & Co. Inc. (bonds only), and 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 voted 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

July 30 stockholders will vote on creating a new issue of 350,000 preferred shares (par $50) of which it is planned to offer 250,000 shares of 4¼% convertible preferred. Proceeds of stock is to finance expansion and modernization of Muskegon plant, provide funds for acquisition of additional manufacturing facilities and working capital. Van Alstyne, Noel & Co. will be principal underwriters.

● **Crawford Clothes, Inc., New York**

July 1 it was reported that The First Boston Corp. may underwrite the offering of preferred and common shares in September.

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.

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.

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.

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 Bronze Co., New York**

July 2 it was reported that company has under consideration the issuance of a preferred issue with W. C. Langley & Co. as underwriter.

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.

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.
Company intends to file by notification about July 12 25,000 shares of convertible preferred stock and 25,000 shares of common stock. Irving J. Rice & Co., St. Paul, Minn., will be underwriters. It is expected that the preferred will be offered at $6 per share and the common at $3.75 per share.

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.

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.**
July 21 company has filed a recapitalization plan with SEC pursuant to Section (11) E of the Utility Holding Company Act. The plan differs in one essential from the financing application filed with the Commission last April. It calls for complete cancellation of the interest held in the company by its statutory parents, North American Co. and North American Light & Power Co. These holdings comprise stock, dividend arrears certificates, Central Terminal Co. notes and warrants to purchase an additional 300,000 Illinois Power common shares. The plan follows the financing application in providing for issuance of $10,000,000 of new preferred stock to raise funds for paying off the $11,596,680 of dividend arrears certificates and in calling the existing $24,175,000 preferred stock for redemption in order to force its conversion into common on a basis of two shares for one. An underwriting will be arranged for the conversion in order to sell the amount of common stock needed to pay off the preferred not tendered for conversion. Probable underwriters 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.

● **International Dress Co.**
June 26 it was reported that company is planning some new financing. Otis & Co. reported as probable underwriter.

Interstate Power Co. (Del.)
May 21 pursuant to amended plan filed with SEC company proposes to sell through competitive bidding $20,000,000 new first mortgage bonds and such number of 3,000,000 common shares as may be necessary to enable the company to carry out the provisions of the amended plan. Probable bidders include the First Boston Corp.; Halsey, Stuart & Co. Inc. (bonds only); Dillon, Read & Co. Inc. (stock only).

Kansas Power & Light Co., Topeka, Kan.
May 31 reported company probably will replace outstanding bonds and preferred stock with new lower cost securities. Probable bidders if securities are sold include Halsey, Stuart & Co., Inc. (bonds only); The First Boston Corp.; Blyth & Co., Inc.; Kidder Peabody & Co.; Harris Hall & Co. (Inc.).

Kurman Electronic Corp.
Company, manufacturer of various electrical relays and clocks, is reported planning the sale of 90,000 shares of common stock through B. G. Cantor & Co. An additional 7,500 shares would be sold for account of N. S. Kurman, President. Price $3 per share.

Lakeside Laboratories, Inc., Milwaukee
June 26 reported stockholders have been asked to approve a plan of recapitalization, which includes the issuance of 16,000 shares ($25 par) $1.16 dividend cumulative preferred stock, a total of $400,000. There will be outstanding, 255,000 shares of $1 par common stock. This will represent the first time the company, manufacturer of pharmaceuticals, has made any public offering. The issue will be handled by Loewi & Co., Milwaukee.

Metal Forming Corp.
May 29 filing of letter of notification expected in near future 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 Storage Co.
June 14 company, a recently organized corporation providing summer storage of natural gas developed in Michigan, requested the SEC for authority to issue 200,000 shares ($100 par) common stock. Company notified the SEC it intends to sell 60,000 shares of stock to Consumers Power Co., partly in exchange for properties and partly for cash at par value, and 20,000 to Panhandle Eastern Pipe Line Co. for $2,000,000. The remaining 120,000 shares would be held in reserve for issuance from time to time as the company requires additional funds.

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.

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.
June 24 the SEC approved the amended plan of reorganization 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., New York**
July 3 company has temporarily abandoned negotiations with a view to refund the $10,000,000 first mortgage 4s, due 1951.

