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Britain Views OPA Veto

By PAUL EINZIG

Dr. Einzig reports that British opinion holds end of OPA will cause rise in American price level which, for a time, will affect British industries adversely since it will reduce needed American imports. Sees further growing unpopularity of the American loan due to fear of depreciation of dollar at time money is used and appreciation when paid. Breakdown of Bretton Woods predicted.

LONDON, ENG.—The Termination of price control in the United States on June 30 came as a complete surprise to British opinion. The immediate reaction was bewilderment and alarm. Even though it is widely expected here that price control will be restored sooner or later, the view is held that it will be either too late or too little, or both too late and too little. In other words, it is feared that by the time control is restored prices will have risen quite considerably, and that the new Bill may not be

Paul Einzig

(Continued on page 220)

Speaking of Booby Traps!

By HARLEY L. LUTZ
Professor of Public Finance, Princeton University

Dr. Lutz contends OPA itself is best illustration of an inflationary booby trap. Holds inflationary pressure began with government's financing methods before and during war and was outgrowth of Keynesian theory of public spending to produce prosperity. Says inflation tide is not an irresistible force of nature but a product of foolish government policies, such as low interest rate policy, fostering of higher wages, and "cost-absorption" principle. Contends OPA abolition is most constructive step in curtailing inflation, since it will permit unhampered production to meet demand in a free competitive market. Describes as "prize traps" the doctrine that government planning and control are superior to free market decisions in advancing general well-being of the people. Says that National Labor Relations Act has actually promoted strikes.

During the days when the action of the Senate provided accumulating evidence of an intent to clip the wings of OPA, Mr. Bowles repeatedly denounced the senatorial tactics by calling the bill an inflationary booby trap.

Dr. Harley Lutz

Literally, a booby trap is a trap for catching booby is defined by Webster as a dunce or simpleton, hence a gullible person easily deceived and snared, however clumsy the trap. The act that was vetoed purported to permit some price increases while preventing wild and extreme price advances. Mr. Bowles insisted, however, that the measure would not only cause such increases, but would, in fact, legalize them. The President accepted the Bowles line in declaring that approval of the bill would constitute statutory inflation. Thus, anything that purports to prevent price inflation while actually per-

(Continued on page 228)

The Federal Reserve Board Credit Control Proposals

By WALTER E. SPAHR
Professor of Economics, New York University
Executive Vice-President, Economists' National Committee on Monetary Policy

Dr. Spahr attacks retention of Federal Reserve Board low interest policy and denies it is essential to protect Treasury financing. Says Federal Reserve's policy, since gold standard was abandoned, has deprived people of "fundamental brake" on wasteful government expenditure as well as on credit expansion. Holds Congress should not grant power to place maximum on bank holdings of long-term securities or require banks to hold Treasury short-term debt. Sees no harm in raising reserve requirements, but objects to uniform reserve ratios for all banks.

The Federal Reserve Board recommendations, embodied in the Board's press release of June 17, which is said to constitute "the principal portion of the text of the Annual Report of the Board ... for 1945," are remarkable things to contemplate, both as to principle and as to detail.

Walter E. Spahr

In principle, the Board protests its fear of further monetization of the Federal debt and of undue credit and money expansion by commercial banks while being unwilling to take hold of the issue and to use the instruments that would put a brake on these undesirable possibilities.

The Board, in cooperation with the Treasury, has fostered a cheap money policy, but it now professes

(Continued on page 236)

The Trend of Stock Prices Over the Coming Months

By RAGNAR D. NAESS
Partner, Naess & Cummings

Investment counsellor predicts that although many stock prices are already high on a historical basis, the underlying market trend is up for the following reasons (1) national income and industrial activity will remain at a high level for some time; (2) profit margins will continue favorable in industries already reconverted and improve in industries still to be reconverted; (3) the likely course of prices will insure adequate profits, with possible eventual maladjustments far off; and (4) earnings of a representative sample of large corporations, after taxes, may exceed any previous level except 1929, and dividends should rise considerably. (5) Favorable legislative situation regarding prices and taxes.

Ragnar D. Naess

The trend and level of stock prices depend primarily upon two factors: (1) the rate of earnings and dividends and (2) the capitalization of earnings and dividends by investors.

Earnings are determined by the volume of business, profit mar-

(Continued on page 226)

Factors In Changing Price Levels

By FRANK C. RATHJE*

President of American Bankers Association

Though asserting his faith in American dollar, Mr. Rathje lists as pressures for higher prices (1) abandonment of gold standard; (2) reduction of gold reserve requirements; (3) increase in National Debt; (4) increase in money volume and bank credit; and (5) wage increases. Observes pressure has been further aggravated by government spending for increased housing and extension of credits for mortgage financing, foreign loans, as well as expanding the private debt structure by guarantees, insurance and private lending. Urges as counter measures (1) restoration of civilian production; (2) rebuilding of foreign trade; and (3) defending integrity and purchasing power of dollar.

I am not an economist, but a banker, who gained his knowledge of the banking business in the school of practical experience. Because of the fact that I am not an economist, I cannot offer you forecasts or predictions of the things to come.

Frank C. Rathje

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

We have read much of the possibility of inflation. Personally, I think the word "inflation" should be stricken from our vo-

(Continued on page 235)

*An address by Mr. Rathje before the Oregon Bankers Association, June 28, 1946.

The Counterfeit Front of Liberalism

By CARROLL REECE*

Chairman, Republican National Committee

Republican Party spokesman, in maintaining that inherent strength of our government is ability to compromise and remain united, points out present task is to protect government from subversionists and alien agitators. Says scheming reactionism is masked behind a counterfeit front of liberalism and asserts freedom cannot exist without private property. Attacks President's OPA bill veto as defying will of people, and decries "entrenched bureaucracy" and wasteful government spending. Contends many who warn against inflation are making inflation inevitable, and concludes that not since Valley Forge has freedom in America been more endangered.

The Capital of the great State of Pennsylvania, rich in tradition and history, is a most appropriate place and today is an appropriate time, for us to give serious thought to conditions besetting our nation. A cynical wit once declared that the Fourth of July is a day when both orators and artillerymen shoot off blank cartridges. Such is not my intention tonight. It is my purpose to speak of the problems facing the nation, and I think the Fourth of July is a fitting occasion to do so. We know this is the anniversary of the birth of the greatest, most fruitful liberalism known to man—Americanism. It is our responsibility to preserve the liberties which our forefathers sacrificed so much to establish.

B. Carroll Reece

*Address by Mr. Reece at Fourth of July Ceremonies, Harrisburg, Pa., July 4, 1946.

Pennsylvania is called the Keystone State. That title typifies the place Pennsylvania holds in our great American system of government. You may justly be proud that this State is the birthplace of the Declaration of Independence, which proclaimed for all time the basic principles of freedom upon which our Republic rests. You may justly be proud that your State is the birthplace of our Federal Constitution; that grand document which translated into a vital, vibrant government those basic principles the Declaration enunciated.

Only a few miles from where we stand is Gettysburg, the scene of one of the world's great battles, fought to determine whether "this nation, or any nation so conceived and so dedicated, can long endure." Thank God, it has endured.

I paused briefly at Gettysburg earlier today on my way here. As I looked over the battlefield, it seemed to me typical of that unity in the common good which has made our nation great that I, a son of Tennessee, should have the great honor of being Chairman of the Party born under Abraham Lincoln. The inherent strength of our republican form of government lies in our unsurpassed ability to propose, disagree, compromise—and still remain a united nation.

The Present Task

We are confronted with a task even more difficult than war—the task of upholding in peace those vital ideals of freedom we protected in war.

If our American system of liberty has been worth the sacrifice of hundreds of thousands of lives, and uncounted billions of dollars,

(Continued on page 231)

Capitalism and 5th Column Menace

By GILBERT E. JACKSON
Fellow, Royal Statistical Society, London
Former Advisor to the Bank of England, Economist of the Bank of Nova Scotia, and Member Canadian War Labor Board.

Canadian economist contends that capitalism won the war and saved Russia from defeat. Says price and other wartime controls should be discontinued and consumers again allowed to govern production. Maintains that the common Russian would be glad to exchange places with the common North American citizen. Warns that the fifth column which threatens to destroy capitalism lies in the defeatism of capitalists themselves.

There was a time—and some of us can still remember it—when people called a spade a spade.


Gilbert E. Jackson

Not yet had the Shorter Oxford Dictionary described a spade as a *tool designed for grasping with both hands while it is being pressed into the ground by means of the foot*—strictly speaking, indeed, not really by means of the foot, but *by means of the lowest part of the leg below the so-called ankle-joint* (which is actually the mode of expression preferred by the Shorter Oxford authors).

Thus, the nature, function and purpose of this lowly tool should be clear to the meanest 1946 intelligence—and God knows that the meanest 1946 intelligence is pretty mean!

But I must confess to being obstinate and old-fashioned. Therefore, I persist in calling a spade a spade—nay more, I still call a lot of things by their correct, un-varnished, un-whitewashed, un-camouflaged, old-fashioned names.

One thing which I do not either varnish, whitewash, or camouflage is the method of living and work-

(Continued on page 232)

SEC's Quest for Control of Unlisted Issues Highlights Basic Regulatory Problems

By A. WILFRED MAY

The legal, technical, and political obstacles which have confronted the draftsmen and administrators of Securities Exchange Act are traced in detail. The Commission's presently proposed amendment for uniform Federal control over all large companies is impracticable, because of (1) Constitutional provisions contained in interstate commerce and general welfare clauses; (2) difficulties of administration by the Commission; and (3) accentuation of the anomalous situation regarding unregistered securities.

The SEC's current proposal to the Congress to amend the Securities Exchange Act by subjecting to its registration and information requirements all issues, excepting those of corporations with assets under $3 million and having less than 300 security holders, goes right to the heart of our Federal securities legislation. For a proper understanding of this highly controversial proposal, a realization of the legal, political, and technical difficulties which confronted the framers and initial administrators of the regulatory statutes, is necessary.


A. Wilfred May

The present proposition to acquire control over the "corporate" informational practices of unregistered issues was bound up with the Commission's initial problem of how to reach the many issues not located on an Exchange, and of what policy to pursue regarding the issues which had been enjoying the so-called "unlisted trading privilege" on the New York Curb and other Exchanges. The latter comprised

(Continued on page 210)

Prospects of Transition Inflation

By CHARLES O. HARDY*
Vice-President, Federal Reserve Bank of Kansas City

Asserting that time has come when a choice can be made between hardships of further inflation and those of prevention measures, Dr. Hardy distinguishes inflation types as (1) sporadic; (2) monetary; (3) speculative; and (4) "astronomical" due to public bankruptcy. Holds present problem concerns only first two. Lists transition inflationary factors as (1) producing goods at lower prices than justified by consumer demand; (2) larger government outlays than receipts; (3) lending dollars abroad; (4) expansion of bank credit and deposits; (5) accumulated consumer demands; (6) buying by demobilized armed forces; and (7) pressures for wage increases. Predicts, with or without anti-deflationary measures, prices of "shortage" goods will go higher in next 18 months.

Among the economic problems which confront the United States at the close of the greatest war in history, one of the most pressing is the stabilization of the general level of prices at an appropriate figure. Probably, indeed, its importance is surpassed only by that of national policies regarding domestic labor relations and international trade. Up to the present time the exigencies of Treasury finance have stood in the way of a realistic approach to the problem; the time has come when a rational choice can be made between the respective hardships of further inflation and of the measures which would be necessary for its prevention.


Charles O. Hardy

The task of this paper is to analyze the probable direction and extent of pressure on the price level over the next 18 months; that is, the changes that would occur if both price restraints and price supports were eliminated and no new control policies were

(Continued on page 221)

*Reprinted from Postwar Economic Studies, No. 4, published by the Board of Governors of the Federal Reserve System. The views expressed are those of the author and not necessarily those of the Federal Reserve Board.

Comment on SEC Proposal to Congress

Correspondents present conflicting views as to measure which is designed to subject "unregistered" corporations to same provisions of law now applicable only to companies whose securities are listed on an exchange.

We have received the following communications regarding the current plan of the Securities and Exchange Commission to compel unregistered corporations to provide data comparable to that presently required only of companies whose securities are listed on an exchange. The commission has requested Congress to amend the existing law in order to achieve its objective.

As a permanent investor in both listed and unlisted corporations, I take my stand squarely in support of the Securities and Exchange Commission proposals that all publicly owned corporations with 300 or more stockholders should be subject to the same rules and regulations as corporations whose securities are traded on the listed exchanges.

The present law is, in my opinion, purely an anomaly, working to the disadvantage of the American investor who is taking an ever-increasing part in corporate affairs.

No thinking investor in a listed corporation now wants to give up the protection of the proxy rules with its pertinent information provided at the time of the annual elections and since there are many excellent securities traded over the counter, the investor,

(Continued on page 211)

Need For Liquid Assets To Pay Estate Taxes Prompting Small Firms To Favor Merger Offers

By EDMOUR A. R. GERMAIN

Though public officials — from President down — express concern over recent business mergers and acquisitions, government is seen as doing very little that is concrete to help small business firms to maintain their identity as such. For government to view mergers and acquisitions solely in light of anti-trust laws is believed to be a grave error. Estate taxes are felt to be greatest single block to continuity of small business enterprises.

Despite the public utterances of public officials to the effect that in their belief every possible step should be taken to preserve the small-business character of American enterprise, the Administration in Washington and the State Governments, too, for that matter, are seen doing very little in a concrete way to encourage or help the small businesses to preserve their indentity as small business units.

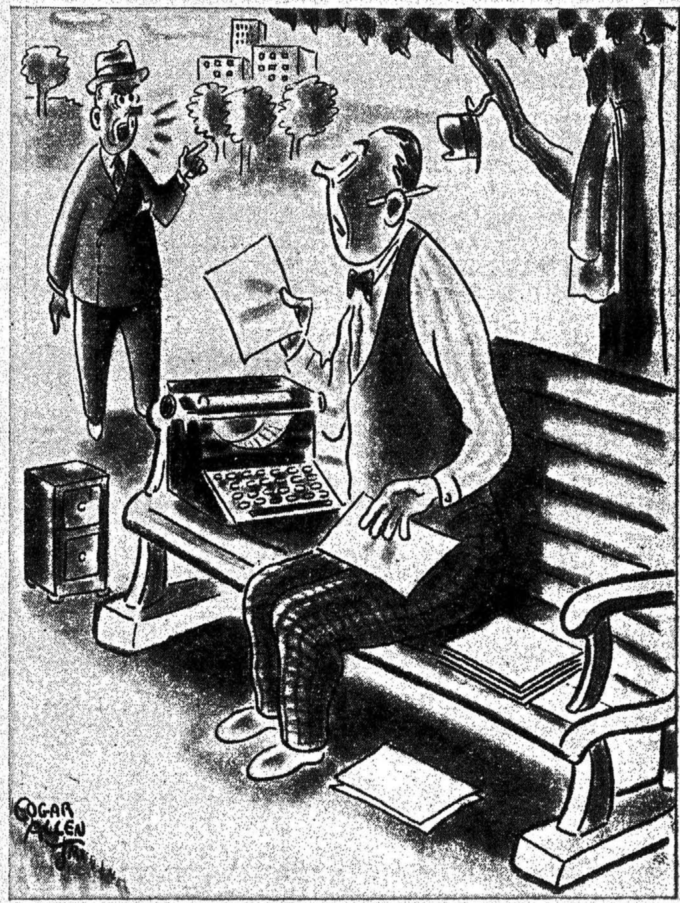
Sen. James M. Mead who is a member of the Senate Small Business Committee which has been working in and out of Washington for several years now, ostensibly in the interests of small business, two weeks ago after warning New York State's small industrialists "to brace themselves before it is too late against a wave of amalgamations in industry that may engulf some of our important employment-producing concerns," threatened to make use of the anti-trust laws to stop the activities of "unscrupulous industrial monopolists."

Also two weeks ago, the very next day after Senator Mead spoke, Secretary of Commerce Henry A. Wallace deplored the fact that corporation mergers and the "swallowing up" of small firms by the big ones have increased sharply since V-J Day. (The text of Secretary Wallace's talk, given to the American Marketing Association, was published in last Thursday's issue of the "Chronicle".)

On June 1st, in an address (published in the June 6 issue of the "Chronicle") at the graduation exercises of Washington College in Chestertown, Md., Pres.

(Continued on page 213)

BUSINESS BUZZ



"I Don't Care HOW Bernard Baruch Does It—As Long As You Work for Me You'll Work in the Office!!"

Appoint Excess Profits Tax Council Members

WASHINGTON, D. C., July 10.—Joseph D. Nunan, Jr., Commissioner of Internal Revenue, and Charles D. Hamel, Chairman of the Excess Profits Tax Council, announced today the full membership of the 15-man council which has been set up within the Bureau of Internal Revenue to administer refund claims of corporations filed under section 722 of the Internal Revenue Code. The membership of the council is as follows: Mortan P. Fisher, Baltimore attorney; Charles P. Smith, former Judge of the Tax Court; Henry J. Merry, New York attorney; William L. Kumler, Los Angeles attorney; Eric Louis Kohler, Chicago accountant; Frederic D. Utley, Chicago accountant; Peter Guy Evans, New York accountant; Donald Myrick, Santa Barbara, Calif., economist; Harold Arthur Eppston, Newark, N. J., accountant; R. Clifford Hall, Washington economist; William Bernard Paul, Denver revenue agent; Charles R. Johnson, Washington attorney; Henry J. Donnelly, Jr., Washington accountant; Clifford W. Stowe, Detroit revenue agent.

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Some Elements of the American Character

By JOHN F. KENNEDY*

Young politician declares America's present-day need is for greater religion, idealism, patriotism, and individualism. Decrying world-wide trend toward collectivism, Mr. Kennedy urges us to preserve the rights of the individual against the State as our most cherished political asset.

We stand today in the shadow of history. We gather here in the very cradle of liberty. It is an honor and a pleasure to be the speaker of the day—an honor because of the long and distinguished list of noted orators who have preceded me on this platform, a pleasure because one of that honored list who stood here 50 years ago, and who is with us here today, is my grandfather.

John F. Kennedy

It has been the custom for the speaker of the day to link his thoughts across the years to certain classic ideals of the early American tradition. I shall do the same. I propose today to discuss certain elements of the American character which have made this nation great. It is well for us to recall them today for this is a day of recollection and a day of hope.

A nation's character, like that of an individual, is elusive. It is produced partly by things we have done and partly by what has been done to us. It is the result of physical factors, intellectual factors, spiritual factors.

It is well for us to consider our American character, for in peace, as in war, we will survive or fall according to its measure.

Religion

Our deep religious sense is the first element of the American character which I would discuss this morning. The informing spirit of the American character has always been a deep religious sense. Throughout the years down to the present, a devotion to fundamental religious principles has characterized American thought and action.

Our government was founded on the essential religious idea of the integrity of the individual. It was this religious sense which inspired the authors of the Declaration of Independence:

"We hold these truths to be self-evident; that all men are created equal; that they are endowed by their Creator with certain unalienable rights."

Our earliest legislation was inspired by this deep religious sense: "Congress shall make no law prohibiting the free exercise of religion."

Our first leader, Washington,

(Continued on page 239)

*John F. Kennedy (son of Hon. Joseph P. Kennedy), who won the Democratic nomination, which is traditionally equivalent to election, to Congress from the 11th district in Boston, delivered this as the Fourth of July Oration of the City of Boston at Faneuil Hall.