Northern Indiana Public Service Co.
April 17 reported that company has under consideration the refunding of its $45,000,000 series C 3½s 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.

● **Northwestern Electric Co.**
June 28 it was reported that a plan for merging Northwestern Electric Co. and Pacific Power & Light Co. was believed about ready for filing with the SEC. The plan will be in two parts. The first will deal with the merger and with changing the stock capitalization.

As the initial step, the merged company will offer $10,000,000 pfd. stock at competitive bidding. Dividend rate and price will be determined by the bidder. Probable bidders include Blyth & Co., Inc. After the price is set, the new preferred stock will be offered to present holders of the Northwestern and Pacific 7% and 6% preferred stocks, on a share for share basis, with a cash adjustment. The second step in the merger plan may be filed early in August. This will provide for replacing the present funded debt with $27,000,000 mortgage bonds and $3,500,000 10-year serial notes. Probable bidders include Blyth & Co., Inc.; Halsey, Stuart & Co. Inc.

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.

● **Pennsylvania Turnpike Commission**
July 3 Commission reported eyeing market with view to replace outstanding $42,000,000 3¾% bonds with lower-cost issue. Under law, new bonds must carry interest at ¼% less than issue to be retired.

● **Pere Marquette Ry.**
Company will receive bids up to July 11 for the sale of $850,000 serial equipment trust certificates to finance new equipment which will have an estimated total cost of $1,084,000. Probable bidders include Cleveland banks, Halsey, Stuart & Co. Inc., and Salomon Brothers & Hutzler.

Pettibone Mulliken Corp., Chicago
June 19 stockholders approved an increase in the authorized capital stock to 250,000 shares from the present 108,425, and authorized the issuance of rights to stockholders to purchase some 15,000 of the newly authorized shares at not less than $20 a share. Rights are expected to be offered soon at approximately $25 a share. Shareholders also authorized the company to borrow up to $3,000,000 to provide funds for expansion, new equipment and for the refunding of a short-term bank loan of $950,000.

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.

● **Savoy Oil Co., Tulsa, Okla.**
July 1 stockholders increased authorized common from 150,000 shares (par $5) to 300,000 shares (par 25c). Shareholders will receive rights to subscribe to 100,000 shares at not less than $2.50 a share. Remaining shares will be optioned to directors at same price.

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.

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(Continued from page 125)

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 & Co. 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.

Texas Co.

June 25 company reported negotiating the placement of $80,000,000 2⅜% debentures with insurance companies through Dillon, Read & Co.

Textron, Inc.

August 1 stockholders will vote on approving an increase in the authorized common stock from 1,700,000 to 4,000,000 shares, split the common on a two-for-one basis, and reduce the authorized convertible preferred stock from 500,000 to the 200,000 shares now outstanding. Directors also would be empowered to sell common stock for cash, services or property, at their discretion. Probable underwriter, Blair & Co.

Textron Southern, Inc.

June 26 announcement of financing to obtain funds to complete arrangements for the acquisition of Gosset Mills by Textron Southern, Inc., a subsidiary of Textron Inc., is expected shortly in financial circles. Probable underwriter Blair & Co.

• **Tide Water Power Co., Wilmington, N. C.**

The stockholders will vote July 15 on splitting outstanding common stock four shares for one and on authorizing an additional 104,428 shares of common stock which directors would be authorized to issue from time to time as they deem desirable.

Toledo (Ohio) Edison Co.

May 28 it was reported that a refunding program is contemplated at an early date for this company to be followed later by sale at competitive bidding of the common stock now held by Cities Service Power & Light Co.

Union Electric Co. of Missouri

It is rumored that company contemplates refunding its outstanding $90,000,000 3⅜s of 1971 with lower cost obligations. Possible bidders would include Dillon, Read & Co. Inc., and Halsey, Stuart & Co., Inc.

Union Gas System, Inc. (Kansas)

Under provisions of merger plan of Union Gas System, Inc. (Delaware) and Union Gas System, Inc. (Kan.) latter has completed negotiations to sell through Kansas underwriters to residents of Kansas only $500,000 5% preferred stock (par $100) at $103 per share.

Union Pacific RR.

May 9 it was reported officials are considering the question of meeting the $100,000,000 first mortgage railroad and land grant 4's due July 1, 1947. However it is felt maturity date is too far away to determine now whether issue will be paid off in cash or will be refunded. If company decides to refund through new issue probable bidders will be Kuhn, Loeb & Co., and Halsey, Stuart & Co. Inc.

United Light & Railways Co.

Is advising stockholders of its former parent, United Light & Power Co., that July 1 is the final date for exchanging their holdings under terms of the dissolution plan which went into effect in March, 1945. The plan provides that Railways common stock be issued in exchange on the basis of five shares for each Light & Power preferred share, and one-twentieth share for each A and B common share of Light & Power. The Railways common stock not taken in exchange will be sold after July 1. Proceeds will be distributed to the Light & Power stockholders who have not tendered their securities in exchange.

United States Lines Co. (N. J.)

June 4 stockholders voted to approve the issuance of 213,287 shares of new 4½% preferred stock in share-for-share exchange for outstanding 7% preferred stock. Any unexchanged 7% stock will be called for redemption at $10.50 a share and accrued dividends.

United States Realty-Sheraton, Inc.

In connection with the reorganization of the U. S. Realty & Improvement Co. and merger with Sheraton Corp., 42,390 shares of the reorganized company's common will be sold to an investment group headed by Lehman Brothers.

• **Verney Corp., Boston, Mass.**

July 3 the management has under consideration the simplification of the company's preferred stock and debt structure. Nothing definite as to the types of securities that may be issued has been reached as yet. Underwriters may include F. S. Mosley & Co.; White, Weld & Co.; Ladenburg, Thalmann Corp., and Lee Higginson Corp.

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.

• **Westinghouse Electric Corp., Pittsburgh**

June 27 reported corporation expects to complete within the next month or so a long-range financing. While the type of securities to be used has not been definitely determined, present indications are that it will be a combination of stock and debentures. Proceeds will be used to pay off a recent $80,000,000 bank loan and for additions to working capital. Probable underwriter, Kuhn, Loeb & Co.

White Auto Stores, Inc.

June 24 reported an early registration of 75,000 shares of convertible preferred stock and 50,000 shares of common stock expected with First Colony Corp.; Rauscher, Pierce & Co.; B. V. Christie & Co.; Courts & Co., as underwriters. Preferred represents new financing, common being sold by stockholders. Expected preferred will be offered at $20 and common at $10 per share.

Wisconsin Public Service Co., Milwaukee, Wis.

May 20 it was reported that Standard Gas & Electric Co. expected to sell at competitive bidding some time in June its holdings of 1,099,970 shares of common stock. Probable bidders include The Wisconsin Co.; The First Boston Corp.; Harriman Ripley & Co.

Yonkers (N. Y.) Electric Light & Power Co.

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).

Municipal News and Notes

Halsey, Stuart Issues Mid-Year Municipal Survey

In its annual Mid-Year Survey of The Municipal Bond Market, Halsey, Stuart & Co., Inc., points out that municipal bonds registered new all-time high prices in 1946, "and this new top was made in the face of reduced income taxes, strikes, shortages, advancing commodity prices, political quarreling and such other occurrences that in years past would have sent buyers into hiding. By mid-year the price level had worked lower, but it gave no appearance of a retreat—rather it seems to be a breathing spell while the country moves the center of its attention from the politico-labor arena to the production line. The majority of those who attempt to predict agree in the expectation that there should be no great change in municipal prices in the near future."

The Survey discusses the Government market, legislation and taxes affecting municipal bonds, possible new sources of municipal revenue and the probable supply of and demand for municipal obligations.

"The Government market sets the pace," the Survey states, and, accordingly, it is necessary to consider what is taking place in the government debt and money program. "To begin with," the Survey continues, "the Treasury Department is no longer a large borrower of new funds. In fact, the year has seen a turnabout in the Government's position. The Treasury reported a surplus of about $250,000,000 in the first quarter as compared with a deficit of $11 billion in the first quarter of 1945 and it is believed that the deficit in the fiscal year 1946-47 will be several billions of dollars under the $28.6 billion estimated in the President's Budget message. Moreover, a start has been made in paying off debt—about $10 billion of Government market obligations have been retired this year and a new, lower debt limit has been voted by the Congress. Thus, 1946 has brought at long last a real hope that deficit financing is nearing its end."