Individual Freedom and Industrial Peace

By HON. ROBERT A. TAFT*
U. S. Senator from Ohio

Leading Republican Senator, stating there are too many do-gooders and too many government officials who want to run lives of other people, contends totalitarian ideas now rule and if strikes are prohibited, individual freedom would end and State would become all powerful. Says collective bargaining cannot be regularized, and attacks veto of Case Bill as well as President's proposed emergency strike measure. Accuses President of being inconsistent and ignorant of principles of labor relations and calls for more study of principles and proper scope of labor legislation.

I do not claim to be an expert on the subject which has been assigned to me, "Roads to Industrial Peace," but I have had a little recent experience in the field of labor legislation, and I have listened to a great deal of testimony in the last seven years from men of all faiths who know more about labor relations than I do.

Robert A. Taft

I have never seen a session of Congress where we have had so many important controversial matters pending at one time. Everyone wants new post-war plans.

A Senator's life would be very haphazard and unsatisfactory if he did not deal with different subjects according to some underlying philosophy. I believe that the proper philosophy for dealing with American problems is the same as that which brought about the creation of the American Republic, namely, the maintenance of a basic freedom for the individual, for his voluntary organizations, and for his local governments. This nation would never have been founded if our forefathers had not considered freedom ahead of security, ahead of wealth, ahead of peace itself. The freedom we established was envied by every nation throughout the world. In my opinion it brought about the success and the power of the United States of America today. It did so, because fundamentally it guaranteed opportunity for all. It furnished an

(Continued on page 218)

*An address by Senator Taft at the Tamiment Social and Economic Institute, Ruskil, Pa., June 21, 1946.

Harold Mitchell With Lewisohn & Company

Lewisohn & Co., 61 Broadway, New York City, members of the New York Stock Exchange, announces that Harold E. Mitchell is now associated with the firm in the Investment Research Department. Mr. Mitchell was Chief of the Audit & Review Section of the Accounting Division, Office of Price Administration in Washington for the past five years.

F. L. Putnam & Co. Buys Boston Exchange Seat

BOSTON, MASS.—F. L. Putnam & Co., Inc., 77 Franklin Street, has purchased a seat on the Boston Stock Exchange which will be held by John E. Sullivan, Jr.

Washington Ponders Bretton Woods Salaries

By HERBERT M. BRATTER

Observer comments on question of adequacy of government officials' salaries and calls attention to transfer of several members of Treasury and State Department staffs, as well as appointment of former Budget Director Harold D. Smith to much higher paid positions with International Fund and World Bank. Notes British and American official criticism of high salaries paid by Bretton Woods institutions, and makes comparison with salaries paid here and abroad to regular government executives.

WASHINGTON, D. C.—Several times recently the question of the adequacy of the pay of government officials and other workers has been raised in Washington, and various news columnists have re-echoed the subject. When Under Secretary of the Treasury Daniel W. Bell resigned his post several months ago to accept a bank position paying more than twice as much as the government paid him, the Secretary in response to a correspondent's question expressed regret that the government pay scale was so limited in the top ranges. President Truman only recently has attributed to the same cause his difficulty in filling several top-rank positions—although some observers have ascribed the President's difficulty in those instances to other causes. In fulfilment of the Administration's general policies as to the wages of labor a measure was recently enacted increasing as of July 1 all government pay of less than $10,000 a year by an average of 14%, with $10,000 remaining the ceiling.

Herbert M. Bratter

The resignation last month of Budget Director Harold D. Smith for the sake of a position with the World Bank paying him $22,500 after taxes was another occasion for comment on the growing lack of attraction of government salaries to officials in the higher ranks. The fact that all officers and employees of the World Fund and World Bank have their income taxes paid for them by these institutions has made employment with those two bodies very alluring to foreigners and Americans in and out of government service. Several thousand applications for employment have been received by each of these international organizations to date, while in

(Continued on page 230)

Bank and Fund Officials

(Twelfth of a Series)

RODRIGO GOMEZ

Executive Director of the Fund

Mr. Gomez, 49-year-old Mexican financier, was elected executive director of the Fund at Savannah by the combined votes of Mexico, Colombia, Cuba, Costa Rica, Dominican Republic, Guatemala, El Salvador, Honduras and Nicaragua. The 4,370 votes of these countries constitute 5.28% of the Fund's total votes.

Roderique Gomez

Mr. Gomez is a member of the board of directors of five Mexican banks and at the time of his election to the Fund was manager of the Bank of Mexico. From 1933 to 1942 he headed that bank's foreign department. Previously he was assistant manager of the Banco Mercantil de Monterrey, head of the foreign exchange department of the Banque Francaise du Mexique, and a member of the statistical department of a Monterrey iron and steel company.

Latterly Mr. Gomez has served as an advisor to the Mexican Treasury in the adjustment of the foreign public debt. On a special mission to Europe in 1945 he had the title of minister plenipotentiary. At BW in 1944 he was a member of the Mexican delegation.

Science and World Order

By R. G. GUSTAVSON*

Vice-President and Dean, Chicago University

Leading educator, in picturing devastating effects of atomic bomb, asserts another war means end of civilization. Holds under this condition compulsory military training or large army will not protect us. Sees difficulty in keeping bomb secret and advocates release of information, in stages, to United Nations as "our only hope," as organization becomes stronger. Holds atomic energy can be used for peaceful purposes and contends a happy and peaceful world can be had only by "a willingness to share." Concludes basic problem in world today is wide differences in capacity of individuals and nations to create for their economic needs, which sharing can overcome.

I deeply appreciate the high honor which has been extended to me in the invitation to speak to the New York State Bar Association on what I regard as the number one problem facing mankind, namely, the exploitation of atomic energy in a world which must remain at peace or be destroyed. Our problem is the age old problem of how to live the good life in a world made good.

R. G. Gustavson

The dream of mankind of a world at peace is as old as civilization itself. Every new generation has reconstructed this ancient hope, only to be disappointed by the advent of ever more cruel and devastating wars. We have just emerged from the most destructive of all wars, and now, in the midst of the rubble of bombed cities, hospitals full of crippled men, psychopathic institutions full of warped minds, millions of people on the verge of starvation, man finds himself again trying to reconstruct the age old dream.

The frightfulness of war has been increased a millionfold by the discoveries of the last five years. The atomic bomb is only one of the many discoveries that have contributed to the frightfulness of war. In the atomic bomb man has learned to liberate energy on a very large scale by an entirely new principle, namely, the destruction of matter. When this takes place, the energy liberated is equal to the mass, or the weight, of the matter destroyed, multiplied by the square of the velocity of light. Light travels with a speed of 186,000 miles per second; when that figure is squared, the result is 35,000,000,000, which means that even though the quantity of matter destroyed is small, the energy liberated is enormous. And so we find one atomic bomb, in which the weight of the actual explosive material is somewhere between two and 50 pounds, liberating the energy contained in 20,000 tons of TNT. That is 400 freight cars of TNT; five trains of 80 cars each. During five years of war, approximately a million tons of TNT were dropped on Europe from the air by the allied air forces. Many cities were ruined and an estimated 500,000 people killed in these air raids. If this had been accomplished with ten-ton block busters, a hundred thousand bombs would have been required and a hundred thousand missions would have been necessary. How many atomic bombs would have been required to accomplish the physical destruction accomplished by a million tons of TNT? Just 50. These 50 atomic bombs could have been dropped in the course of half an hour. The two bombs which were dropped on Japan destroyed two cities and killed 250,000 people.

Another War Means Civilization's Destruction

It is now recognized that another war means the destruction of civilization itself. Small wonder that men are frightened and are

(Continued on page 237)

*An address by Prof. Gustavson before the New York State Bar Association, Saranac, N. Y., June 29, 1946.

Cotton and Postwar World Trade

By AMOS E. TAYLOR*

Director, Office of Business Economics, Department of Commerce

After reviewing transition of U. S. from a debtor to a creditor nation and its effect on dollar exchange and cotton exports, Dr. Taylor points out need of two-way international trade for U. S. in postwar period. Says we can no longer do business with countries suffering from foreign exchange shortages and that to promote exports there must be dollar exchange available and price level must be in line with free competitive market. Looks to International Monetary Fund and Export-Import Bank as aids in maintaining and restoring our international trade potentialities.

During the nineteen-twenties some economic writers referred to the United States as a creditor nation with a debtor nation complex. Although the economic thinking of a great nation can hardly be accurately reflected in a simple catch phrase it can not be denied that the suddenness with which this country shifted from a net debtor position to a net creditor position made it very difficult for us to reorient our thinking immediately and to understand fully the implications of the change.

Amos E. Taylor

As a debtor nation the United States made large interest and dividend payments on balance to the United Kingdom and to the principal creditor nations of Continental Europe. The need for meeting these payments meant markets for American industry and agriculture. Our creditors were our best markets. Their industries provided a steady demand for our raw materials and agricultural products. Their working populations were great consumers of our wheat and other food products.

In no field of American economic activity was the effect of this situation more clearly reflected than in cotton production.

(Continued on page 217)

*An address by Dr. Taylor at the Seventh Annual Cotton Research Congress, Dallas, Texas, July 8, 1946.

Aldrich Gives Program for Trade Policy

Recently appointed by President as Chairman of Committee for Financing Foreign Trade, he promises cooperation with government and states aim as: (1) coordination of public and private efforts in foreign trade field; (2) adjusting nation's productive capacity to domestic needs and foreign reconstruction; and (3) cultivation of relations between American and foreign businesses for expanding trade.

Winthrop W. Aldrich, Chairman of the Board of the Chase National Bank of New York, who was recently appointed by President Truman as chairman of a committee of private business men to cooperate with the National Advisory Council on financing foreign trade, issued on July 9, after a conference with Mr. Truman, a statement in which he pledged full cooperation of private industry with the government agencies concerned in the restoration and stabilization of the international economy, and, at the same time, laid down a three-point program for its accomplishment.

W. W. Aldrich

The text of Mr. Aldrich's statement follows:

In his letter appointing the committee the President said in part:

"It is of vital importance to our country and to the stabilization of the international economy, that we proceed as rapidly as possible with another of the major objectives of our reconversion program; namely to tie in our national productive capacity with the world's reconstruction requirements. The conduct and financing of our foreign trade should be handled by private industry with the cooperation and such assistance as is necessary from the proper government agencies.

"Government loans to other governments are necessary like many other things done in war or the aftermath of war. They cannot be the continuing basis of international trade between free countries; they should be supplemented and eventually replaced by private international financing.

"The government is doing its part. The President has appointed this committee to encourage industry and private capital to do its part.

"The Department of State explained last May to the representatives of foreign governments having purchasing missions in this country that the policy of the American government favors the use of private commercial channels in international trade and proposed that such trading agencies should conduct their trade in accordance with usual commercial considerations."

The government has done and is doing, through the Export-Import Bank, its part in making the wheels of trade begin to move. The government has further sub-

(Continued on page 233)

Bowles Links Fiscal and Monetary Policies to Inflation Control

In a public letter he lists measures to avoid inflation, foremost of which is prevention of excessive money and credit, but holds this "theoretical" formula is impractical. Says since V-J Day, with removal of excess profits taxes, OPA had to bear full brunt of inflationary pressure and contends that, despite this, it has prevented a "blow up." Holds price controls still essential.

In a letter, dated July 5, to the Editor of the New York "Times," and pubilshed in that paper on July 7, Chester Bowles, retiring Director of the Office of Economic Stabilization, analyzes price control problems and their solution. He places the "creation of money and credit beyond the amount of goods and services available" as a foremost cause of inflation. As one of the remedies, he lists "an all-

Chester Bowles

(Continued on page 214)

A Program for Inflation Control

By TYRE TAYLOR*

General Counsel, Nat'l Association of Retail Grocers

Asserting propaganda for outright price control ignores fact mounting inflation is already here, Mr. Taylor, after citing that causes of inflation are due largely to Administration policies, recommends: (1) balancing of Federal budget; (2) an orderly retirement of public debt; and (3) encouragement to industry and agriculture to produce at maximum output by eliminating all restraints on production. Blames Administration's labor policy as producing an inflation spiral and urges corrective legislation that will restore balance of bargaining power between unions and industry.

An effort will be made—in fact an intensive propaganda campaign is already under way—to mislead the American people into the belief that, but for the action of Congress in amending the price control law, all would now be well with our domestic economy. This propaganda conveniently ignores and will continue to ignore the fact that a serious and mounting inflation is already here—as evidenced by the rapid and accelerating increase in wholesale prices for commodities since February of this year—and that it is here notwithstanding all of Mr. Bowles' mouthings and medicines and the existence of a system of drastic wartime controls. In short, the theme song of Messrs. Bowles and Company will be, "I told you so," and an effort will be made to defeat those Congressmen who voted for the amendments which you, along with American business, industry, and agriculture generally, so overwhelmingly favored.

Tyre Taylor

It is therefore necessary, I think, that this Association, representing and speaking for a large seg-

(Continued on page 215)

*From a report of Mr. Taylor at the 47th Annual Convention of the National Association of Retail Grocers, Chicago, Ill.

House and Senate Continue Silver Fight

WASHINGTON, D. C., July 9—The 10-to-1 vote of the House on July 9 rejecting a motion to accept the Senate-passed silver compromise puts the Silver Bloc on notice that there is a limit to its power. The exact House vote was 266 to 23. The House, it will be recalled, many weeks ago adopted a rider which its appropriations committee had added to the pending Treasury-Post Office Appropriation Bill. In effect that rider was a renewal of the Green Act which expired last Dec. 31. The purpose of the rider was to authorize the Treasury to sell silver to American industrial consumers of the metal out of the Treasury's supply of "free" or non-monetized silver. The rider has a two-year termination. This proved to be the only feasible way in which the industrial consumers, faced with a growing and costly dearth of the white metal, got around the months-long filibuster of silver Senators against the measure which Senator Green of Rhode Island introduced a year ago to get the then still effective Green Act renewed.

As has been related in these columns, the Senate recently approved without a record vote and without debate a so-called compromise which had been worked out in the Senate Appropriations Committee by leading silver Senators and leading "jewelry" Senators. That compromise increased the price at which the Treasury under the new legislation would be authorized to sell and obliged to buy silver from the 71c House figure to about 90½c. Moreover, under the Senate version, the sale of Treasury silver would stop at the end of two years, but the Mint's buying price for newly-mined domestic silver would be then lifted to $1.29 an ounce. Moreover, the Senate version would repeal the existing silver transaction tax of 50% and other legal provisions which today make speculative trading in silver impossible.

The House action of July 9 was aimed to force the full Senate to go on record on the pending issue. On July 10, Senator Green made a motion to accept the original House rider. Instead, however, the Senate adopted a proposal of Senator Hayden of Arizona, to accept the House rider after substituting 90.3 cents, for 71.11 cents, and after making an addition to the House language. By the latter move, the Senate would open the Mint to newly mined domestic silver permanently at a new price of 90.3 cents, instead of the existing statutory price of 71.11 cents. Under Senator Hayden's motion, the compromise which was worked out in the Senate Appropriations Committee between mining and jewelry Senators is completely scrapped.

The matter now goes again to conference. If adopted in its present Senate form, it will mean that the existing silver transaction tax remains on the books, along with other statutory impediments to resumption of trading in silver futures.

Free Enterprise and Insurance Regulation

By WENDELL BERGE*
Assistant Attorney General of U. S.

Anti-trust enforcement official, asserting effective government regulation of production, distribution, and price would call for a plenitude of government power not consistent with democratic political principles, defends decision of Supreme Court making insurance subject to Sherman Anti-Trust Act. Says it is not purpose of Administration to remove insurance regulation from States or to socialize industry, and urges States reexamine insurance laws to conform to Federal anti-trust policy before expiration of McCarran Act, which defers application of anti-trust law to insurance until Jan. 1, 1948. Upholds rate competition in insurance business.

In the American system of free enterprise as it is supposed to operate, the individual business enterprise seeks profits in open competition with others and at the risk of incurring losses. In such a system business profits over and above mere interest on invested capital are a reward for risk. Private initiative is allowed a wide latitude for venture with new ideas, new processes and new products. The right to venture implies the risk of loss as well as the opportunity to succeed. This chance-taking is at the root of a free enterprise system. Risk and uncertainty are the price we pay for the right to exercise our talents freely. To eliminate individual risk as a basic factor in economic life would mean to substitute a controlled economy for the freedom we have traditionally wanted.


Wendell Berge

There are businessmen who, although professing belief in a free enterprise system, actually do not want one. These men want to eliminate risk from the market by private restrictive agreements which guarantee them against the discomforts of cometition. They want to fix prices at non-competitive levels. They want to create artificial scarcities through restrictions on production. They want to divide markets with their competitors in order to create private monopoly domains in which cmopetition will be nonexistent. They want to suppress new products and processes which will render obsolete and supersede the old.

Basically these attempts to eliminate competition from the production and distribution of goods are attempts by collective action to build a protective wall around the *status quo*. They are attempts to gain an artificial security against the potential threat of more efficient competitors. They are attempts to screen out risk by the substitution of monopoly control.

Another method of seeking the same result is to have government impose and enforce a noncompetitive, monopolistic organization of industry. Thus, in some quarters it is argued that there are industries which should be subject to permanent government regulation as to production and marketing quotas, sales, the adoption of new technologies, and like matters. In support of such view it is suggested that competition no longer works as a regulator of the market; that overproduction and a flood of cheap goods threatens industrial destruction unless something is done; that the solution is overall government regulation, with production, distribution and prices stabilized at levels determined by government authority to be in the public interest. The notion seems to be that risk should be eliminated by the establishment of widespread regimentation of industry. Such arguments do not come from

(Continued on page 234)

*An address by Mr. Berge before the New England Association of Insurance Agents, June 28, 1946.

Reconstructing Forces Promoting Int'l Commerce

By IVAN WRIGHT

Dr. Wright, in outlining conditions for restoring production and international commerce, places the restoration of stable monies first. Points out difficulties in a return to sound money, but emphasizes that as long as there exists lack of confidence in government, money and wealth-producing power, foreign trade is a closed door to most countries. Cautions that foreign loans in peacetime are ineffective and dangerous unless borrowing nation is first obligated to put its house in order. Concludes regimented and subsidized production, bilateral restrictions, and unstable money and credit restrict wealth-producing processes.

Without trade modern populations could not live. This is evident to any one who will reflect on how to maintain the present standard of living, and at same time be self-sufficient. No community or state could maintain its present standard of living, no matter how low, and be self-sufficient. While the wealth gained from purchases and sales can not be separated, it seems evident that in foreign trade the greater gains are from purchases, and not from sales, which is contrary to the general propaganda. The gains from foreign purchases are in the buying of goods and services which would cost a greater portion of our time, labor and capital to produce than the costs of purchases are in terms of the costs of what we sell. The propaganda that we must sell to other countries even if we have to subsidize the sale in order to make employment here for all who want to work is very unsound economics, and such false ideas crystalized into national policy will be very costly. If we sell goods and get less in return than the costs of production we are poorer by each such sale. But if we sell goods and get in return goods and services which would cost us more to produce than the prices we pay for these goods and services, then we are increasing our wealth and standard of living by trade to the amount of the difference in costs of production.