What the Government debt and money policy will be is uncertain but "the indication of continued low interest rates in the Secretary of the Treasury's annual report, the removal of price controls in Government bond trading, the permission for banks to buy a few more ineligible bonds, etc., were straws in the wind, but they have not yet indicated its direction. Most observers, however, are of the opinion that low interest rates are so vital a part of the Treasury's policy that it will be interested in maintaining the 'status quo' in that respect for some time to come."

According to the Survey there has been no legislation upsetting the municipal bond market in the year to date. It also draws attention to an apparent inequality in the Federal Income Tax Law under which banks and corporations are taxed 53% of every dollar they add to their net taxable income after $25,000 is reached and before $50,000 is earned. To this group tax exemption is correspondingly more valuable.

Commenting upon the rising costs of municipal operations and the need for new sources of revenue, the Survey reveals that additional cities are now considering income taxes and "new names are being added to the lists of municipalities which collect sales tax, sewer tax, parking tax, luxury, amusement and tobacco taxes. Pari-mutuel betting at race tracks is producing substantial revenues for some States and others are looking at it longingly. There is increasing pressure in many places for the legalization of 'hand books,' ostensibly for the purpose of collecting the tax revenue that would result. There are some cities now that get more than 50% of their operating revenues from sources other than property taxes and this trend should continue. It may be necessary to adopt new yardsticks for judging municipal credits and certainly closer examination of operating statistics is indicated in such instances where the bonds are not direct and full faith obligations of the issuer."

Turning to the supply of new municipal issues, the Survey observes that "voters have been generous with their authorization of new issues. The four-year decline in volume of outstanding State and municipal bonds is ending and the pattern of the postwar trend is beginning to take shape. There have been the usual issues for war-delayed improvements and extensions, new buildings to house expanding administrative organizations, and the like. But the more fundamental results of the war are also showing up in the new issues."

These results of the war include shifts in population and the development of sections where growth was stimulated by war plants, soldiers' bonus financing, the urge for airport accommodations, a renewal of the trend toward municipal ownership of utilities and others. Continuing, the Survey points out that "balanced against these prospects for a broad increase in the supply of bonds are several delaying factors. Increased costs have halted many plans. These will have to be revised and some will be abandoned. Scarcity of materials and labor have postponed some and will delay others. The strikes and other industrial woes that beset the country during the first six months operated to delay financing. But the authorization of new issues has gone ahead and the bonds are coming along in increasing supply."

Concluding, the Survey believes there are "indications of an expanding supply of new issues and a firm undertone in the demand for them. Notwithstanding some accumulation of unsold bonds in dealers' hands, bids for new issues have continued reasonably close to the year's best levels. Barring some unexpected change in the Governmnet money policy and assuming that the new issues in prospect come in reasonable amounts, the market should continue in an orderly manner and present its usual quota of good investment opportunities."

Navy Supports Merger Plan

The White House released on June 26 a letter to President Truman from Secretary of the Navy James Forrestal in which the latter expressed his desire to cooperate "fully" to achieve the goals of the President's Army-Navy merger program, Washington Associated Press advices stated. Declaring that he considered the objectives outlined by the President in a recent message to Congress as being "attainable," Mr. Forrestal went on to say that he believed that any difficulties in drafting the necessary legislation could be overcome. In his letter Secretary Forrestal also said:

"I wish to thank you for the patience with which you have listened to the Navy's views on the reorganization of our national defense and for the time which you have devoted to the subject. You may be assured of my desire and that of Admiral Nimitz to cooperate with you fully in the effort to achieve the objectives in your program."

Mr. Forrestal referred to the matter of land-based planes for naval reconnaissance, anti-submarine warfare and shipping protection, and expressed pleasure at that part of the program which provides that the Navy will have "a continuing part of the future development of these operations so that full advantage may be taken of its experience in this field and of the lessons learned in the late war."

"I Am Not Afraid of the Future!"

(Continued from page 117)

hands—and in the hands of your Congressmen.

Why He Resigned

Now I want to explain briefly why I suddenly decided last Friday to submit my resignation as Economic Stabilization Director.

I have been carrying on this fight against inflation for more than four and a half years—since shortly after Pearl Harbor. I can assure you that it has not been fun. It has been the hardest kind of grinding, nerveshattering work.

But I can assure you that I would not have left because of that. I resigned last Friday for one reason and for one reason only. I resigned because I felt that my leaving would completely clarify the issue.

I had urged President Truman with the utmost vigor to veto the impossible bill which Congress had passed. I took this step only after a careful, painstaking study of all the provisions which made it unworkable.

On Friday I did not know what the President's final decision would be. I did know that if he signed the bill, I could not possibly remain to administer a law of which I disapproved so strongly. I knew on the other hand, that if he vetoed the bill, the American people would at least have one last opportunity to get a price control law under which prices and rents could really be kept in line.

I believed that by withdrawing at that time, I could eliminate any possible cause of confusion when Congress faced up to its final decision.

During my long struggle to keep down rents and prices, I have been bombarded by many pressures. Anyone in a position like this—anyone who was determined to carry out his responsibilities in the interests of all the people—was bound to step on many important toes. I *have* had to step on many of them. For months on end I have been forced—in the public interest—to say "no" a hundred times for every *one* time I was able to say "yes."

A man cannot say "no" as many times as I have without himself becoming a personal issue. As a result, some of the bitter-end opponents of price and rent control—in an effort to rationalize their own position—have made all kinds of absurd statements. They have claimed that I was anxious to place these emergency controls on a permanent basis. They have stated that I sought only to hang onto my job. They have argued that price-raising amendments which would otherwise be unnecessary were required in order to prevent me from carrying out these alleged purposes.

The claim that anyone would attempt to perpetuate a job as difficult and unpleasant as mine is fantastic on the face of it.

These claims, however, have been seriously made, and I have been told that they influence some votes in the Congress. It seemed to me vital that the basic issue which would confront the Congress if the President vetoed this impossible bill should not be confused in this way. I felt that the best contribution I could make now to the fight against higher prices and rents—would be to demonstrate the absurdity of these charges, and so force a decision on the basic issue—*squarely* on the merits of that issue.

Incidentally, just about 24 hours before I resigned, Senator Robert Taft—one of the most persistent opponents of effective price controls—made an interesting statement on the floor of the Senate.

He told the Senate that if I were out of the picture he would be in favor of continuing the existing price control laws without any change.

Senator Taft now has the chance to show that he meant what he said.

What Congress Might Do

The all-important question now is how *Congress* will decide the vital issue now before it. There are two ways in which the opportunity which the President has saved for the country might be lost. One, of course, would be Congress' refusal to pass any price or rent control legislation whatever . . . Or they might insist upon passing only a rent control law. I think most people realize that rent ceilings could not possibly be maintained with all other prices going up.

The other danger is much more serious because it is much more probable. That is the danger that Congress will pass a bill which is enough better than the first one so that the President will feel obliged to sign it. Yet it may still be inadequate to give the country *real* protection against inflation.

If the process of log-rolling between different special-interest groups begins again—the process of you-scratch-my-back-and-I'll-scratch-yours—a good bill cannot possibly come out of it.

We will get a good bill, I think, only if Congress and the country clearly realize that this fight against inflation is a desperate fight—a fight that cannot be won by compromise or soft measures. Let me assure you that we cannot *eat* our cake in the form of higher prices and at the same time *have* it in the form of a stable and prosperous economy.

I think we'll all agree that the vast majority of the American people have been squarely behind our efforts to keep down rents and prices. Why then did the present mess develop? The answer lies in the fact that the stabilization issue has been widely misunderstood in Congress—and for very natural reasons.

The lifeblood of the legislative process generally is compromise. Quite properly, most Congressmen have an instinct for compromise. This is a thoroughly right and useful instinct. That is the only way in which most public questions can be settled in a democracy.

Usually, a law which is 25, 50 or 75% effective in dealing with some public problem is 25, 50 or 75% *better* than no law at *all*.

Dealing With Explosive Forces

The fight against inflation, however, is vastly different. As the events of yesterday made plain, we are dealing with explosive forces which will overcome us unless we keep them under firm control.

An army which is 25, 50 or 75% strong enough to beat the enemy is no better than no army at all. The only army which is strong enough is one which is *really* strong enough to win.

The only price control law strong enough to fulfill its purpose is one which will enable us to maintain a stable economy and defeat inflation. A 25, 50 or 75% price control law is absolutely useless.