Dr. Ivan Wright

Stable Monies Are the First Necessity

Stable money in each country engaging in foreign commerce is the first need for reconstruction of the wealth producing powers of international trade. The greatest gains for each country will be obtained by restoring sound monetary conditions within its own borders and in international monetary exchange relations with other countries. There is an urgent necessity to educate the people of each country to the need for sound money, and its economic and social benefits. In spite of the familiar histories of the destructions to the wealth and well being of the people resulting from unsound monies, the mass of the people in any country have little knowledge of the requirements to maintain sound and dependable monies. Even more strange this familiar elementary knowledge is lacking among the ruling classes and statesmen of many countries. It is common for inflationary processes to be used by one political party to try and outdo the promises of the opposing political party. Where such a low standard of statesmanship exists the task of restoring sound economic and financial conditions is doubly difficult. After the excitement of inflation has set in, the processes of restoring sound monies are stoutly opposed by the people and the commercial and political leaders in almost all countries until the inflation has destroyed most creditor wealth.

A very good case to illustrate this condition is the present situation in France. The franc is worth only a fraction of a cent but the opposition to restoring a franc worth twenty cents or even five cents and curbing the inflationary processes is so great that it would cost the political life of any individual or party that proposed such sound and constructive remedies which are necessary to restore the economic health of France. In Austria where one American dollar will buy a billion units of the currency the people and the politicians are finally disillusioned with their powers to manage and control the value of paper money. The destruction of all creditor wealth in Austria is now about complete and no doubt a new currency will soon be established. This is no new experience in the world. But it is certainly a damning indictment of economic education and statesmanship.

In the well managed little countries of Finland, Holland, Denmark, Belgium, Norway, Sweden and Switzerland a better understanding of the value of the currency exists or there is more intelligent statesmanship than in most countries. These small countries have taken steps to return

(Continued on page 240)

Dealer-Broker Investment Recommendations and Literature

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

Adams Journal—Current issue of brochure containing news on interesting situations—Adams & Co., 231 South La Salle Street, Chicago 4, Ill.

Airline Earnings—Study of earnings and operating costs—John H. Lewis & Co., 14 Wall Street, New York 5, N. Y.

Copper Stocks—Study of current situation—Hirsch & Co., 25 Broad Street, New York 4, N. Y.

Financial News Digest—Summary of several situations—H. Hentz & Co., 60 Beaver Street, New York 4, N. Y.

Also available is an alphabetical index for the second quarter of 1946 of Research Reports, prepared by H. Hentz & Co.

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.

Graphic Stocks—July issue containing over 900 charts of stocks listed on the New York Stock and Curb Exchanges—F. W. Stephens, 15 William Street, New York 5, N. Y.

"House Colors"—Booklet reviewing financing performed in recent years—Van Alstyne, Noel & Co., 52 Wall Street, New York 5, N. Y.

Low Priced Situations—Special reports for dealers on several situations attractive for retail distribution—Amos Treat & Co., 40 Wall Street, New York 5, N. Y.

Metals 1946—Brochure on the metal industry in general, which also contains analytical material on several leading companies in the field—Merrill Lynch, Pierce, Fenner & Beane, 70 Pine Street, New York 5, N. Y.

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.

Rails Now in Buying Range—Tabulation of earnings based on recent interim rise in freight rates granted by ICC—Eisele & King, Libaire, Stout & Co., 50 Broadway, New York 4, N. Y.

Selected Group Series—Booklet on the situation in five leading industries and list of portfolio of the different series—National Securities & Research Corporation, 120 Broadway, New York 5, 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.

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

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

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

Also available are special reports on **Detroit Steel Products Company, General Electric Company, Koehring Company, Standard Oil of California** and **Victor Equipment Company.**

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.**

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

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

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

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

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

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.

Haloid Company — Study of manufacturer of photographic and photocopying products—Ward & Co., 120 Broadway, New York 5, N. Y.

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

Marchant Calculating Machine Company — Detailed report — Kaiser & Co., Russ Building, San Francisco 4, Calif.

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

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

Millirons—Special report—Maxwell, Marshall & Co., 647 South Spring Street, Los Angeles 14, Calif.

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 Power & Light Co. and —Subsidiaries — Descriptive circular—Abraham & Co., 120 Broadway, New York 5, N. Y.

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

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

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

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

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.

Fred B. Prophet Company—Detailed memorandum—De Young, Larson & Tornga, Grand Rapids National Bank Building, Grand Rapids 2, Mich.

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.

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.**

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.

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

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

Title Guarantee & Trust Co.—Supplemental report covering latest earnings and condition—New York Hanseatic Corporation, 120 Broadway, New York 5, N. Y.

Wellman Engineering Company—Special analysis—Seligman, Lubetkin & Co., Inc., 41 Broad Street, New York 5, N. Y.

Hugh Moore Returns To Stifel, Nicolaus

CHICAGO, ILL. — Hugh D. Moore has returned to Stifel, Nicolaus & Co., Inc., 105 West Adams Street, after a 3½ year leave of absence during which he served in the War Department. In recognition of his services Mr. Moore was awarded the War Department's Commendation for Meritorious Civilian Service.

A. Putnam Acquires Phila. Exchange Membership

PHILADELPHIA, PA.—Alfred Putnam, partner in Auchincloss, Parker & Redpath, members of the New York Stock Exchange and other leading national exchanges, has become a member of the Philadelphia Stock Exchange. Mr. Putnam makes his headquarters at the firm's office at 1421 Chestnut Street.

With Conrad, Bruce

(Special to THE FINANCIAL CHRONICLE)

PORTLAND, ORE.—C. Gordon Childs, Harold Johnson, Harold F. Smither, Ralph A. Smith and J. David Zilka are now connected with Conrad, Bruce & Co., 316 S. W. Sixth Avenue.

Warner-Morgan Wire Serv.

J. Arthur Warner & Co., Inc., 120 Broadway, New York City, announces the installation of a direct private line to Morgan & Company, 634 South Spring Street, Los Angeles, Calif.

Illinois Brevities

A purchase program calling for an outlay of almost $50,000,000 has been undertaken by the Tucker Corp., which recently leased the huge government-owned Dodge-Chicago plant. Some $20,000,000 of this will be for an estimated 20,000 machine tools and other items of equipment with which the Dodge Division of Chrysler Corp. built aviation engines in the war.

Payment of the $20,000,000 will be spread over a period of years, and Preston Tucker and his associates will have to spend only $400,000 for additional tools, dies and fixtures necessary to begin production, it was said.

Terms of the lease included rental of $600,000 for the first year, $800,000 for the second, and $2,400,000 for each of the three succeeding years, with option to purchase the real estate for $30,000,000. The first year's rental will be paid in full within 90 days, an associate indicated.

With the $180,000,000 plant and equipment at its disposal, the Tucker firm expects expenditures of $13,000,000 to $14,000,000 will carry it into production. An official of the company said this sum has been assured in private subscription.

Conrado Benitez, President of Benitez & Co., and of the Manila Building & Loan Association, was in Chicago as a semi-official buying representative for the Philippine Republic last week. He said Philippine business men and purchasing delegates were finding it very difficult to obtain "desperately needed" goods.

* * *

A decrease in total deposits of Chicago banks since the first of the year was traceable in part to the continuing government policy of reducing the public debt, banking officials pointed out as the June 29 statements were released.

Total deposits of national banks decreased from $6,796,194,000 to $5,934,571,000, while the deposits of state banks were reduced from $1,738,133,000 to $1,682,903,000. Holdings of government securities in national banks receded from $4,188,952,000 to $3,495,603,000, and in state banks from $1,030,932,000 to $957,998,000. Both showed a moderate increase in loans and discounts and savings deposits, while cash resources in state banks rose slightly against a decline in national banks.

* * *

Return of the Chicago, Rock Island & Pacific Railway Co. to its original owners, should the Mahaffie bill become law, was a possibility last week after Federal Judge Michael L. Igoe failed to confirm a plan for reorganization. Judge Igoe sent the plan, which he had earlier approved, back to the Interstate Commerce Commission for consideration of proposals which would give junior security holders a larger return.

The Illinois Commerce Commission was denied an injunction to restrain the Chicago Rapid Transit Co from charging more than 10 cents for basic farces, and Chicago's transit unification process became even more snarled as traction officials threaded their way through a maze of legal complications.

The elevated lines company had been served with notice by the Commission that they were to cease charging a 12-cent temporary basic rate, but had defied the order. Judge Michael Feinberg, denying the injunction, said the Commission's only function was to determine a "just and reasonable rate." This had not been accomplished, he said.

Setting of a date for transfer of the Surface Lines property and hearings on confirmation of the Rapid Transit purchase plan were continued until Aug. 23.

* * *

The First National Bank of Chicago and the Continental Illinois National Bank & Trust Co. of Chicago raised their borrowing rates to government bond dealers. They inaugurated a flat ⅞% rate on borrowings by government issue dealers on certificates and bonds. Originally, the rate was ¾% on bonds and ½% on certificates.

* * *

Negotiations for sale of the Boston Store to a group headed by Edgar L. Schnadig, Chicago merchandiser, neared completion last week. The exact price of the Loop department store, now owned by the Netcher estate, has not been set but will approximate $9,000,000.

However, between $11,000,000 and $12,000,000 will be raised for the transaction. The excess funds will be used for working capital and a modernization program.

Included in the financing will be bank loans and/or preferred stock financing of about $1,500,000, a loan of about $5,000,000 from insurance firms, and the public sale of some 400,000 shares of common stock. Mr. Schnadig, who is chairman of order. Judge Michael Feinberg, Alden's, Inc., will also become President of the Boston Store.

* * *

Peabody Coal Co. withdrew its recapitalization proposal after some half-dozen class A stockholders, whose holdings in that class amounted to about $51,000, held up approval of the plan. The stock was the 6% non-cumulative participating class A, of which 5,000 shares are authorized and only 119 outstanding.

These stockholders combined to defeat down the plan, which previously had been approved by at least two-thirds of the company's estimated $25,000,000 in other securities. The nearly-liquidated class was believed to have been originally issued in exchange for property, and any transfers have been on a private basis.

Real Estate Securities

Hotel Waldorf-Astoria Common Stock

While most prudent investors are in search of stocks which will reflect the expansion in our economy over the next several years, they are wont to overlook the possibilities existing in sound hotel equities.

Since the factor of competition in the hotel business is, today, practically non-existent, and will be, for many months to come, the common stock of the Hotel Waldorf-Astoria, one of New York's leading hostelries, offers an excellent medium for investment and capital appreciation. The hotel, erected in 1931, is located at Park Avenue and 50th Street, and serves a high-class clientele of both a transient and permanent nature, and is the gathering place for a large number of conventions, social affairs and banquets. The building contains 1,900 guest rooms in addition to the banquet halls, public rooms and first and second floor retail stores and offices. The land on which the hotel stands is under lease from the New York State Realty and Terminal Company (a subsidiary of the New York Central Railroad Company) until Nov. 30, 1956, with provision for renewal. The annual rent payable is based on net earnings and gross revenues.

The capitalization of the corporation consists of the following:

5% sinking fund debs.____	*$9,069,000
Capital stk. ($1 par value)	366,380 shs.

*Giving effect to retirement of $1,916,000 par amount since Dec. 31, 1944.

Since most stocks are purchased on the basis of earnings, it might be well to dwell for a while on what has taken place over the past three years. In the year ended Dec. 31, 1944, net income was $502,032, or $1.37 per share, and for 1945, $526,010, or $1.43 per share; however, for the first three months of 1946, net income was at the rate of $884,000 per annum, or $2.41 per share, an increase of nearly 70% over 1945.

In the same period of time, from Dec. 31, 1944 to March 31, 1946, the deficit of the hotel has been cut from $2,514,804 to $1,359,898, a reduction of nearly 50%. Therefore, it may be reasonable to expect that before another two years are past, the common stock may be placed on a dividend-paying basis.

At the current price of $15 per share, Waldorf-Astoria common stock is being offered at approximately six times earnings in contradistinction to other equities which are selling at from 10 to 15 times earnings.

Nat'l Alfalfa Offering Expected in Near Future

The financial community is looking forward with interest to the proposed offering of preferred and common stock of National Alfalfa Dehydrating and Milling Co. which, it is believed, will be the first time the securities of such a company have been offered to the general public.

The company, the largest producer in its field in the United States, was organized under Delaware laws on May 4 of this year by a purchase group managed by Stone & Webster Securities Corp. and by Bosworth, Chanute, Loughridge & Co., of Denver. It was established primarily for the purpose of manufacturing, storing, selling and dealing in alfalfa meal, a basic ingredient providing many essential nutritive elements in mixed feeds for poultry and livestock. The new company started out by acquiring the assets and businesses of the Denver Alfalfa Milling and Products Co. division of Ralston Purina Co. and the Pecos Valley Alfalfa Mill Co. Through these acquisitions, the company now owns and operates 34 mills in 12 states which reported combined net sales for 1943, 1944 and 1945 in excess of $6,800,000, $9,900,000 and $11,800,000, respectively.

The stock to be offered to the public, which is now owned by members of the purchase group which organized the company, consists of 28,960 shares of 4½% cumulative preferred stock (par $100), with non-detachable warrants to buy common stock, and 250,000 shares of common stock. Altogether, the new company has outstanding 30,000 shares of 4½% preferred and 643,000 shares of common, the balance of which will be retained by members of the purchase group.

Whitaker With Fairman

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—Jerome A. Whitaker has joined the staff of Fairman & Co., 210 West Seventh Street, members of the Los Angeles Stock Exchange. In the past he was with Quincy Cass Associates and Bankamerica Company.

Felix Bowden in Denver

(Special to THE FINANCIAL CHRONICLE)

DENVER, COLO.—Felix H. Bowden is engaging in the securities business from offices at 1045 Lincoln Street. In the past he was with J. B. Henri & Co. and Crosby & Co.

Sees British Loan Vital to World Fund and Bank

Eugene Meyer, President of International Bank for Reconstruction, says British economic restoration is essential to expanding world trade and stability. Cites adverse effect on our commodity markets after Congress abolished War Finance Corporation in 1920 as what may happen because of impairment of international trade due to instability of foreign currencies.

Eugene Meyer, President of the International Bank for Reconstruction and Development, when asked for comment on the proposed British loan, stated on July 10:

Eugene Meyer

"I testified as an interested American in favor of the loan before the House Committee previous to my election to the bank. Now I speak from the international point of view.

"The British loan is a vital part of a greater plan in which the Monetary Fund, the Bank and other organizations also were to play their parts. The loan is necessary if Great Britain is promptly to be restored to function as an economic base for expanding world trade and economic stability.

"No nation has a greater interest in world stability than the U. S. A. No nation can contribute so much because no nation is so strong. But no nation can live alone in this new world of ever greater speed of communication and transportation.

"In 1920 the operation of the War Finance Corporation, of which I was the Managing Director, was suspended by the then Secretary of the Treasury just when its export credit powers were about to be most needed. Within a year cotton dropped from 38 cents a pound to 8 cents—cattle, sheep, hogs, corn, tobacco and other commodities followed. Under mandate from Congress in 1921, it resumed activities and a prompt recovery in the price level followed.

"The worst part of the great depression of 1931-32 followed the impairment of international trade due to instability of foreign currencies.

"The British loan is a necessary part of the plans to win the kind of peace for which we fought and won the war at such tremendous cost and sacrifice."

Municipal News and Notes

Unlike the weather hereabouts in recent weeks, the municipal bond market has been considerably short of a "ball of fire," particularly as regards the material whitting down of past acquisitions. This is by no means a phenomenon, of course, being the usual product of a market whose chief characteristic is investor apathy. True enough, there have been a goodly quota of fast-moving deals in recent weeks. However, once the aura of "newness" wears off in a given instance, dealers find it increasingly difficult to dispose of unsold balances.

Despite this situation, the price level remains firm and competition for new business is quite strong. Perhaps much of the lack of animation in the tax-exempt field may be the result of the somewhat desultory performance of the government market recently. The latter is travelling along at a leisurely gait, although the general trend is toward slightly higher levels.

As for new business in sight, particular interest attaches to today's (Thursday) scheduled award by the Sacramento Municipal Utility District, Calif., of $10,500,000 electric power revenue bonds, maturing serially from 1950 to 1979 incl. This is due to the fact that the conditions of sale place the operation in a category vastly different from that usually encountered in the tax-exempt field.

Thus, while the amount of bonds to be sold is only $10,500,000, bids must be made on a basis which will yield the issuing district a sum of $15,600,000. To provide such a vast premium, bidders will be required to name an interest rate wholly inconsistent with current market conditions and the high investment quality of the bonds in question.

This peculiarity stems from the fact that while the bond issue authority of the district is limited to $10,500,000 (this was fixed many years ago), the total cost of the objective to be attained is now $15,600,000. The district will apply this sum to the cost of acquiring the local facilities of the Pacific Gas & Electric Co., and to pay for immediately needed additions and improvements.

The district will find it possible to complete the highly unusual transaction by virtue of the fact that it is able to market the bonds at an interest rate up to 5%. Aside from being payable from revenues, incidentally, the bonds are also backed by the district's unlimited taxing power, which further enhances their investment status. A number of syndicates are expected to compete for the loan, although the possibility is not ruled out of a taxpayers' legal attack on the method employed in marketing the issue.

Austin, Texas, Bond Issues Approved

Approval in effect of the entire $18,173,000 bond program of the City of Austin, Texas, authorized at an election held May 7, has been obtained through a recent opinion of the Attorney General of Texas, approving $336,000 fire stations bonds, and by concurrence of Wood, Hoffman, King and Dawson, New York bond attorneys, in law questions involved in the fire stations issue, according to Trueman E. O'Quinn, City Attorney of Austin.

Fourteen tax bond propositions were submitted at the May election, and all issues were approved by more than a majority of the voters. The Austin charter contains a provision requiring a two-thirds' majority, although the state law empowers Texas "home rule" cities such as Austin to issue bonds on a majority vote. Only four of the fourteen propositions submitted in Austin received a two-thirds' majority. The inconsistency between the city charter and the state law was resolved by the Attorney General in favor of the state law, and a simple majority was held to be sufficient for the issuance of any of the bonds.

In holding that the "majority vote" rule of the state law prevails over a charter provision requiring a two-thirds' majority, the Texas Attorney General cleared the way for Austin to issue bonds under any of the fourteen propositions voted at the May election, Mr. O'Quinn declared.

At the same time the fire stations bonds were submitted to the Attorney General, the Austin legal department presented a brief to Wood, Hoffman, King and Dawson in which it was concluded that the majority rule prescribed by the state law overruled the charter. The New York bond attorneys were requested to rule on the conflict between the charter and the state law. The bond attorneys replied by telegram, "We concur in your opinion that vote required to authorize bonds of the City of Austin is majority vote of the property taxpaying voters specified in Article 1175, Revised Civil Statutes. We would approve bonds authorized by such a vote."

The largest issue submitted was $7,146,000 for public schools, and an issue of $3,000,000 was submitted for enlargement of the municipal hospital plant. Public buildings, exclusive of schools and hospitals, were authorized for $1,176,000 in four issues. Also included in the bonds were $770,000 for the city's electric plant and system, and $1,480,000 for extensions to the water plant and system. An issue of $1,250,000 was voted for a low-water dam in the channel of the Colorado River to be equipped with a hydro-electric plant. Improvements to the sanitary sewerage system were authorized for $860,000. Street and bridge improvements, including bonds for right-of-way purchases in connection with state highway in Austin, were authorized in two issues totaling $1,673,000.

The Austin bond program is a ten-year plan, the bonds to be issued as needed and as the City is able to finance the issues during this ten-year period, Mr. O'Quinn pointed out.

Federal Tax Revision Proposals *

New York Trust Company publication, "The Index," analyzes the proposals set forth by Association of American Railroads, Committee on Economic Development, the Postwar Tax Policy Plan, the Twin-Cities Plan and the Ruml-Sonne Proposal. Sees as problems of revised tax structure (1) distribution of tax sources among taxing agencies; (2) broadening of the tax basis; (3) encouragement of risk taking and employment and (4) provision for changes in our national economy.

Many plans have been advanced to modernize the Federal tax structure and to cushion the impact of higher peacetime taxes upon the postwar national economy. For reasons of space restrictions, this article will limit consideration to the following plans: "Some Recommendations for a National Postwar Fiscal Policy," by The Association of American Railroads; "A Postwar Federal Tax Plan for High Employment," by the Research Committee of the Committee for Economic Development; "A Tax Plan for a Solvent America," by the Committee on Postwar Tax Policy, headed by Roswell Magill; "Fiscal and Monetary Policy," by Beardsley Ruml and H. Chr. Sonne, and the "Twin Cities Plan — Postwar Taxes," by the Twin Cities Research Bureau.

Among major points considered in these plans are balancing the budget and paying off the national debt. Estimates of postwar Federal expenditures are larger than prewar outlays because of the greater interest on the public debt, increased military expenses, benefits to war veterans, social security and expanded governmental operations. The accompanying table indicates the size of the postwar budget and its principal subdivisions as proposed in the various tax plans:

Proponents of the plans do not agree on revenue sources from which these expenditures are to be made. Although an income tax is relied upon to furnish most of the money, opinions differ as to whether the emphasis should be placed on the individual or the corporate income tax.

All would prevent double taxation of corporate income through taxes now levied on the corporation, and also on stockholders who receive its dividends.

Opinion seems to be nearly unanimous that the excess-profits, the capital-stock and declared-value excess-profits taxes should be repealed. Some of the plans, however, have little to say about death and gift taxes, perhaps for the reason that they are chiefly concerned with tax problems more directly related to production and employment. The desirability of postwar general or special sales taxes is another point of divergence, as is the question of maintaining existing special excises.

Existing legislation provides for taxation of gains from transactions in property at ordinary rates but permits deduction of losses from such dealings when incurred in a trade or business or from those entered into for profit. Capital assets are divided into two classes: those held less than six months and those held more than six months. For individual taxpayers, the entire amount of short-term gain or loss is recognized, but long-term gain or loss only to the extent of 50%. For corporations, the entire amount is recognized although the corporation has its choice of an alternative rate of 25% on any excess of net long-term gain over net short-term loss.

The tax on capital gains would be retained in its existing form for the present under three of the plans—those of the Committee on Postwar Tax Policy, Committee for Economic Development, and Ruml and Sonne. The Railroads' plan, suggesting that with captial losses being accorded equal treatment with capital gains the tax would be non-productive, states that "if, in view of our past experience, it is concluded that equality of treatment will create a drain on the Treasury, the only sensible thing to do is to eliminate capital gains and losses from the concept of income entirely." The Twin Cities plan recommends changing the definition of capital assets to exclude all held for less than six months. For individuals, 50% of the gain or loss would be recognized, with gains taxed either at ordinary rates or an optional effective rate of 12½% of 100% of the gain. The saving from losses for individuals would be held to 25% of the loss, deducted from the tax on the ordinary income excluding the capital loss. Corporations would take into account 100% of both gains or losses and the optional rate of tax would be 12½%.

The table on the following page indicates in a general way the

(Continued on page 238)

*Abstracted from the summer issue of "The Index," published by the New York Trust Company.

POSTWAR BUDGET ESTIMATES
(In billions of dollars)

	Military	Debt: Interest	Debt: Principal	Debt: Total	Veterans	Pub. Wks. & Relief	Agriculture	Foreign	Other	Total
Association of American Railroads	6	6	3	9					5	20
Committee for Economic Development									*16-18	*16-18
Ruml and Sonne	5	5.5			2		1	1	3.5	18
Twin Cities	5-6	5-6				0-3			5-6	15-21
Committee on Postwar Tax Policy:										
1. Low Budget	3.2	5	1	6	1.3	.5	.5	.5	2.9	14.9
2. Medium Budget	4	6	2	8	1.5	.6	.6	.6	3.4	18.7
3. High Budget	4.8	6.5	3	9.5	1.7	.8	.8	.8	4	22.4

*Not including social security payment and retirement of debt.

Broker-Dealer Personnel Items

(Special to The Financial Chronicle)
AKRON, OHIO—**George S. Carter** is now with **Saunders, Stiver & Co.**, Second National Building. He was formerly connected with the Research Institute of America.

(Special to The Financial Chronicle)
CHARLOTTE, N. C.—**Isom Teal** has been added to the staff of **Southeastern Securities**, Independence Building.

(Special to The Financial Chronicle)
CHICAGO, ILL. — **Lawrence Sandberg** has rejoined the staff of **Norris & Kenly**, 209 South La Salle Street, after serving in the U. S. Army.

(Special to The Financial Chronicle)
CLEVELAND, OHIO—**Bert P. Berardi** is with **Finley & Co.**, Union Commerce Building.

(Special to The Financial Chronicle)
CLEVELAND OHIO—**Robert E. Winkler** has become associated with **Hawley, Shepard & Co.**, Union Commerce Building, after serving in the armed forces.

(Special to The Financial Chronicle)
DENVER, COLO.—**Richard L. Moore** and **William B. Whisenant** are now affiliated with **Brereton, Rice & Co., Inc.**, First National Bank Building.

(Special to The Financial Chronicle)
DENVER, COLO. — **Norman Davis** has joined the staff of **Merrill Lynch, Pierce, Fenner & Beane**, First National Bank Building, after serving in the Army Air Forces for four and one-half years.

(Special to The Financial Chronicle)
FRESNO, CALIF.—**Leonard E. Van Dussen** has become connected with **Raymond E. Hall & Sons**, Helm Building.

(Special to The Financial Chronicle)
JACKSON, MICH.—**Calvin E. Hones** has been added to the staff of **H. H. Butterfield & Co.**, Jackson City Bank & Trust Co. Building.

(Special to The Financial Chronicle)
LOS ANGELES, CALIF.—**Harold L. Logsdon** and **Robert S. Walter** are with **Bingham, Walter & Hurry**, 621 South Spring Street.

(Special to The Financial Chronicle)
LOS ANGELES, CALIF. — **Thomas H. Critchlow** has become associated with **Bogardus, Frost & Banning**, 618 South Spring Street.

(Special to The Financial Chronicle)
LOS ANGELES, CALIF.—**John M. Woods**, previously with Searl-Merrick Company, is now affiliated with **Cruttenden & Co.**, 634 South Spring Street.

(Special to The Financial Chronicle)
LOS ANGELES, CALIF.—**Harold H. Hoge** has joined the staff of **First California Company**, 650 South Spring Street. In the past he was with Searl-Merrick Company.

(Special to The Financial Chronicle)
LOS ANGELES, CALIF.—**Herbert C. Hudgins** is with **Maxwell, Marshall & Co.**, 647 South Spring Street.

(Special to The Financial Chronicle)
LOS ANGELES, CALIF.—**Rowe Sanderson, Jr.**, is now connected with **Revel Miller & Co.**, 650 South Spring Street.

(Special to The Financial Chronicle)
LOS ANGELES, CALIF.—**Arthur W. Hall** and **Henry J. Tenaglia** are with **Slayton & Co., Inc.**

(Special to The Financial Chronicle)
LOS ANGELES, CALIF.—**Arthur B. Ganfield** has become associated with **Wm. R. Staats Co.**, 640 South Spring Street. In the past he was with O'Melveny-Wagenseller & Durst.

(Special to The Financial Chronicle)
LOS ANGELES, CALIF.—**Norman E. Jackson** is with **Dean Witter & Co.**, 632 South Spring Street. In the past he was with Bankamerica Company.

(Special to The Financial Chronicle)
MARTINSVILLE, VA.—**William H. Turner, Jr.**, is now connected with **Scott, Horner & Mason, Inc.**, Law Building, Lynchburg, Va.

(Special to The Financial Chronicle)
MIAMI, FLA.—**Arthur J. Brown** has joined the staff of **Bache & Co.**, 96 N. E. Second Avenue.

(Special to The Financial Chronicle)
MIAMI, FLA.—**Charles F. Ebert, Jr.**, and **John T. Ruffing** are with **Cohu & Torrey**, Alfred E. du Pont Building.

(Special to The Financial Chronicle)
MIAMI, FLA.—**Frank K. Espenhain** is now affiliated with **Frank D. Newman & Co.**, Ingraham Building.

(Special to The Financial Chronicle)
PALM BEACH, FLA.—**Donald W. McClurg** has been added to the staff of **Emerson Cook Company**, First National Bank Building.

Industry Nationalization in Britain

By OSCAR R. HOBSON
Financial Editor, London "News Chronicle"

British financial expert discusses nationalization progress of his country's two most important industries, steel and cotton. Points out that although political party in power has already taken steps to nationalize basic steel plants, action in relation to cotton has been deferred, but is under consideration. Reviews various recommendations for future of cotton industry, and concludes political currents tend toward increased State intervention or ownership.

LONDON, ENG. — Britain's two most important manufacturing industries—steel and cotton—have in the past few weeks descended into the arena of violent controversy. The circumstances of the two industries are very different and the points at stake are different too. Yet essentially the issue is the same in both cases—namely, how far and in what respects the State shall intervene in the conduct of industry by "private enterprise."

With cotton there is at present —in the light of government declarations—no question of State ownership. With iron and steel the intention to bring about a partial measure of nationalization, the remainder of the industry to continue in private hands under government control, was announced during a two-day debate on the industry in the House of Commons in the last week of May.

The problem of whether, short of nationalization, the government can fruitfully take action to help the cotton industry is raised in an acute form in the report of one of the special committees termed Working Parties which the President of the Board of Trade appointed some months ago to investigate various important industries and recommend measures for their reorganization and reconstruction. The Cotton Working Party consisted of thirteen members—four employers' representatives, four trade unionists, four experts and an independent Chairman, Sir George Schuster, formerly finance member of the Viceroy's Council in India and a prominent industrialist.

The Party has now issued a report of over 250 pages, in which the structure and chequered history of this highly complex industry are reviewed and a considerably number of recommendations for its rehabilitation after the deliberate telescoping treatment to which it was subjected under the stress of war are made. Most of these—they include prominently an investigation into the textile machinery industry and the setting up of a Cotton Council —are agreed to unanimously.

But there are three crucial recommendations involving the application of compulsion to the industry on which the Working Party are equally divided, the Chairman and the Workers' representatives being on one side, with most of the employers and most of the independent members on the other.

There is much controversy as to how far the Lancashire cotton textile industry should seek to imitate American mass production methods and standardization. That a great deal of new equipment is necessary is universally agreed, but a good many authorities believe that Lancashire's future, like her past, must lie to a large extent in specializing to suit her customers, and in her capacity to produce the finer quality yarns and cloths, to which large scale productive methods are not fully applicable.

Differences of Political Outlook

Difference of opinion on this fundamental point, as well as differences of political outlook, are reflected in the three contentious proposals of the Working Party. These are first that spinning and weaving firms should be compulsorily amalgamated or grouped to form larger productive units; secondly that a compulsory levy should be imposed on every firm (so much on each spindle and so much on each loom) to form a re-equipment fund out of which every contributing firm could look for a grant to meet expenditures on new plant; and thirdly a redundancy scheme under which spindles and looms deemed to be in excess of required capacity would be bought up, with State assistance if necessary, and immobilized.

The dissentient members of the Working Party object to these proposals on the ground that they would be uneconomic and might even retard rather than assist the recovery of the industry. All firms, they maintain, would contribute to the re-equipment levy and all would be likely to claim grants from the fund, irrespective of whether they needed re-equipping or of whether the new plant would yield corresponding additional profits.

Amalgamations, they argue, should not be made compulsory, since those which were economic would come about by themselves, while as for the alleged redundancy of plant, estimated by the supporters of the scheme at one-eighth of the existing spindleage or five million spindles, no one could say at this moment whether Lancashire had or had not excessive productive capacity; and, even if she had, it would be wrong to spend the taxpayers' money in eliminating it.

In a word, the dissentient signatories urged all the classical economic arguments against interference with industry, while their opponents, not all socialists, displayed all the socialist faith that industry can be better planned from outside than it will plan itself in the light of the laws of supply and demand and the desire for profit. The government, which naturally leans to the latter point of view, has not yet shown its hand.

As regards the steel industry, it has now declared its policy, which is for out-and-out nationalization of the primary processes of pig iron making and steel melting and of the subsequent processes of rolling, etc., in so far as they are carried on in integrated, continuous plants.

Firms which only carry on the later processes will, on the other hand, be left under private ownership for the time being, though the question of taking them over too will be subsequently considered.

Towards State Ownership

The political currents at the present time are flowing strongly towards increased State interventionism in, or ownership of, industry, and it is more probable than not that the life of the present Parliament will see the nationalization of the greater part of the iron and steel industry, and the cotton industry occupying a high place on the list for future nationalization.

With both steel and cotton nationalized (in addition to transport and power, for which early legislation is promised), Britain should be well on towards public ownership of all the means of production. Definitely to prophesy such an eventuality would be to jump several fences, notably that of the next General Election. So I content myself with recording that in this summer of 1946 the political tides are set in that direction.

SEC's Quest for Control of Unlisted Issues Highlights Basic Regulatory Problems

(Continued from page 199)

issues which had been listed on Exchanges at the behest of exchange-members, but without registration and the assumption of related obligations by the company official.

From the earliest days of SEC regulation onward, control of the over-the-counter issues was eagerly sought. This was promulgated as a major Commission aim by its Chairman at the time, James M. Landis. In November 1935 he convened a large meeting on the question, attended by the country's investment banking leaders.

Many schemes, by those in and out of the Commission, were devised in attempting to secure all-inclusive regulation by the Federal Government. For example, Dr. Paul Gourrich, then the SEC's Director of Research, in 1934 compiled an 85 page memorandum in an effort to demonstrate the need for such control and how it could be attained. But all this agitation came to naught, as it has since.

It must be realized that the formulators and administrators of the Act, were—in addition to trade opposition—primarily obstructed by the legal exigencies of the Federal Constitution which confine to the States control over all activities which are not demonstrable as interstate commerce.

Our companies have been incorporated as instrumentalities of their respective States, and as their managements are not seeking anything for their outstanding securities in regard to interstate distribution, the legal right of the Federal Government to attain control over them (that is, issues already distributed), was and has since been regarded as extremely doubtful. The interstate commerce aspects of the Constitution permitting sanctions, apply to relevant *business* activities that are directly interstate, and not to securities matters. It has been recognized by the well-informed that the only way for the central government to control companies, excepting in connection with activities that are manifestly interstate commerce, is through a Federal Corporation Law; but such a move has been frowned on even by the original New Deal Brain Trusters, on the grounds of it requiring an amendment to the Constitution, and its administration being impracticable.

The present proposal to limit regulation to companies with a minimum of $3 million of assets and 300 shareholders, has no exceptional legal—although it may have political—significance.

The Administrative Difficulties

Another obstacle to over-all regulation, which has long been recognized, is the administrative difficulty of applying all the information provisions of the law to the large number of far-flung issues that are now traded in over-the-counter markets. This is particularly true today, when in the case of its comparatively limited supervision, there are delays of six months by the Commission's staff in even looking at the 10-K and 1-MB reports after they have been properly filed. The addition of even 1,000 companies to the purview of its supervision would swamp the Commission under its present set up. An added administrative difficulty in connection with the newly-proposed amendment, would be the Commission's problem in defining exactly what comprises $3 million of "assets" for the purpose of determining what companies are actually subject to its control.

The constitutional barrier and the administrative problem kept the original securities legislation from establishing uniform Federal regulation over unlisted issues. Hence, as a substitute device, the original draftsmen, in endeavoring to compel submission of information from issuers, used the bait of exchange privileges to secure compliance by corporate management.

The result has been that there have been three kinds of contradictory regulation existing side-by-side. One group of issues, fully registered on exchanges, conforms to both the "information" and trading provisions of the Securities Exchange Act; another group traded "unlisted" on the new York Curb and other exchanges, conforms to its trading but not to the "information" provisions; while a third group, over-the-counter, has mostly escaped both kinds of SEC regulation.

Congress at the time of passage of the Act, could have forced all issuers either to register or lose their Exchange privileges. But it did not wish to drive issues which had been enjoying unlisted privileges on an Exchange to the over-the-counter market where effective regulations of trading activities was dubious. Hence, along with the controversial broker-dealer segregation, and protective committees and indenture provisions, the "member-listed" problem was determined as "too hot to handle" at the time of passage of the 1934 Act, and it was left open pending study and recommendations to the Congress by the SEC. Accordingly Congress granted until January 3, 1936 temporary exemption from the Act's rigid registration requirements, without compliance by the issuers, to issues which had been located on exchanges.

The Commission's Dilemma

As this deadline neared, the Commission, assuming that if unlisted trading on exchanges would be terminated, some issuers would register and others would instead go to the over-the-counter market; found itself with the following alternative possibilities of regulation:

(1) If such trading privileges were to be continued: Full control over trading and no control over corporate information, for all securities previously admitted to unlisted trading privileges.

(2) In the event of termination of such privileges: Full control over trading and corporate information for those issues which would register on an Exchange and no practicable control over either trading or corporate information for those which would move to the over-the-counter market.

The Commission under the leadership of Chairman Landis found itself loathe to recommend termination of unlisted trading privileges, for various (controversial) reasons. It was felt that the Commission's presumed over-the-counter problem would in that event be greatly aggravated, by reason of the supposed transfer thereto of most of the 2278 separate securities then enjoying unlisted trading privileges on exchanges, with a monthly trading volume of over four million shares. Also the prospective "deprivation" of security holders of their exchange market was not relished. It was feared that the collateral loan value of many securities would be eliminated by their removal from exchanges. It was contended by the Commission that marketability over-the-counter was relatively unsatisfactory, and that hence security holders would be unfairly penalized by reason of their respective issuer's possible unwillingness to comply with the registration provisions. Again, the Commission was afraid that it would lose control over the trading practices then being applied to "member-listed" issues by reason of their resultant transfer over-the-counter. The Commission officials' thinking was based on the premise that corporate management, faced with the alternative choice of subjecting itself to the Act's registration duties, or of surrendering the Exchange trading-privilege, would in most cases choose the departure of its issue from the Exchange.

James M. Landis

It was also deemed undesirable to injure the business of the New York Curb and other exchanges having large numbers of un-registered issues, which would undoubtedly have been the case if the makeshift status quo had been disturbed.

Freezing of the Makeshift

Hence the SEC made the recommendation, to which the Congress acquiesced, that issues which had previously enjoyed unlisted trading privileges on exchanges, be substantially not disturbed; and that, subject to the Commission's administrative decision, new issues be given that privilege where adequate information was otherwise provided, either through registration on another exchange or through some other agency. Pursuant thereto, there are now 991 issues enjoying such privileges on exchanges, of which 554 are registered on some other exchange, four are specially exempted from registration, and 433 are unlisted only and are not registered on any exchange. On the New York Curb Exchange alone there are 428 stock and 122 bond issues which are not registered.

Since the passage of the Securities Exchange Act, to all exchanges 321 different issues of stock and 26 bonds, have been added; most of these having been previously registered on some other exchange than the one to which they were added.