Only if this point is clearly understood—and it has *not* been understood—can we expect Congress to abandon its natural instincts of compromise and face squarely the question: How strong is the enemy and what do we need to beat him?

We need as the *barest minimum* the program which President Truman outlined to Congress. Any law which is weakened and made useless by "booby-trap" amendments simply will not do the job.

Can Lay Foundation for Prosperity

If we make the right decision now—if we regain and maintain our control over rents and prices—we can lay the foundation for a future of unlimited prosperity. There is no need for us to face unemployment and sweatshop wages again. There is no need to accept widespread bankruptcies and foreclosures again.

With inflation under firm control we can move into vastly better days than we have ever known before. With the lessons learned in war production, we can assure an almost unlimited outpouring of goods and services. We can raise our standard of living to even greater heights.

It is for that kind of future—free from want and free from fear—that we must all work and strive in the months and years to come.

Credit Granted Poland

The granting of a $50,000,000 credit to Poland by the United States, suspended since May, was announced at Washington June 26, at which time it was said that State Department officials expected an early signing of a Polish contract with the Export-Import Bank for a $40,000,000 American loan. The advices in the matter as made available on June 26 by State Department at Washington follow:

On April 24, 1946, notes were exchanged between the Polish Ambassador and the Acting Secretary of State regarding the conclusion of negotiations for the extension of an Export-Import Bank credit to Poland of $40,000,000 and for an additional credit of up to $50,000,000 for the purchase by Poland of United States surplus property held abroad. When these notes were exchanged, the Polish Provisional Government undertook certain obligations.

Subsequently, on May 10, 1946, the Acting Secretary of State announced the suspension of deliveries of surplus property to Poland under the $50,000,000 credit by reason of the fact that the Polish Provisional Government, in the view of this Government, had failed to carry out the obligations undertaken at the time the credits were authorized. Specifically, (1) the texts of the notes exchanged had not been published in Poland; (2) it appeared that American press despatches from Poland were being subjected to censorship, and (3) the texts of Poland's economic agreements with other countries had not been made available to this Government as promised.

The Polish Provisional Government has recently published the exchange of notes concerning the credits and the question of censorship has been satisfactorily clarified. Assurances have now been given to the American Ambassador at Warsaw indicating that the texts of Poland's economic agreements will be furnished to this Government.

In view of these assurances and in consideration of the important role which these surplus materials are to play in assisting the Polish people to rebuild their devastated country, this Government has acceded to the request of the Polish Provisional Government and has authorized the resumption of surplus property deliveries to Poland.

Mtg. Bankers to Open D. C. Office

The Mortgage Bankers Association of America announced on June 27 the opening of a permanent Washington office and the appointment of Samuel E. Neel as Washington counsel for the Association. This is the first time that the Association has been represented in the Capital with a permanent staff. Offices have been taken in the Chandler Building, 1427 "I" Street. Mr. Neel was with the Attorney General's office until 1940 when he was loaned to the National Defense Advisory Commission. He continued with that agency when it became the Office of Production Management and in June, 1941, when OPM became the WPB, he was named executive assistant to W. L. Batt, Deputy WPB Director. Early in 1942 he received a Lieutenant's Commission in the Navy. He went overseas and was assigned to the staff of the commander of the air force of the Pacific Fleet. He was discharged from active duty in December last year with the rank of Lieutenant Commander and, at the invitation of the Attorney General re-entered his employ. From December until March of this year he was on a special mission to Japan as adviser to Gen. MacArthur on certain legal matters.

Mr. Neel's position with the Mortgage Bankers Association will embrace all activities in the national capital in which the mortgage industry is interested. The special committee organized to supervise the opening of the Washington office includes W. L. King, Washington, D. C., Chairman; William G. Nelson, Chicago; Dean R. Hill, Buffalo; Guy T. O. Hollyday, Baltimore, Association Vice-President; and Byron V. Kanaley, Chicago, President of the Association.

Our Reporter's Report

Backlog Piling Up

If things keep on as they are going investment bankers will find themselves hard-put to fit a vacation into their summer schedules. They doubtless find these long week-end recesses a real blessing this year.

The current week brought the addition of at least two more large potential undertakings into sight as near-term possibilities. Joseph E. Seagram & Sons, Inc. has filed with the SEC for $50,000,000 of 20-year debentures for the purpose of refunding an equal amount of outstanding 3¼% debentures due in 1965. Through a $2,000,000 annual sinking fund starting in 1948, this issue would be reduced by $38,000,000 by maturity.