The above cited 433 issues which are not registered on any exchange, are not subject to the so-called corporate provisions of the Act—namely, for supplying information in connection with earnings and balance sheet results, proxy-solicitation, and trading activities of controlling persons—and therefore in that phase are in the same non-regulated category as are over-the-counter issues.

This policy froze a situation which is inconsistent, illogical, and antithetical to the basic spirit of the Securities Exchange Act. As the result of a previous *fait accompli*, one group of issuers has been enjoying exchange privileges free of the duties imposed by the Act, while concurrently another group of corporate management—located on the very same exchange —as the result of its past policy having been more in the social interest, has thereby been discriminatorily penalized through being forced to conform to the various regulatory provisions of the Act.

On fifteen of the twenty-two national securities exchanges, including the New York Curb to the extent of 70% of its stock and 90% of its bond issues, a large proportion of issues has for many years been traded in without the respective issuers having assumed any initiative whatever in connection with their admision to the exchanges, and without the acceptance of any responsibility by the corporate management for the quantity or quality of financial information which was initially or continuingly supplied to investors.

In this situation an asterisk used in trading records, which is the only evidence to the public differentiating unlisted from listed securities on a particular exchange, has surely been an ineffective and insufficient instrument for offsetting the non-application of all the corporate regulatory provisions of the Act.

The important motivation for continuing this illogical status, has been the bug-a-boo setting forth the alleged evils of over-the-counter trading. Further it glossed over unsatisfactory conditions on many of the smaller exchanges, particularly the fifteen exchanges, in addition to the New York Curb, which have harbored un-registered issues.

Universal Registration Is Impracticable

While uniform inclusive Federal regulation of all securities—irrespective of their trading location, may be the ideal desideratum; for a number of reasons this, as well as the SEC's presently modified suggestion, is impracticable.

As indicated hereinabove, adoption of ex-Chairman Purcell's suggested amendment, requires great further liberalization of the Supreme Court's interpretation of the Constitution, regarding the interstate commerce and general welfare clauses.


Ganson Purcell

Moreover, supervision of the important issues now over-the-counter would involve the Commission in insuperable administrative difficulties. There are about 16,000 corporations whose assets exceed $1 million. While the exemption of all securities of companies whose "assets" do not reach $3 million and its shareholders 300, may be good politics, it does not answer either one of these objections.

There is an additional problem connected with the inconsistent present situation of un-registered issues on exchanges. As some of these issues, having less than $3 million of assets and 300 stockholders, will be exempted from the provisions of the prospective legislation, a new anomolous situation will be brought about. For this will mean that some companies, although listed on exchanges, will not have to give information, in contrast to other issue located over-the-counter, that will be subjected to full requirements entailed by registering with the SEC.

Paul D. Speer Now Member Of Los Angeles Exchange

LOS ANGELES, CALIF.—Paul D. Speer & Co. announces the election of Paul D. Speer, general partner, as a member of the Los Angeles Stock Exchange, and the establishment of their offices in new enlarge headquarters at 458 South Spring Street.

McDaniel Lewis Adds Three

(Special to THE FINANCIAL CHRONICLE)

GREENSBORO, N. C.—Robert A. Chatham, George G. Jones and Charles L. Price, Jr., have become associated with McDaniel Lewis & Co., Jefferson Building.

With J. R. Kauffmann Co.

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, MO.—**Harry M. Kuryla** has become connected with **John R. Kauffmann Company**, 511 Locust Street.

On Staff of Dean Witter

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, CALIF.—**Edward V. Brewer, Jr.,** has joined the staff of **Dean Witter & Co.,** 45 Montgomery Street.

Inventions and Employment

By ROGER W. BABSON

Mr. Babson, asserting that almost everything we enjoy stems from religion and science, holds that inventions, although temporarily causing unemployment, lead ultimately to greater employment and higher living standards. Points out new uses for radar, airplanes and plastics, and concludes that new inventions are economic assets.

As we look back over the centuries we find that almost everything we enjoy today stems from the contributions of religion and/or science. Our standard of living, moreover, should refute the age-old argument that new inventions increase unemployment. Each invention may at first cause an interruption in employment. Yet, eventually, it becomes necessary to hire more workers to take care of the increased business which the new machine creates, otherwise we would now be living in caves.


Roger W. Babson

Just a few illustrations: The development of new and improved machines for digging, grading, loading and trucking has made many projects possible which otherwise would never have been attempted. The open pit mines are one such project. Some of these are about three miles wide and close to half a mile deep. Bulldozers and power shovels are continually gouging deeper into the earth and loading the ore into huge trucks. All such pits would have been impossible before modern excavators had been invented, even though these great excavators appear to throw many men out of work.

New Uses for Radar and Airplanes

Radar continues to supply employment for thousands even though it was supposed to be only for war use. It is now being used for many peacetime projects. It makes possible full-speed ocean travel in pitch blackness in only sketchily charted waters. It gives our ships the ability to detect and range other ships without even coming within visual distance. It gives eyes to mariners so that they can pierce, camouflage or accurately locate other ships or obstacles. It judges the altitude of a plane flying even as high as 20,000 feet to within 100 feet of the true distance. Hence, in peacetime, radar will be installed in ships and planes to enable navigation in fog-bound waters and to make possible "all-weather" flying. This will increase employment in many ways.

The airplane in World War II was indispensable. The design, manufacture and continuous operation of airplanes call for large-scale employment in an industry which only a few years ago was non-existent. Already the helicopter is recognized as a revolutionary addition to the plane industry. The Post Office Department plans to use helicopters to transport mail between suburban areas and large city airports so as to guarantee 12-hour service between any two cities in the country.

Many New Uses for Plastics

The plastic industry is one of the newer chemical inventions. Although it may usurp some business from other industry, through a better or less expensive product, there are many altogether new uses for plastics which do not eliminate any former products. Hence, the plastics industries will continue to expand and use increased manpower. There is little danger of the wane of the plastics industry due to depletion of raw materials. Each day some new source, such as soy beans, corn husks, coal, air and water, oil and milk, is discovered.

Some of the plastics' newer uses are piped lighting, windowpanes which filter out harmful rays of the sun, and nearly perfect artificial eyes which actually fit the eye socket. Great possibilities await plastics in the refrigeration field where materials must withstand extreme changes of moisture and temperature. Lightweight and non-magnetic qualities make plastics especially adaptable for aircraft instruments. Low pressure laminating and pulp-preform molding is being used for radio cabinets, auto trailers, boat hulls, furniture and low-cost housing.

Conclusion

Thus, from the new inventions spring new industries which continue to increase employment. They bring to each of us a better and cheaper product which is more pleasing to the eye and eases our daily tasks. These new industries employ hundreds of thousands of workers and are indirectly responsible for the employment of further thousands. Does it now appear as if new inventions are injurious to increased employment? Rather, it strikes me they are an asset.

Kendall Stearns V.-P. Of W. H. Bell & Co.

W. H. Bell & Co., Inc., 50 Broadway, New York City, announces that Kendall Stearns has joined their organization as Vice-President in charge of the investment department. In the past he was a partner in D. A. Lomasney & Co.

With Mason, Moran & Co.

(Special to THE FINANCIAL CHRONICLE)

WAUWATOSA, WIS.—**Neven J. Russell, Jr.,** is with **Mason, Moran & Co.,** 735 North Water Street, Milwaukee, Wis.

Comment on SEC Proposal to Congress

(Continued from page 199)

there, should also have the same full disclosure of facts which is afforded by the present applicable SEC rules.

From the standpoint of the corporation management in a listed corporation, too, I believe fair play demands this equalization. For, in many cases, under the present set-up much competitive information such as sales figures, for example, has to go out to all and sundry, while a corporation whose stock is not fully listed, in the same line of business, keeps such information to itself.

There are many stocks which do not properly belong on listed exchanges, for one reason or another, and I believe that if in addition to the proposed SEC changes, fairer and more accurate quotation set-ups are provided, it will be quite immaterial to the investor whether or not such stock is listed, which is far from the case now, thus giving new and needed prestige to the over-the-counter market.

New York City, July 1, 1946. LEWIS D. GILBERT.

You are correct in saying that our dual markets in this country evolved in a natural way and serve our economy well. This situation would be materially changed if corporations that had decided right along not to list their securities on an exchange because they felt that exchange requirements were too onerous, were compelled by law to comply therewith just the same.

In addition to the Exchange requirements, corporations whose securities become listed would now be subject to the provisions of the Securities Act of 1934 and SEC regulations which corporation management finds an even greater deterrent to having securities listed on an Exchange. If conformance with all these requirements became mandatory and not permissive as at present, then the inherent, natural, advantages of our over-the-counter markets in this respect would disappear.

After all, if an investor is not satisfied with the policy of a corporation with respect to reporting its operating results and the like, he can abstain from buying its securities. ANONYMOUS.

Railroad Securities

The oldest of the country's railroad reorganizations is expected to be terminated in the next four to six weeks. On June 28 the Interstate Commerce Commission approved the acquisitions and financing whereby the Seaboard Air Line Railroad Company will take over the properties of the old Railway Company. The latter initially filed its receivership petition late in 1930 and for the last 15½ years has been operated under the jurisdiction of the court. With the final I. C. C. approval of the issuance of new securities with which the properties are to be acquired only mechanical steps remain, and it is generally expected that distribution of the new securities should be possible by mid-August.

Aside from being the longest of the major receiverships or bankruptcies, the Seaboard represents one of the most drastic in its treatment of security holders. Not only have the old stock holders been eliminated as is the case in most Section 77 proceedings. In addition, general unsecured claims, including the old Adjustment 5s, 1949, were barred from participation in the new company. Fixed interest debt, exclusive of equipments, was reduced from close to $160,000,000 to $32,500,000 of new 1st 4s. In addition, an issue of $52,500,000 of Income 4½s is provided in the plan, bringing the total non-equipment debt to $85,000,000. The preferred stock ($100 par 5%) is to amount to only 150,000 shares and there will be 850,000 shares of no par common. Taking the new common at the stated value of $100 a share the entire capitalization, including equipment obligations, will run under $200,000,000. This will represent a cut of more than 50% from the old company's capitalization.

One feature of the Seaboard reorganization is the unusually stiff Additions and Betterment Fund. This fund will amount to the greater of $1,625,000 per annum or 3¼% of gross revenues, less any amount charged for depreciation of road property during the year. This compares with a general average of around 2% or 2½% of gross provided in most plans set up by the Interstate Commerce Commission in Section 77 proceedings. It is not expected that road property depreciation will normally be sufficient even nearly to cover the Seaboard Additions and Betterment Fund. As only that portion covered by depreciation is believed deductible before Federal income taxes, the requirements coming ahead of the new stocks will be increased even further.

It is notable that in 1943 and 1944 charges for depreciation and amortization of way and structures averaged only slightly more than 1% of gross revenues. Naturally, the 1945 figures are not comparable nor indicative of possible future depreciation charges, as they included the very substantial accelerated amortization allowed by Presidential proclamation. Had the reorganization plan been in effect, the required Additions and Betterment charges would have been $3,234,000 in excess of depreciation and amortization of way and structures in 1943 and $2,878,000 in excess of depreciation and amortization of way and structures in 1944. Presumably this excess would be subject to Federal income taxes. Fixed and contingent interest charges and sinking funds amount to roundly $4,700,000.

With gross revenues around the 1942 level total fixed and contingent charges, including the Additions and Betterment Fund, would work out to approximately $8,275,000. This would be less than $500,000 below the fixed charges that the old company was unable to support. When it is considered that at least a portion of these new charges would be subject to the Federal income tax it is obvious that the present stocks are even further from earnings than was the stock of the old company which went into receivership before the depression of the 1930s even got fairly under way. Under the circumstances many rail analysts find it difficult to justify any bullishness over the longer term prospects for the new Seaboard junior securities. This is so even though near term earnings prospects still appear favorable, aided by the lag in resumption of coastwise shipping competition.

Dutch Continue Investment Control

The Netherlands Information Bureau on July 3 announced that although the Netherlands government has decided "in principle" on ultimate abolition of all controls over capital investment, government intervention and control will increase rather than decrease in the immediate future, and will remain in force for many years. In a White Paper made public on June 30, Finance Minister Lieftinck made it clear that complete elimination of government control must wait until private savings reach a volume sufficient to cover all government and other investment needs.

Pieter Lieftinck

It is understood that the continued maintenance of such controls does not apply to foreign securities held by Dutch individuals, in regard to which complete freedom of action is afforded.

One of the main reasons for continued government control over internal assets is the avowed object of the government to maintain a low interest rate; restoration of a free capital market would result in an immediate sharp rise in the interest level. Minister Lieftinck disclosed that the government intends to reduce all interest on government and other "gilt-edged" bonds to 3%.

The Finance Minister also gave a detailed clarification of the money purge instituted in the fall of 1945, under which all outstanding currency was called in and new currency was issued in controled amounts. For the present, unblocking of frozen cash balances will be permitted only for purposes of production and rehabilitation. The purge and freezing measures, the Minister explained, have so far brought about only the blocking of excessive amounts of money. Consequently, this money still represents an inflationary threat, which is complicated by the unavoidable unbalanced state of the budget. Such money should not only be blocked but "permanently sterilized," Mr. Lieftinck asserted, as the only means of bringing about equilibrium of the supplies of goods and money at a price level not too far above that of before the war. The Minister added that all phases of the money purge were by no means completed, as inflationary tendencies were still present; therefore, unblocking of all frozen money must be held to the "utmost minimum."

Admitting that the purge had resulted in many injustices and needless sacrifices, the purge as a whole must so far be considered a success the Minister claimed, since it had contributed materially to national recovery, first, by averting the disastrous consequences of excessive purchasing power, and second, by permitting manipulation of the volume of currency so that it kept pace with the gradual expansion of the supply of goods. In addition, the Finance Minister stated it had laid the basis for a registration of property, an essential to the government's future financial plans.

Background of Money Purge

Explaining the background of the money purge, Mr. Lieftinck stated that during the war total money circulation had increased from 2,647,000,000 guilders to 10,908,000,000 guilders, while the volume of goods had shrunk and the country sustained direct war damage totaling 9,355,000,000 guilders. The measures adopted to carry out the purge had necessarily to be adapted to circumstances, since means for maintaining an exact level of currency and goods equilibrium were in practice unknown. The general principle followed was that unblocking should be permitted only for current production and not for the purpose of accumulating idle "disinvestment" capital, which the Minister estimated at between five and six billion guilders. Bank credits and deposits which totaled 1,100,000,000 guilders on April 30, 1940, had risen to 4,615,000,000 by May 31, 1945, and reached a maximum of 7,220,000,000 on Oct. 31, 1945. At the end of February of this year they had fallen to 6,780,000,000 guilders.

Deposits in five large banks were 100% blocked as of Sept. 30, 1945, but only 55.3% blocked as of Dec. 31, the Minister stated. Deposits in postal and private savings banks exceeded withdrawals by 18,000,000 guilders in January, 1945; by 190,000,000 guilders in May, 1945; by 295,000,000 in July, 1945; and by 520,000,000 in September, 1945. However, following the government measures, the process was reversed and in October, 1945, withdrawals exceeded deposits by 74,000,000 guilders. April, 1946, withdrawals exceeded deposits by 29,000,000.

Banknote circulation in May, 1945, was 5,894,000,000 guilders, but immediately after the start of the purge in October it fell to 398,000,000 old-issue and 1,683,000,000 guilders new-issue As of June 24 of this year circulation was 2,337,000,000 new-issue and 275,000,000 old-issue.

Public Utility Securities

Forthcoming Utility Financing

This promises to be one of the most active years for public utility financing since the 1920's; in May utility issues reached a total of well over $400,000,000. (The June total, also large, has not yet been compiled.) Common stock sales to dispose of holding company subsidiary interests have been supplemented by "new money" sales—now appearing for the first time since pre-New Deal days. While it is impossible to predict the timing of new issues with any accuracy, due to the many changes of plans and the fact that SEC approval is required in almost all cases, the following tentative summary of new utility financing may be of interest:

Brooklyn Union Gas' $34,000,000 mortgage bond issue is scheduled for the current week, but the $64,500,000 Gatineau Power bonds (two mortgage issues and one debenture issue) on which bidding was scheduled for the current week have been postponed, due to the sudden change in the Canadian currency to parity with the American dollar. The comparatively small Missouri Power & Light issues—$7,500,000 bonds and 40,000 shares of preferred stock—are expected in the current week; also $10,000,000 Portland Gas & Coke Refunding bonds.

Next week the huge $125,000,000 issue of American Tel. & Tel. "new money" debentures due 1986 are scheduled. Later in the month should appear the $9,000,000 Yonkers Electric Light & Power bonds, guaranteed by Consolidated Edison and serving as forerunner for the latter company's huge refunding issue which will appear later in the year. Brooklyn Union Gas will follow up its bond issue with 70,000 shares of preferred stock, designed to redeem its debenture bonds. Illinois Power may issue 200,000 shares of preferred ($50 par); Kansas City Power & Light is expected to do a refunding job with $38,000,000 bonds and 40,000 shares of preferred; and Northern States Power of Minnesota may exchange or sell 275,000 shares of preferred. Strangely, small utility issues usually attract the largest number of bidders and the proposed offering of $3,500,000 bonds and 14,000 shares of preferred by Michigan Gas & Electric is no exception—at least seven groups are reported ready to bid for the two issues.

The above investment offerings appear likely in July or early August; they may be followed by a large number of others which, however, do not appear to be ready for listing as yet. Despite the rather poor reception which some of the utility common stock offerings have encountered in the first half of the year, a number of issues are anticipated over the next few weeks, as follows:

140,614 shares Mountain States Power (from Standard G. & E.);

2,343,105 shares American Water Works (to take over water works properties of American Water Works & Electric; stockholders of the latter company will receive rights to subscribe);

1,150,000 shares Atlantic City Electric (from American G. & E.); this may be delayed until Fall;

175,000 shares Central Electric & Gas;

1,500,000 shares Florida Public Utilities (offered by stockholder);

966,870 shares Illinois Power Company (however, substantially all of this stock may be required for conversion of the old preferred stock which will be called, so there may not be any common stock offering);

150,000 shares Maine Public Service (from Consolidated Electric & Gas);

120,000 shares Michigan Gas & Electric;

236,819 shares Portland General Electric (from Portland Elec. Power Co.);

$20,000,000 Consumers Power Co. (new money issue);

$10,000,000 Southern Company (new holding company for southern group of Commonwealth & Southern);

550,000 shares Wisconsin Power & Light (from North West Utilities Co.).

Passig With Brashears

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—Harold L. Passig has become associated with G. Brashears & Co., 510 South Spring Street, members of the Los Angeles Stock Exchange. In the past he was with Fox, Castera & Co. and was an officer of Hugh R. Murchison & Co., Inc.

Need For Liquid Assets To Pay Estate Taxes Prompting Small Firms To Favor Merger Offers

(Continued from page 200)

Harry S. Truman announced with great solemnity that he was an advocate of small business. Said he: "I have said time and again that I would much rather see a thousand insurance companies with four million dollars in assets than one insurance company with four billions. I would rather see a hundred steel companies than one United State Steel Corporation. I would rather see a thousand banks than one National City Bank."

Reports current in the business world corroborate very much what Secretary Wallace pointed out — small businesses are undoubtedly being gobbled up at a great rate and disappearing probably even faster than is generally believed from the nation's industrial scene. One large food company, for instance, to amplify what Secretary Wallace said, is known to be buying up some small competitors somewhere at the rate of one a week. A large chemical company, too, is said to have made up a list which now numbers 300 names of small medicine manufacturers it is seeking to absorb and is absorbing gradually. These illustrations, as people who are familiar with business trends know, could be multiplied almost indefinitely.

What government officials can't or won't see, though just about everyone else cognizant with the situation can, is that business mergers and acquisitions are due as much to governmental policy as to any other cause that could be named. It is the gloomy prospect which governmental policy holds out to small businesses that makes many of them not only willing but anxious to sell out to some larger company. For government officials to view business mergers and acquisitions solely in the light of the anti-trust laws is a grave error.

Small businesses often find it a great deal more profitable today to sell out than to continue in existence. Conditions which have prevailed in the market during the last few months and years have made it possible for many a small business to sell out at distinctly advantageous terms. The incentive hasn't been and still isn't there to make them want to stay in business themselves! Small business is known to be not a little discouraged, and government officials and others interested in the continuity and welfare of small firms had better take the time and the effort to figure out why this is so.

All the governmental bodies, and the labor unions with government help, seem to be interested in doing — through regulatory measures, confiscatory taxes, unreasonable demands and other means — is to prevent the business men from making any money at all. To use the negative approach to public problems may be justified perhaps on occasion, but to remove all legitimate incentives from business is to destroy the initiative upon which a healthy economy depends.

For instance, as those who have studied this problem have found out, the tendency of the labor unions to conclude industry-wide agreements on wages, working conditions and other matters with the government's help, but without a proper regard for local conditions, frequently works a terrible hardship on the small firm. Usually dependent upon certain favorable local factors to remain in business, many small business men are being caught in a vicious squeeze between rapidly mounting costs of production and the prices of a competitive market in which the big companies tend to have an advantage. The labor unions themselves should give some consideration to this angle of the problem, as otherwise they are likely to see some of the jobs that are held by those of their members living in the smaller places vanish completely.

It could be, of course, that the trend toward large-scale enterprise may be economically inevitable. The experts themselves are not in entire agreement on this point. The desire of the big companies to have some control over their sources of supply and the various activities related to their main function may be pardonable, indeed. But, be all that as it may, if society wants to preserve small businesses, then obviously something more than talk about the anti-trust laws is necessary to keep the small firms in business.

The small business man probably does not expect favored treatment with respect to the income tax laws though these, too, can act as a deterring force, keeping many unusually capable men from making full use of their talents and abilities. Some small business men work only ten months a year, figuring that if they worked the whole year they would be working two months for the government at no remuneration at all to themselves. Other small-business owners tend to limit the scale of their activities in other ways, too, largely because of the prospect of confiscatory taxes.

Inheritance or estate taxes, however, probably act as the greatest single block to the continuity of a small business enterprise after and sometimes even before the death of the principal owner or owners. The necessity for paying a heavy inheritance tax forces many an estate to sell, even at a sacrifice if necessary, some small business to which it holds title or the controlling interest. Older men, too, often sell their businesses to some large corporation, often receiving in payment the easily negotiable securities of the corporation, in anticipation of the difficulties their estates may face at their death. The corporation may sometime be a customer with which the small firm has been doing business for a long time.

Many business men try to protect their estates through the purchase of insurance on their own lives or the lives of their partners but often when they do this they must divert funds that could be employed to better advantage in their business and, as a result, society as a whole loses from the fact that the most efficient use is not being made of its available capital. A large number of business men are able, sometimes with the help of legal or financial advice, to make adequate provision for payment of the taxes on their estates but still many who can don't and there are others who just can't. Many business men unnecessarily complicate the problem of continuity, too, by making no provision at all for the continuation of the management.

The fact that the base for the tax laws favor very small estates does not minimize the problem of paying the tax. A business can be a million dollar enterprise and still be a relatively small company as even a casual examination of the concerns doing business in an average small community reveals quickly enough and the job of forcing liquid assets out of such small firm for purposes of an estate tax can be a really formidable one.

The laws also tend to discriminate against a beneficiary in less favored circumstances, as for instance, the ordinary widow of a small business man against the widow who is well-to-do in her own right. A wife who has an income of her own is able to purchase insurance on the life of her husband to cover the amount of her husband's estate tax at his death. A wife who has no separate income cannot purchase life insurance on her husband for this purpose and so must often resort to the sale of the business to pay the tax.

Framers of our tax laws have worked on the theory that it is in the public interest to break up huge private fortunes but society can't have its cake and eat it, too. If the government officials and others want to preserve small business enterprises then they shall have to give some thought to the question of how to maintain the continuity of small business while at the same time preserving in principle the theory of the estate or "death" tax.

Provisions could be made in the inheritance tax law, for instance, whereby greater restraint could be displayed by the tax collector in appraising the value of an estate whenever it became obvious that a high valuation would force the sale of a small business enterprise for taxes. Very often, it is the man who has just died who has given high value to a small company. His passing really means that the assets of the company are no longer worth what they were. To continue to value the business at its original high figure in such a case is manifestly unjust but this sort of thing goes on all the time.

In "hardship" cases now, a tax collector can give an estate as much as ten years to pay its tax but even this possibility does not prevent a large number of sales from taking place because, possibility often from the very nature of the "hardship" itself, the estate just can't wait this long before settling its affairs.

The problem is admittedly complicated. No two cases are exactly alike, true. But the insertion of positive features in the nation's laws—both regulatory and tax—would give some encouragement to the small firms to stay in business. It is only at a penalty that many a small firm can remain in business today and it is the more prosperous concerns — that is, those that are the most efficient and administered with the greatest care — that are penalized the most in the end.

As with so much legislation that has been passed to serve supposedly desirable social ends, the inheritance tax laws by forcing many small business houses to sell out to the large companies achieve just the opposite result from that which was intended. It would appear that governmental bodies should be more realistic in judging or evaluating the probable economic consequences of measures they have already enacted into law or contemplate putting on the statute books. Very often now, the government is in the somewhat contradictory position of encouraging what it wants to stamp out.

R. F. Funsten Stocks Oversubscribed

An underwriting syndicate composed of G. H. Walker & Co., Alex. Brown & Sons, Boettcher & Co., Bacon Whipple & Co., Stifel Nicholaus & Co., Morgan & Co. and Courts & Co., on July offered 15,684 shares 4½% cumulative convertible preferred stock of the R. E. Funsten Co., at $51 per share; and 196,137 shares of common stock at $11⅞. Both issues were over-subscribed and the stock sold at a premium. The gross spread on the preferred was $2.56¼ per share, and on the common $1.75 per share, with an allowance of 75 cents per share to selling group.

Mutual Funds

Mr. Wiesenberger's "Bible"

The 1946 edition of Arthur Wiesenberger's book, "Investment Companies," has recently come to hand. (In the accompanying press release it is referred to as the "Bible" of the investment company field.) In many respects it is a fine job. It contains a great deal of interesting and valuable information in a form that makes statistical comparison relatively easy.

However, this "Bible" is hardly ready yet to be canonized. It still places relatively too much emphasis on the closed-end companies (in whose securities Mr. Wiesenberger's firm specializes) and too little emphasis on the mutual funds. Of course, this is an understandable fault and does not lessen our gratitude to the author for having compiled so much pertinent data on our industry.

In our opinion, though, Mr. Wiesenberger's book does highlight once more the need for a really comprehensive source-book on the **mutual funds.** They are unquestionably the coming "branch" of the investment company field. Their aggregate assets today are 50% greater than those of the closed-end companies —and will someday be 10 times as great! They now constitute a distinct and separate unit of the investment business, and we believe that they should be treated as such!

Yet Mr. Wiesenberger has treated them rather superficially —as Part III in a 3-part book Not only does he give them a somewhat "dragged - in - by - the-tail" appearance, but he reveals an uncertain touch in his handling of some of the facts concerning them.

This, too, is entirely understandable. The first edition of "Investment Companies" (1941 as we recall) was devoted exclusively to the closed-end companies —a logical concentration for a New York Stock Exchange member firm whose interest in the mutual funds was largely academic.

After their popularity had increased, the mutual funds were included in the book.

But to do a real job today on the mutual funds requires intensive treatment. To get an adequate picture of any one of them, it is necessary to have a fairly complete picture. A nine-year arbitrary period such as Mr. Wiesenberger uses is very helpful—but it can also be misleading unless supported by other vital facts.

For example, we can call to mind several leading funds that have had changes made in their key management executives in recent years — accompanied by rather striking changes in their investment performance. In such cases, any arbitrary period which includes part of the old management record and part of the new would be misleading as a gauge of probable future performance.

Then there is the unalterable "fact of life" that mutual funds are highly competitive. And any survey of them which mixes factual data with interpretation and opinion is loaded with "dynamite." If Mr. Wiesenberger wasn't aware of this at first, he undoubtedly is now! He must also know that the "mixture" can become a source of endless temptation and much potential abuse.

To repeat, the answer to an obvious need in the mutual fund field is a really comprehensive source—book devoted exclusively to the **mutual funds**—to all of them, and sans controversial "trimmings." It should not be hard for Mr. Wiesenberger to produce such a "Bible." If he does, we think he will find himself a prophet not without honor (or profit) in his own country. If he doesn't, we believe there is a very good chance that somebody else will.

W. H. Pearson Dies

William H. Pearson, senior partner in the Boston commercial banking firm of Weil, Pearson & Company, died after a brief illness at the age of sixty-three. Mr. Pearson began his career in New York City joining the firm of E. Naumburg & Co. In 1921 he organized his own company, Pearson Brothers, Inc., to deal in commercial paper. The corporation was later merged with Weil, McKey & Company and in 1941 became Weil, Pearson & Company.

Bowles Links Fiscal and Monetary Policies to Inflation Control

(Continued from page 204)

out effort to prune expenditures by the Federal Government."

However, he stated that none of the fiscal and monetary measures suggested by him, "nor all of them together, can prevent sharp increases in rents and prices under conditions of such acute inflationary letters as we now have."

The text of Mr. Bowles' letter follows:

To the Editor of The New York "Times":

During the past four and one-half years in which I have been working in the nation's stabilization program, I have frequently disagreed with the position taken by "The Times" on various price and rent control questions. I would like to make clear, however, that there is one frequently reiterated point in your editorial position with which I am and always have been in full agreement. That point is the importance of shaping the country's fiscal and monetary policies so as to help keep inflationary pressures under control and to remove their underlying causes as rapidly as possible.

Obviously the job of controlling prices and rents can be made easier or harder depending on what our fiscal and monetary policies are. I have touched on this point several times during the last two or three years—most recently, I think, in the statement I made before the Senate Banking and Currency Committee in April of this year. The policies themselves, however, were not my responsibility and I felt that while I still held an official position it was not appropriate for me to advocate any specific methods of dealing with the very complex and difficult problems involved.

Measures for Control

I think almost everybody agrees that from a theoretical point of view the control of wartime or war-created inflation calls for the following measures:

1. Prevent the creation of money and credit beyond the amount of goods and services available.

2. Establishing consumer rationing and set up priority and allocation controls for producers and wholesales to insure that the goods will get to the people and to the places where they are most needed and to neutralize less essential demand.

3. Maintain firm controls over prices, rents and wages.

4. Increase civilian production to the greatest possible extent.

But clearly from a practical point of view there are limits to what can be done with this theoretical formula in a democracy, and especially in a democracy at war.

For example, you will remember that Congress was unwilling to go as far in the matter of taxation as many people thought we should go early in the war. Again, in the absence of a national service act higher wages had to be used as an inducement to get workers into more essential occupations. Finally, many of the rationing and allocation programs and wage stabilization measures which served us so well during the war period were dismantled—prematurely, I think—immediately after V-J Day. And the excess profits tax was prematurely repealed.

The result of such conditions as these has been that price and rent controls have had to bear almost the full brunt of inflationary pressures.

Yet, in spite of all this, the price and rent control program, up to June 30, prevented an inflationary blow-up of the kind we had during and following the last war.

Definition Depends

"The Times" has often said that rising prices and rents are the result of inflation rather than inflation itself. Your point of view has been that the mere existence of a tremendous excess of purchasing power over the available supply of goods is inflation. I think the definition may depend a great deal upon what dictionary you use. But the fact remains that you do not necessarily have pneumonia because you have pneumococcus germs in your body. During the last four years we have certainly had the germs of inflation in the economic body, and in large quantities. Price and rent controls, however, have so far succeeded in staving off the disease. This does not mean, of course, that the danger that the economy would get the disease should not have been further removed by removing more of the germs.

In dealing with inflationary pressures of the magnitude we are facing, a sound policy requires not only the maintenance of effective controls over prices and wages but the effective use of all the other powers which can be helpful. And those powers include, in particular, fiscal and monetary powers.

This is especially important in the period immediately ahead of us. While the fighting was still going on our fiscal and monetary policies had to be shaped in the light of the overriding need of winning the war. They could not be directly solely to the objective of economic stabilization.

Number One Problem

Now that the fighting is over, however, the maintenance of a stable economy has become the number one domestic problem of the government. Stabilization considerations now have the same importance that winning the war had before. Fiscal and monetary policies should be shaped in the light of this fact.

This is true regardless of what decision the Congress makes on extension of the price control laws. The best of laws will need to be strengthened and supported by sound fiscal and monetary actions. If the Congress fails to give the American people the protection of effective price and rent controls, such actions, plus self-restraint, will have to be our sole reliance.

Regardless of the action of the Congress we ought as a minimum to:

1. Make an all-out effort to prune expenditures by the Federal Government. This should be done in order not only to balance the Federal budget but to establish a budgetary surplus as soon as possible.

2. Urge state and local governments to postpone their expenditures on public works as far as they reasonably can.

3. Use all means at the disposal of the banking authorities to prevent commercial banks from increasing their loans to business for the purpose of increasing inventories unduly or speculating in capital values.

4. Give the Federal Reserve System such additional powers as to enable it to exercise effective control over the supply of bank credit.

5. Greatly stiffen the taxation of short-term capital gains in order to curb speculation and profiteering.

6. Avoid any reduction in income taxes at this time and carefully examine the need and the feasibility — without doing more harm than good—of increasing taxes.

7. Handle veterans' terminal-leave pay with care. There is certainly no question in my mind about the fact that veterans are more than entitled to these payments. But they are also entitled to some assurance that the purchasing power of the payments will not be wiped out by an inflationary rise in prices.

I believe that the estimated amount of six billion dollars which would be dumped into the economy by the legislation now before Congress would have grave repercussions at this time.

As a practical alternative, terminal-leave pay could be issued in the form of scrip which the veteran could cash at some later time when inflationary pressures have subsided. The delay in payment might create hardship for some veterans. But I think we would find that most would favor payment in an orderly fashion which would help insure that a dollar of terminal-leave pay would still be worth a dollar.

Effective Controls

Let me emphasize again that none of the fiscal and monetary measures I have suggested, nor all of them together, can prevent sharp increases in rents and prices, under conditions of such acute inflationary pressures as we have now, unless these measures are accompanied by effective price and rent controls. In my opinion, any fiscal or monetary actions which in themselves were sufficiently effective to prevent sharp price increases under these conditions without price controls would be far more painful than price and rent controls themselves.

In closing this letter I want to say how much I appreciate the space which The New York "Times" has given to the discussion of this whole stabilization problem during the last four years. I appreciate particularly the sober and moderate way in which you have discussed the situation the country has faced during the last few days. I know that you, along with a good many of your advertisers, have done a great deal to quiet what could be disastrous hysteria.

CHESTER BOWLES.

Essex, Conn., July 5, 1946.

Lewisohn & Co. Admits Jacquin as Partner

Lewisohn & Co., 61 Broadway, New York City, members New York Stock Exchange, announce that Max Jacquin, Jr. has been admitted as a general partner of the firm, effective July 1, 1946.

Max Jacquin, Jr.

Mr. Jacquin will hold the firm's New York Stock Exchange membership. He resigned on May 3 of this year as Assistant Vice President of the Exchange where he was employed for 17 years. He represented the Exchange in its relations with various governmental agencies on tax and other regulatory matters affecting member firms.

In addition, Mr. Jacquin is special assistant to the President of the Association of Stock Exchange firms; a member of the Board of Directors of the American Taxpayers Association, Inc., and will serve on its Executive Committee.

His admission as a partner of Lewisohn & Co. was previously reported in the "Chronicle" of June 20th.

A Program for Inflation Control

(Continued from page 204)

ment of independent small business in the United States, not only take the lead in nailing this propaganda and bringing about a clearer understanding of the root causes of the present inflation, but that NARGUS recommend to the Government and people of the United States a realistic program to combat it. No one wants inflation except a corporal's guard of gamblers and speculators. And no one stands to lose more if the present inflation continues to mount than does the small business man.

What is the cause of today's rapidly rising prices? It can be stated in a very few words.

Inflation is produced by a shortage of goods and services in relation to effective consumer purchasing power.

In other words, along with lagging production and shortages of almost everything, there is a large supply of money in the hands of those who wish to spend it.

But why the shortages of almost everything except money?

Of course it takes time, and would take time even under the most favorable circumstances, to reconvert to peacetime production.

But that is not the whole answer and here we come upon something that Mr. Bowles avoids as he would the plague; to wit, the fact that the Government itself has been and still is directly and unnecessarily contributing to these inflationary pressures. It has been and is doing this in at least four different ways:

1. Continued deficit spending. Informed observers agree that the greatest expansion in our money supply results from Government borrowing from the commercial banking system. This borrowing is reflected in an increasing volume of bank credit, which adds to the supply of money. According to Marriner Eccles, Chairman of the Federal Reserve Board, in the months of November and December alone, the commercial banks created 11 billion dollars of new money, while increasing their holdings of Government securities by 7 billion.

2. Raising prices by increasing wages. The only way that rising costs can be met without inflating the price level and still protect essential profits is by expanding production. However, this fact has apparently escaped the officials who have directed our inflation control efforts. As far back as July 1, 1945, Judge Vinson, who was then Director of the Office of War Mobilization and Reconversion, advocated increases in wage rates to sustain purchasing power caused by the reduction in take-home pay. The result of this policy, and of false and misleading propaganda released by the Department of Commerce, which purported to prove that a 25% increase in wages could be granted without any increase in prices, was to encourage every labor group in the country to demand higher and higher wages. In addition, the Government has, in effect, invited strikes by demonstrating to union leaders that, by striking and bringing about Government seizure, they can obtain better terms than they can from private management through collective bargaining.

3. Strangling and distorting production and depreciating quality. As a result of the Administration's stubborn adherence to unworkable and Communist-slanted policies of price control, we have a meat and butter famine. The story is essentially the same in the case of clothes and other vitally-needed consumer goods. Notwithstanding the unprecedented supply of money, the American scale of living has deteriorated in important respects to the lowest level in our history. The disgraceful housing situation is one of many examples.

4. Even now, the Administration is "lending" billions of dollars of the taxpayers' money to bankrupt foreign governments to enable them to compete in this market for scarce goods.

That's the record, Ladies and Gentlemen, and as I have already said and again repeat for emphasis, the best evidence of OPA's inability to stem this rising tide of Government-fostered inflation is what has already happened despite OPA.

Of course — and Mr. Bowles knows this as well as you and I know it—there is only one way to relieve these growing inflationary pressures short of a final blow-up and collapse. This is:

First, the expenditures of the Federal Government must be reduced to a point where it can live within its income.

Second, we must begin the orderly retirement of the public debt. And,

Third, the Government must give every possible aid and encouragement to industry and agriculture to produce at maximum output by eliminating any and all restaints on production.