Meanwhile the Pennsylvania Turnpike Commission is eyeing the market with a view to replacing its $42,000,000 of outstanding 3¾% bonds with a lower cost issue. Under the law the Commission is authorized to refinance but any new bonds must carry interest at ¼% less than the issue to be retired.

Hotel Issue Popular

With hotels around the country doing a land-office business bankers had no difficulty in disposing of 350,000 shares of $5 par common stock of Hilton Hotels Corp. this week, along with 24,000 shares of 4% convertible preferred stock $50 par value.

The senior issue was priced at $50 a share on public offering while the common was offered at $17.50 a share with substantial oversubscription indicated as the latter issue rose to a premuim of ½ point in over-counter trading.

Suspension of prices control as a consequence of expiration of the act under which the Office of Price Administration operated, had little or no immediate effect on the new issue bond market. However, should basic prices get out of hand in a manner that would seriously affect operating costs of industries working on a fixed return basis, as for example the public utilities and the railroads, it might ultimately prove a real factor in the investment market.

For the present, nevertheless, the new issue business is concerned chiefly with basic money conditions and there is nothing to indicate any important change in that direction as being in near-term prospect.

Accordingly the flow of new securities went steadily along even though the passing of OPA made for considerable disturbance of other financial markets. The week brought out its quota of new issues, though the total probably will run considerably under the recent pace by reason of the fact that the Independence Day holiday recess, coupled with the summer week-end closing severely shortened the working period.

Such business as came to market was jammed into the first three days and all things considered the market was found to be still in a receptive mood. Some of the new equity issues have not moved out with all the celerity for which sponsors might have wished. But then unsold portions remaining on dealers' shelves are not regarded as burdensome, and with term debt interest rates affording minimum yields, belief is that investor interest in equities as a means of obtaining better return will be quickened since it is generally expected that some measure of general price advance is inevitable with or without OPA.

California Electric Power

Sale of California Electric Power Co.'s $16,000,000 of new first mortgage, 30-year 3% bonds in competitive bidding on Monday, brought the first instance of identical bids for a corporate issue.

Three banking syndicates sought the business and the two top bidders were given extra time in which to submit revised tenders. The original bids were for 103.65. On the resubmission one of the groups stood by its original tender while the other raised its offer by approximately six cents on $100 face amount to take the award on a basis of 103.7199.

On the reoffering on Wednesday, at 104½, the bonds were reported to have been taken briskly indicating that while the higher bid gave the issuer $96,000 additional it did not serve to chill investor interest.

Best In A Decade

The six months ended June 30 produced the largest volume of new financing in a decade, or since 1936, with a total of almost 200 new bond issues having a dollar aggregate of some $2,300,000,000 being brought to market.

This compared with some 120 new bond issues in the initial six months of last year for a total dollar value of about $1,700,000,000.

Stock financing was the heaviest since 1929 as a total of about 250 issues with a value of some $800,000,000 came on the market against fewer than 90 issues for $275,000,000 in the first half of 1945.

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Livingston Rejoins Staff Of Varnedoe, Chisholm Co.

SAVANNAH, GA.—Lorton S. Livingston has rejoined the staff of Varnedoe, Chisholm & Co., Savannah Bank & Trust Building. Mr. Livingston has recently been with the Savannah Bank & Trust Company and prior thereto served in the U. S. Army.

W. H. Bell Telephone Numbers Are Changed

W. H. Bell & Co., Inc., 50 Broadway, New York City, announce that their telephone numbers have been changed to the following: New York, Hanover 2-0915; Philadelphia, Hanover 2-0925; Boston, Hanover 2-0929.

Young, Aal & Golkin Phone

Young, Aal & Golkin, 115 Broadway, New York City, announce that their new telephone number is Worth 2-6205.

In New Location

Newburger & Hano, members of the New York and Philadelphia Stock Exchanges, announce the removal of their main New York office to the entire fifth floor of 61 Broadway, New York City.

McAllister in Cheyenne

CHEYENNE, WYO.—Theodore H. McAllister is engaging in a securities business from offices at 1617 Capitol Avenue.