I hope this Convention will take a firm stand in support of these fundamental principles of economics and government. In doing so, it will accomplish three things:

It will deflate the demagogic propaganda now pouring out of Washington—propaganda designed to confuse and mislead the American people and absolve the Administration of responsibility for the potentially disastrous consequences of its own highly inflationary policies.

It will keep the authors and administrators of these policies from transferring the blame for the resulting inflation from themselves to those members of Congress who voted to amend the price control law.

And finally, it will be a direct and realistic contribution to the cause of inflation control. . . .

Rationing

There is still some talk in and out of Washington about the resumption of food rationing. However, I do not personally believe this will be attempted for two reasons:

In the first place, the Emergency Relief Program is now definitely "over the hump" and world-wide famine this summer has been averted. According to the Department of Agriculture, by July 10, this country will have met its promised export quota of 5,500,000 tons of wheat.

And of course if this were not so, official rationing could not be resumed in time to help with this year's food crisis.

In the second place, one supposes that the Administration in power would be somewhat loath to re-impose rationing in an election year.

In any event, official rationing is not the answer to our peacetime food problems and if it should be seriously proposed, retail grocers should—and I know they will—go all-out in opposition.

Labor Relations and Food Costs

The subject of labor relations is of an ever-growing concern to the retail grocer. In the larger cities more and more stores are becoming unionized, thus imposing a new and heavy responsibility on managers and proprietors. There is also the indirect effect on your operations of strikes in such basic industries as steel, coal, meat packing, rail transport, and so on. Time will not now permit of any detailed discussion of this important subject, although it seems a safe prediction that it will require a larger and larger share of your attention from now on.

There is, however, one aspect of the problem upon which I should like to touch briefly. I refer to the already great and still growing disparity between the wages paid farm and industrial workers.

Around Washington, for example, laboring jobs with contractors pay from 90 cents to $1.05 an hour, or around $40 for a 40-hour week.

Farm jobs pay $25 to $35 a week for a 70-hour week.

The result, according to a recent survey by the Washington "Times-Herald," is that 50% of the farm labor of that area is on an "unofficial but all too effective strike."

In testifying against the pending 65-cent minimum wage bill, Edward A. O'Neal, President of the American Farm Bureau Federation, stated only the obvious when he said:

"The proposed increases in the minimum wage rates would throw farm prices and labor costs out of balance. . . . Farmers have to compete with industry in obtaining farm labor."

One result of this disparity will, of course, be—as the operators are able to obtain the necessary equipment—the increased mechanization of farms and the permanent liquidation of a large number of farm jobs.

Another consequence, or so it seems to me, is going to be higher and higher prices for food at the farm or producer level. Under ordinary circumstances, mechanization and the trend towards larger farms would make for lower production costs. Against any such theoretical savings, however, must be charged the much higher wages the farmer will have to pay to such help as he may require, plus higher and higher costs of machinery, fertilizer, and so on.

In other words, the Government's fiscal and labor policies have produced a fundamental dislocation in the economics of food production and whether farm labor is unionized or not, this dislocation will have to be corrected. And while Mr. Bowles favored the highly inflationary minimum wage bill and, to the best of my knowledge, has never opposed any union demand for higher industrial wages, American consumers are going to have to pay the cost of eliminating this disparity between farm and industrial wages. According to the newspaper survey which I mentioned a few minutes ago, some of the Maryland farmers interviewed are now predicting $1.25 a pound butter.

The only thing I can think of that would break this vicious circle of higher and higher costs which, in turn, result in higher and higher prices, with all that this means in terms of sales volume and nutritional standards, is such corrective labor legislation as will restore the balance in bargaining power between unions of industrial workers and management. So long as the unions regard each successive raise as merely a "down-payment," and the Government supports them in this policy, all wages are going up and the cost of food and everything else produced is going to follow until the final blow-up and collapse.

We should also make certain—and your Association thinks it is making certain—that in the current Congressional investigation of the spread between what the farmer gets and what the consumer pays, these Government-sponsored, additional costs at every level of production and distribution are taken fully into account. . . .

Conclusion

So many things are happening these days—things that vitally affect the lives and businesses of all of us—that it is difficult to arrive at a satisfactory perspective and, in a report of this kind, to assign proper priorities.

One has the queer feeling that time itself is being telescoped. More happens in one year now than used to happen in ten. Crisis follows on crisis and change, revolutionary and bewildering, is the order of the day. It even seems at times that the whole of our civilization is in a state of rapid and progressive disintegration.

So the final thought I leave with you is simply this: The coming year is going to be a mighty good tme for all of us to keep our heads. As I have already stated, we are going to have more inflation, but it will pass. There may even be a war alarm in the fall, but actual fighting does not seem to be in the cards for at least five years. The country's in a big mess, but it's a big country, with enormous vitality and powers of recuperation. We seem to be on dead center now partly because as Walter Lipmann has observed, we have what really amounts to a caretaker government. The men who fought the war and who will run the country and shape the future have not yet had time to take over.

So let's face the future calmly, but with both courage and confidence.

Canadian Securities

By WILLIAM McKAY

Wall Street is confident it will have some idea by the end of this week, or the first of next, just what will be the real effect on the prices of Canadian securities of the action taken by Finance Minister J. L. Ilsley of the Ottawa Government last Friday, pegging the Canadian dollar at par with the American dollar. Complete equilibrium in the new situation is not expected to be attained for all of two months, however.

As anticipated by investors in the event of just such circumstances as have developed, the indications are strong that where the principal market for a security is in Canada, the price will tend downward but move upward here, and that where the principal market is in the United States, the price will remain firm here but decline in Canada.

Some confusion regarding the value of their Canadian securities existed among the bankers and traders in New York when the markets opened Monday morning as it was generally wondered how the new Canadian dollar would be accepted, but the picture of things to come began to take form when the discount on Canadian funds was quoted at from 2 to 0.4975%. Trading was light and hesitant and uniformity in prices was not to be found. This was true elsewhere in the country, too.

It gradually became clear, however, that Canada had acted in the realization that her currency had been undervalued — perhaps for too long a time—and that she was anxious to utilize such legitimate means at her command to cushion the effect on herself of the inflationary trends, given acceleration by the lifting of price controls, in the United States.

A free market in securities does not exist in Canada because the war-born regulations of the Foreign Exchange Control Board pertaining to the sale of securities on the Canadian exchanges and the movement of funds out of Canada are still in effect there. For fear of heavy liquidation of Canadian securities by non-resident owners, it is unlikely that the board will relax these regulations at this time, either. Thus, adjustments as are being and will be made in the prices of the securities must reflect to some extent at least the restrictive character of the whole Canadian securities market.

Imports from the United States will now cost Canada about 10% less, or about $46,000,000 a year less, at the present rate as can readily be seen from the fact that from January to May, for instance, Canadian imports from this country totaled $511,762,000, while exports ran to $329,000,000. However, any inflationary increase in the prices of American goods would tend to reduce or nullify the advantage to Canadian buyers which parity gives them.

Gold mining and the tourist industry in Canada are particularly hard hit by parity. Gold which has been commanding $38.50 an ounce, or $3.50 above the American price, at the Bank of Canada will now be worth only $35 an ounce and the American tourist will now no longer receive the premium of ten cents on every dollar he brings to Canada.

By Mr. Ilsley's action of last Friday, banks and other authorized agents of the Foreign Exchange Control Board were directed to purchase United States dollars at $1.00 in Canadian funds and to sell at $1.00½. Similarly, the buying rate of pounds sterling was fixed at $4.02 and the selling rate of $4.04. Previously, American dollars were purchased at $1.10 in Canadian money and were sold at $1.10½. The buying rate for pounds sterling was $4.43 and the selling rate $4.45.

Mr. Ilsley made it clear in making the announcement that he did not believe the establishment of parity at this time was in conflict with the rules laid down at Bretton Woods and subsequently for exchange stabilization and monetary control. He revealed that Canada planned to notify the Fund that the new rate is the proper initial rate for the country at the time the Fund commences to operate.

One of the immediate effects of the establishment of Canadian dollar parity on the New York investment market was the six-day postponement to July 15 of the competitive bidding for the three bond issues of Gatineau Power Co., totaling $64,000,000, to give the bidders te chance to reappraise the proposition in the light of the new circumstances.

* * *

Dividend Payments

Dividend payments by stocks listed on the Montreal Stock Exchange and the Montreal Curb during the first six months of this year amounted to $131,616,031, compared with $135,719,955 in the similar period last year, or a decline of $4,103,924. The dividend payments in June alone totaled $45,121,812, compared with $49,510,157 in June, 1945. The dividend payments for July, according to preliminary estimates, will be up 39.9% from the corresponding month of a year ago.

* * *

Electric Power Consumption Down

The Hydro-Electric Power Commission of Ontario has revealed a decrease of 2.8% or approximately 66,000 horsepower in primary power loads for the month of May as compared with the corresponding month of last year.

* * *

Crop Outlook Good

The condition of spring grain crops in the Province of Ontario at June 15 has been reported by the Ontario Department of Agriculture as quite promising. Pastures which were very slow in getting started this season because of late frosts and dry weather during May were said to have made good growth in more recent weeks due to a more plentiful supply of moisture and occasional warm days. Good progress was also indicated in the seeding of all late crops in the province. The production of creamery butter in Ontario during May was reported as 10.9% less than in the same month of last year.

Canadian Income Taxes To Be Lowered

Under changes announced on June 27 by Minister of Finance J. L. Ilsley the Canadian Government plans to put into effect on Jan. 1, 1947 far-reaching taxation amendments, involving increased exemptions and complex revisions. According to Canadian Press advices from Ottawa the changes will remove from more than 500,000 Canadians the burden of paying personal income taxes and ease the load for the taxpayer generally. A reduction in personal income taxes which will free about one-quarter of the present tax-payers and cut the rates for the majority from 10 to 15% is proposed said Associated Press advices from Ottawa, which in a summary of some of the changes, said:

The new program, effective Jan. 1, 1947, will raise the exemption level for single persons from $660 to $750 and for married persons without dependents from $1,200 to $1,500. This would release between 550,000 and 600,000 persons now paying taxes.

The reductions were announced in Parliament by Finance Minister Ilsley, presenting his budget for the 1946-'47 fiscal year ending next March 31. For the current calendar year the income taxes will remain at their present level, which last October was reduced by 16% from the high wartime level.

Also effective Jan. 1, flat-rate taxes on corporate incomes will be reduced from 40% to 30%. The excess-profits tax is to remain in effect. But effective Jan. 1, it will be reduced from 20% to 15%, and sole proprietors and partnerships will be exempt.

From the Canadian Press accounts, June 27 as given in the Montreal "Gazette" we quote in part as follows:

In brief, Mr. Ilsley estimated the over-all effect of the proposals will be to reduce income tax revenues for a full year, assuming the present level of incomes, by approximately $143,000,000, or about 23%. These reductions will be in addition to the flat 16% reduction in personal income taxes in the last budget.

By the raising of exemptions, taxpayers immediately above the new exemptions will have their taxes reduced by 50 to 75%, with this scaling down to approximately 10 to 15% for the majority of taxpayers.

Here are the main proposals:

1. Exemptions for married persons to be raised from $1,200 to $1,500.

2. Exemptions for single persons to be raised from $660 to $750.

3. All children to be classed as family allowance recipients for personal income tax purposes.

4. Flat deduction of $100 to be allowed from income for each child eligible for family allowances.

5. Flat deduction of $300 to be allowed from income for each dependent over 16 and not eligible for family allowances.

6. Taxation of husband and working wife to be placed on more equitable basis.

7. Board of tax appeals to be established to hear appeals from income tax assessments for 1946 and succeeding years.

8. Complete overhauling and simplification of personal income tax rate structures proposed.

9. Farmers and fishermen to be allowed to pay tax on the basis of their average income over a three-year period.

10. Members of the armed forces to be treated for tax purposes on the same basis as civilians, except those outside the Western Hemisphere who have not gone into the permanent forces by Jan. 1, 1947.

11. Special provisions relating to merchant marine to be withdrawn at the end of this year.

Mr. Ilsley also proposed various other amendments.

Through one of these, a husband and wife each having incomes in excess of $750 annually will each be taxed as single. This was the law until 1942, when the husband was allowed to retain the marital allowances as a means of encouraging married women to take employment in wartime.

David May Elected Dir. of Hunt Foods

David May was elected a director of Hunt Foods, Inc. at the annual meeting of stockholders.

David May

Mr. May is Vice-President and on the Board of Directors of the May Department Stores Company and is in charge of style merchandising for the company's Los Angeles and Wilshire stores. He is a graduate of Stanford University, has taken an active part in the department stores' activities since joining the company, and was appointed Vice-President in 1941.

T. M. Foristall Enters Fin. Consultant Field

Thomas M. Foristall, editor of The Inquiring Investor column of The Wall Street "Journal" for the past 12 years, and affiliated with the Dow-Jones organization since graduation from Harvard University in 1925, has established offices as financial consultant at 70 Pine Street.

Curb Membership Transfer

At a regular meeting of the board of governors of the Curb Exchange on July 3, the transfer of regular membership of Hans S. Rothschild, deceased, to Richard S. Rothschild, Sutro Brothers & Co., 120 Broadway, New York 5, N. Y. was approved.

Cotton and Postwar World Trade

(Continued from page 203)

Beginning in the middle seventies the merchandise trade balance of the United States shifted from an excess of imports to an excess of exports. With the exception of a few years about two decades later this excess has continued unbroken. From that time on we have sold more goods abroad each year than we bought regardless of the shifts in the country's debtor-creditor position. During most of this period the major item on the export side was cotton.

You are familiar, I am sure, with the vicissitudes of our annual export values. Even if we confine ourselves to the peacetime years we find that the swings were wide. For example, our exports fell from $5,241-million in 1929 to $1,611-million in 1932. The importance of cotton in these shipments is in part shown by the fact that whereas cotton exports represented 14% of the total in 1929 they constituted 20% of the smaller exports of 1932. Cotton is an essential commodity of commerce; its use is universal and related to the daily life of the individual consumer.

Decline in Percentage of Cotton Exports

This is, however, only part of the story. For some time after the shift from a net import to a net export balance during the seventies cotton exports represented approximately 40% of our total merchandise exports. From the middle seventies to the beginning of the first world war this percentage ranged roughly from 20 to 30%. American cotton achieved a position where approximately 60% of the total production of the United States was exported. Yet we did not have a monopoly in supplying the world's requirements. About 40% of the raw cotton consumed abroad was represented by that part of our production which was exported. The price of cotton was fixed in the world markets by supply and demand. The heavy annual remittances which the United States as a debtor nation was required to make in payment of interest and amortization simplified the problem of payment for what would have become agricultural surpluses had the means for sale abroad not been so ample.

With this country's shift from net debtor to net creditor the volume of cotton exports in relation to the value of total exports fell. Only during a few years after the end of the first world war did cotton represent 20% or more of the total. After the middle thirties the percentage fell sharply until in each of the years 1938 and 1939 it amounted to only 7%.

I do not imply by these comparisons that the cotton producers of this country can find a satisfactory statistical expression for their exports only in a high percentage of total merchandise exports. Yet the place of basic textile fibers in the world's trade is so closely associated with the level of world prosperity and of standards of life that any rapid decline in the general position of United States cotton is not without significance. The actual percentage may be expected to decline for reasons to be stated later. The sharpness in the drop should not be viewed with indifference.

During the century prior to the first world war goods moved with a relatively high degree of freedom in world commerce. Creditor countries and debtor countries bore a complementary economic relationship to each other. Each needed, in general, what the other produced. Both moved forward to higher production levels in an expanding world economy. Under these conditions the gold standard worked well as a device for providing the world with stable currencies. Our moderate tariff rates proved no real obstacle to the availability of dollars to foreigners for the purchase of our goods. As already indicated, our dividend, interest, and amortization payments were then an important source of dollars and our cotton, as well as other agricultural products, moved in large volume into foreign markets. So long as all conditions essential to moving these commodities into foreign markets existed we had no problem of burdensome surpluses.

U. S. As a Creditor Nation

The history of the United States as a creditor nation applies to a period during which international trade has not been in particularly good economic health. This statement implies no necessary causal connection. Yet it might have a salutary effect were we to indulge in occasional study of this period. During much of the period since the first world war we have assumed, perhaps not always consciously, that world trade can prosper even though sound economic health prevail only at the selling end of the transaction. We know now that an interdependent world, knitted more and more together into a smaller and smaller world community, can not long live in peace half depressed and half prosperous. Ultimately prosperity and peace are likely to vanish together.

The developments in world trade and finance during and after the early thirties are a familiar story. The effect which a trading system characterized by unsound economic practices can have on a single segment of our economy is shown in this country's commercial experience with Germany. The German bilateral trade arrangements with various countries of Europe and Latin America had the effect of diverting the purchase of raw cotton for the use of German mills away from the usual suppliers and toward those countries with which Germany had so-called "compensation" arrangements. These required the other countries to use the proceeds of their sales to Germany exclusively for the purchase of German products. The percentage of Germany's total cotton imports obtained from the United States fell from 75% in 1933 to 60% in 1934, to 28% in 1935, and to 18% in 1938. The drop in these imports was in part compensated by increased imports from a number of other cotton-growing countries. As trade assumed more and more the form of economic warfare the development of synthetic products, often on an uneconomic basis, was given considerable official encouragement. Such developments obviously do not contribute to a sound world trade. Fortunately we have had full opportunity to appraise the evil effects of such policies and have turned our course in the opposite direction.

Postwar International Trading System

The United States has too much at stake to be indifferent to the kind of trading system we shall have throughout the commercial world after the war. We have approximately one-half of the world's industrial capacity. The United States is the world's principal producer of various agricultural products, including cotton. The United States must have a postwar world which can do business with itself. The exchange of goods and services must be in large volume. As a creditor nation we must rely on international trade volume as the means whereby dollars will be available in adequate amount to our foreign customers. We can no longer rely on Americans who are indebted abroad to provide the means whereby our agricultural and other exports can be financed.

Viewed in proper perspective this country's international position can be a powerful constructive force in the postwar world. Our present creditor position, not the nineteenth-century debtor position, must, however, govern our economic thinking. The United States has become a more mature industrial nation since the close of the nineteenth century. By the turn of the century our export of manufactured products was rapidly becoming a relatively larger part of our total shipments abroad. Agricultural products, though remaining large in the absolute, were gradually falling behind as a percentage of total exports. We must expect that in the future the export of certain durable consumer products and other manufactures will rise in value both relatively and absolutely. With this rise total foreign buying power in this country will rise as our purchases abroad of raw materials and other products—also services—rise in consonance with the level of domestic business activity. The export of such products as cotton, will be stimulated under such conditions, not in the sense that the high percentages in cotton production of the late nineteenth century will again be exported but in the sense that cotton shipments abroad can again become a factor in guarding against burdensome surpluses.

A New Policy Required

The foreign trade difficulties, especially in agricultural products, which became associated with our growing creditor position after the first world war were due less to our being at the receiving end of the net interest and dividend account than to the fact that we pursued policies which subjected world commerce to the forces of contraction rather than to the forces of expansion. We found ourselves trying to do business in a world in which more and more countries were suffering from economic "malnutrition" due to foreign exchange shortages. In such a world, buying power tended to decline sharply. The effect of this passed to the supplying countries where surpluses accumulate as a consequence.

The two conditions which are fundamentally necessary if our goods, particularly agricultural products, are to move into world trade after the war are (1) the availability of dollar exchange, and (2) the price which will move the goods in a free competitive market.

The importance of the first is implicit in what I have already said. The Bretton Woods institutions—the International Monetary Fund and the International Bank—the proposed British loan, and the steps under way to broaden the Trade Agreements Program and to undertake, by international agreement, the removal or easing of international trade and exchange restrictions—all these formally recognize foreign trade as a two-way affair. In the long-run our imports must finance our exports. Since the value of United States imports tends to move in direct relationship with the level of national prosperity and well-being we can see all the more clearly that prosperity, even for a single class of producers, is in the long-run possible only under a trading system that permits goods to move into their normal markets in large volume.

The question of price is an involved subject and I am not qualified to discuss it in detail. The history of expanded cotton production in certain foreign countries and of the development of synthetic fibers is quite clear in its implications relative to the price at which American cotton can regain a strong position in the foreign trade of this country. To what extent the answer to the problem lies in mechanization and other technological developments is more clearly within the province of certain other participants here than in mine. Such gains in technology and in correspondingly lower costs of production usually assure wider markets, especially if they continue to a broadening of the base of economic activity.

I have already referred to the longer-range means whereby we hope to maintain international currencies on a stable level and whereby no chronic shortage of dollars will again face the countries trying to purchase our goods and services. As I have indicated, dollars must in the long-run be made available through the exchange of goods and services. Here is where perhaps the International Fund's greatest opportunity lies. While the world is struggling back to the rehabilitation of national economies the chief source of dollars must be found elsewhere. Since many countries require our cotton for immediate purposes of rehabilitation and recovery it is natural that special credits be made available towards this end.

Operations of Export-Import Bank

In its First Semi-Annual Report the Export-Import Bank stated that in October, 1945, a credit line of $100 millions had been set up for the specific purpose of financing exports of raw cotton to European countries. To date the Bank has made allocations to Finland in the amount of $5 millions, to Italy in the amount of $25 millions, to Netherlands in the amount of $10 millions, and to Czechoslovakia in the amount of $20 millions. If fully utilized, this credit would finance the export of approximately 800,000 bales of cotton. Also, a cotton credit in the amount of $33 millions to China was authorized by the Bank in January of this year.

Our real interest lies beyond these interim measures. Machinery for financing our exports is always essential but trade itself must be self-sustaining if economic good health is to prevail at each end of the transaction. In view of the dominant position occupied by cotton in our domestic economy and in our contribution to world commerce I shall take the liberty to quote from my talk of May 24 before the Seattle Chamber of Commerce in observance of Foreign Trade Week:

"The United States has a strong national interest in an expanded postwar trade, not only as a means of maintaining maximum domestic employment and production but also as a means of making the most economical use of our human and material resources. Our interest in foreign trade is broader than economic considerations alone would suggest. Our economic position in world affairs carries with it a heavy responsibility for contributing to world prosperity by working towards a high volume of foreign trade and foreign investment. Moreover, we have too much at stake to warrant overlooking the potentialities for preserving peace by directing our resources to the maintenance of economic progress."

Leverett in Dallas

DALLAS, TEX. — Fred P. Leverett is engaging in the securities business from offices in the Hilton Hotel. In the past he did business as an individual dealer in Dallas.

Securities Salesman's Corner

By JOHN DUTTON

Some years ago, it was during the depression thirties, we met a salesman who was making big money selling vacuum cleaners. There were many house to house canvassers in those lean days. Most of them barely made a living and few stuck to the job long enough to give this difficult selling field a fair test. But this fellow was different—he made big money when other salesmen in his own line (also in the securities business) were just existing.

There is a vast difference between selling vacuum cleaners, on a house to house basis, and selling securities. But there are some fundamental problems involved in selling everything that are of a similar nature; and there is one thing that this vacuum cleaner fellow did that helped him make a success. It can be applied to the sale of securities, or anything else for that matter.

He took an interest in his customers. While some of his competing salesman were only interest in selling a machine and receiving their commission, HE WENT BACK TO SEE HIS CUSTOMERS AFTER HE HAD MADE THE SALE. Several weeks after they had the machine, he would call and ask if there were any questions concerning its operation which the customer might like to have answered. He wanted to be certain that they understood how they should best use all the appliances. Usually the housewife had quite a few questions to ask him. He spent some time in furthering her knowledge of how to get the most benefit from the machine. Then he had some cards made giving his name, his home address and telephone number, as well as his office telephone and address. He told his customer that if anything ever needed attention regarding her vacuum cleaner that she should call him, AND IF IT WERE AN EMERGENCY TO CALL HIM AT HIS HOME AND HE WOULD SEE TO IT THAT PROMPT ATTENTION WOULD BE FORTHCOMING. When he put the vacuum cleaner away in the tool closet or the room where it was kept, he asked the housewife if he could place the card on the back of the door or in some other convenient place, so that she would always have his number handy if needed. This was the beginning of a clientele. THIS LITTLE CARD AND THE COURTESY CALL THAT HE MADE AFTER HE COMPLETED THE SALE WAS THE BASIS FOR HIS SUCCESS. It was not long until he graduated from the ranks of a house to house canvasser, into a salesman who was recommended by his customers to others.

How do you encourage your customers to think about you when their friends want to buy securities? Do you keep in touch with them after they have made an investment? That is where the average salesman falls down. The top producers in the securities business do not wait until they have something to sell their customers, or trade them out of something into something else, before they get in touch with them. THEY ARE ALWAYS REMINDING THEIR CUSTOMERS THAT AS FAR AS THEY ARE CONCERNED THEY ARE THINKING OF THEIR INTERESTS FIRST.

How do you do this? It is the simplest thing in the world. First you get hold of a pair of scissors. Then you subscribe to several of the best financial publications, daily papers, etc. Each morning you sit down at your desk for about fifteen minutes and scan every important announcement regarding companies, industries, business trends etc. You cull out those which will be of interest to your customer. You can also, if you wish, have a few forms printed with your name, telephone number, and your firm's address thereon, leaving a small space blank for your written message. You can attach these personal notes to the clippings, stick them in an envelope and mail them out. You will be surprised that after a while your own customers will volunteer information regarding some securities that even you never dreamed that they owned. You will increase your opportunities for doing business with your regular customers by this fact alone. And if you want them to remember you when they think of stocks and bonds, just try it for a while.

We are always interested in the people who are interested in us. If you want customers who don't have to be sold—prove to them that you are not only capable of helping them in a better way than they can help themselves—but also that THEIR WELFARE IS FOREMOST IN YOUR MIND. You can be your own best advertising agency—all it takes is a scissors, some financial papers, and Uncle Sam's mail.

Coxon To Be Partner In Hallgarten & Co.

Hallgarten & Co., 44 Wall Street, New York City, members of the New York Stock Exchange, announces that it proposes to admit Thomas T. Coxon to a general partnership in the firm on Aug. 1, 1946. Mr. Coxon joins Hallgarten after having been Vice-President and Director of Mellon Securities Corporation, in charge of its New York office since 1938. He previously had been Assistant Vice-President of the Bankers Trust Company. Mr. Coxon graduated from the University of Wisconsin in 1922.

Thomas T. Coxon

Hallgarten & Co., established in New York in 1850, is one of the oldest investment houses in the country. The firm has been identified with the underwriting and distribution of security issues both in this market and abroad. In addition to offices in this country, Hallgarten & Co. maintains offices in London and Geneva, and is represented elsewhere in Europe. Its partners serve on the boards of directors of some of the country's largest corporations.

Wall St. Softball League Standings

The only play in the Wall Street Softball League during the week ended July 6 took place in the Shorts Division, Hirsch & Co. having captured the pennant in the Longs Division in the previous week with a record of 10 victories and no defeats.

In the Shorts Division the New York Curb Exchange took a double header from Carlisle & Jacquelin by 8 to 4 and 8 to 0 scores, Carl M. Loeb, Rhoades & Co. bested the Stock Exchange Bond Brokers in two games, 7 to 3 and 3 to 0, and F. V. Foster won a twin bill against Goldman, Sachs & Co. 5 to 0 and 8 to 3.

By virtue of their double victory and the upholding of their protest of a game which they lost earlier in the season to Carl M. Loeb, Rhoades & Co., the F. V. Foster team this week took over first place in the Shorts Division with six wins and one loss. The Curb Exchange, which dropped to second place for the first time this season with seven victories and two setbacks, meets the Foster aggregation in a single game this week, while F. V. Foster will also meet Carl M. Loeb, Rhoades in a double header to determine the division pennant winner.

Pennant winners in each division will meet later this month to play for the league championship.

LEAGUE STANDINGS

"Shorts" Division

	W.	L.	Pct.
F. V. Foster	6	1	.857
N. Y. Curb Exchange	7	2	.777
C. M. Loeb, Rhoades	5	2	.714
N. Y. S. E. Bond Brokers	3	6	.333
Carlisle & Jacquelin	3	6	.333
Goldman, Sachs & Co.	1	8	.111

"Longs" Division

	W.	L.	Pct.
Hirsch & Co.	10	0	1.000
DeGoppett & Doremus	6	4	.600
Harris Upham & Co.	5	4	.556
Security Traders of N. Y.	3	6	.333
Merrill Lynch, P. F. & B.	3	7	.300
Orvis Bros.	1	7	.125

Bradford in Bakersfield

BAKERSFIELD, CALIF. — George L. Bradford is engaging in the securities business from offices in the Haberfelde Building.

Individual Freedom and Industrial Peace

(Continued from page 201)

incentive for individual progress in every field. It encouraged experiments in departure from frozen tradition.

Our foreign policy must be based on freedom. The only justification for our recent wars and our membership in the United Nations is the desire to maintain the freedom of our people, protect them from attack and the threat of attack. Certainly, we did not go to war to reform the world.

Totalitarian Ideas Rule

But freedom has faded and totalitarian ideas rule. Even our people seem to put a good many other considerations ahead of freedom. In a complex, modern community, there are so many other considerations and so many conflicts that we forget the original purpose of our Republic. Inevitably, as a community becomes more complicated, more limitations must be imposed on freedom, because too much freedom for some interferes with the freedom of others. We have to impose traffic regulations for automobiles, traffic regulations for business, even traffic regulations for labor. But the purpose of regulations should be to preserve freedom and opportunity. We should not regulate for the sake of regulation. Too many do-gooders, and too many government officials want to run the lives of other people, because they consider themselves experts who know what is good for the average man better than that man can ever know himself. The key to nearly all the conflicts in government during the past 12 months is the battle between the advocates of a planned economy and those who believe that progress can only be achieved through the freedom of the individual and of economic activity. The advocates of a planned economy want more power in the President, more power in Washington, more regulation of industry, labor, agriculture, foreign commerce and domestic commerce. They want to retain all the extraordinary powers granted during the war. Those powers had to be granted without regard for individual freedom, for the sole purpose of turning this country into a military and economic machine, in order to assure national freedom. They are just the kind of powers that frankly limit or destroy freedom. I have tried to get rid of the war powers as soon as possible and rely on the incentive provided by our free system to get more production, more employment and a higher standard of living.

Opposes An All-Powerful State

In general, I have not been opposed to the extension of government activity as such, but I have been opposed to it when it tends to build up an all-powerful state as opposed to individual freedom. What I look at with particular suspicion is the type of legislation which gives Federal boards a lot of power to regulate other people. On the other hand, I do not see that extension of government activity in the field of social welfare, if properly administered, can interfere with freedom. In many cases it is necessary to assure freedom and opportunity to families and to children who do not otherwise have it. I have, therefore, sponsored the general housing bill to provide low-rent housing, and the bill to extend Federal aid to education in those States which do not have sufficient funds to provide a decent standard of education. I rewrote and supported in the Senate the General Hospital Bill. I have introduced, with Senators Ball and Smith, a bill to extend Federal aid in the field of medical care so that hospital and medical care may be available to all. I don't like the Murray-Wagner-Dingell bill, because it gives the Federal Government power to employ and direct the entire medical profession in the United States. I believe that medical care will be better under our plan and without the loss of local, individual and professional freedom involved in the supplying of all medical care by the Federal Government.

In the field of labor legislation, I have tried to follow the same basic principles as in the other fields I have discussed. I sat through long hearings on the Wagner Labor Relations Act in 1939, and several other hearings since that date. We conducted extensive hearings this year on the President's proposal for fact-finding boards now almost forgotten, and on the so-called Case bill sent over to us by the House of Representatives.

Freedom in the labor field has not always existed in the United States. The purpose of past labor legislation, the Clayton Act, the Norris-LaGuardia Act, the Wagner Act, was to build up the strength of labor so that it might have equality in dealing with the employer. Only thus could there be any real freedom for the working man, or freedom of collective bargaining such as usually exists in the commercial field. It is quite true that these laws were one-sided and conferred special privileges on labor, but such action was necessary to secure equality.

Wants No Arbitrary Power in Unions

On the other hand, these laws were not intended to and they should not confer arbitrary and unfair power either on labor unions or on their leaders. I believe that through various interpretations of the administrative boards and of the courts, they are conferring some arbitrary and unfair powers which have led some unreasonable men to make unreasonable demands with the belief that they could successfully insist upon them. Most of the Case bill provisions attempted to redress court interpretations of the law, which I don't believe were ever justified by the laws themselves. But certainly, the basic laws which raised labor to an equality in dealing with their employers must not be changed in substance.

Perhaps partly because the redressing of economic injustice was overdone, we have been faced with a wave of strikes. The public has been needlessly inconvenienced, and in the railroad and coal strikes threatened with hardship and even starvation. The demand arose that strikes should be prohibited.

My own conclusion, after studying the problem and listening to the evidence, is that strikes cannot be prohibited without interfering with the basic freedom essential to our form of government. We cannot make one man work for another man and deny his right to quit, if he is to retain freedom at all. Such a system would have to be based on compulsory arbitration of wages. This means that the government in the end fixes wages. If the government fixes wages, it must also fix prices. If it fixes prices, it must direct distribution. The prohibition of strikes and compulsory arbitration lead, therefore, to a completely government-controlled economy.

In certain economic fields we have already had to limit freedom to prevent monopoly. In public utilities we now fix rates and direct distribution, and we could perhaps impose compulsory arbitration in that field without the danger I have described. But even in that field, I think it would be a serious limitation of individual freedom.

Cannot Regularize Collective Bargaining

I do think we can regularize the collective bargaining process. In the Case bill, we established a Federal Mediation Board and prescribed the procedure which must be followed by employer and employee in collective bargaining before a strike occurs. We imposed some penalties for lockouts or strikes which occur within 60 days of the time that contract negotiations are opened by either party. Such a measure is a strengthening of collective bargaining rather than any limit on its freedom. As in the Railroad Mediation Act, we provide for mediation and efforts to secure voluntary arbitration. We go no further, except in the public utility field where we felt that a government fact-finding board might properly indicate the correct decision and the justice of the case between the two parties, so that the public could judge.

I believe all members of the Committee felt, however, that government wage fixing, or compulsory arbitration, or government seizure would wreck the freedom of collective bargaining. If government decision is always in the background, one party or the other will believe that it can get a better result by breaking up the conference and leaving the question to be decided by the government. The tendency would be more and more towards government interference until we had, in effect, government wage fixing, and no freedom for either employee or employer.

Incidentally, the idea that government intervention will prevent strikes is, I think, wholly mistaken. In a short time, any dissatisfaction with the government decision might well lead to strikes and lockouts. Then the government seeks more power to enforce its decisions. The ultimate result is shown by the proposals made in the Truman Emergency Act that the government seize plants, draft workers, officers and labor leaders, and seize the employer's profits. This is a logical conclusion to the theory that the government should prohibit strikes A democratic government cannot prohibit strikes and remain a democratic government.

We have just seen a dramatic episode in labor legislation. You will remember that President Truman last December, proposed government fact-finding and the 30-day cooling off period. His bill met with little approval, but the labor committees finally recommended a mild form of mediation procedure. The House substituted the Case bill. In the Senate, the minority report recommended legislation along the same lines, but much more carefully worked out and containing an independent Mediation Board, extending government mediation as far as we thought it could be extended without violating the principles of freedom. We recommended a number of amendments to existing labor legislation. While our minority bill was denounced, the very weakness of the President's veto message showed how unsound were the arguments against it. It would have deprived unions of some of the extreme powers which I believe were conferred on them by the courts rather than by Congress. But it would have left them on a full equality with the employer.

The President, however, was much concerned. The famous memorandum containing "proposals for a legislative program in strike situation" which appears in the Congressional Record of May 25, states clearly the motives behind the course of the Administration: The memorandum stated that "adoption of the Case bill will put the President on the spot. He cannot afford to veto it in the absence of a more concrete program of his own." The memorandum then proposes a program, but one which was not particularly important. The occurrence of the railroad strike, however, produced a tremendous excitement on the part of the Administration. It looks to me as if they lost their sense of logic or balance. Their program was expanded to include seizure, drafting and confiscation. It certainly served the purpose of distracting attention from the Case bill. The President appeared before Congress at 4 o'clock Saturday afternoon. He knew at the time that the railroad strike was settled; or practically settled. He knew that the coal strike was on the way to settlement. Yet he demanded extraordinary power for a year of peace, greater than President Roosevelt had ever sought in time of war, and demanded that both Houses of Congress pass his bill, which they had never seen, before adjourning that night. In effect, the President demanded that he be given the right to declare himself a dictator over labor and industry at any time during the next 12 months when he might choose to declare that an emergency existed.

If we wish to retain freedom in this country, we must maintain a rule of law. You may or may not approve of the Case bill, but it was an attempt by deliberate legislative processes to write rules of law governing certain limited phases of the labor situation. The President's demand was that Congress grant to him arbitrary power to do as he might choose regardless of law. He demanded power to draft men into the Army on such terms as he might see fit to declare. In other words, while the men were to be drafted, they were entitled to none of the rights of soldiers. He could fix the compensation at 10 cents a day. He could feed them or starve them. He could march them to work on the seized property, or to labor camps, or to concentration camps. Executives of the companies could be drafted and paid any salary the President might fix. Some one with a perverted sense of vengeance even wrote in a provision that union officers could be drafted. For what purpose, except punishment, is not very clear.

I need only describe this bill to show how completely it offended every principle of government policy in which I believe and every principle of sound labor legislation. I was certainly determined to block immediate consideration Saturday night, and successfully did so. The next week the Senate struck out the labor draft provisions by a vote of 63 to 10, and modified many other of the drastic penalties. I voted against the bill, however, on final passage, because I do not believe that government seizure is a proper procedure as an integral part of any constructive system of regulating collective bargaining or labor disputes. Furthermore, the bill still contained a provision for court injunction against all members of the union who engaged in the strike, so that they might all be punished for contempt and sent to jail simply for refusing to work. Even the Smith-Connally Act confines its penalties to those who actively direct a strike.

Later the President vetoed the Case bill, I think with the mistaken idea of receiving some labor approval after the tremendous condemnation which greeted his own proposal. Now, I suppose he will sign his own emergency bill which suspends the Norris-LaGuardia Act, attempts to prohibit strikes, and threatens every striker with jail in case of government seizure.

I have never seen such an inconsistency and apparent ignorance of the principles of labor relations as exhibited by the President in this crisis.

I think I should add that under certain circumstances, I would vote to give the President dictatorial powers just as I voted for some dictatorial powers to carry on the war. No government can permit itself to be destroyed or its people to be starved. In the case of a general strike, the government must exert every possible power to preserve the people. While I would not deprive the railroad workers of the right to strike, I do not think that railroad workers have the right to impose economic paralysis, and even starvation, of the people of the nation. But I believe the power of the government to step into such a situation and operate the necessary services itself is one which should only be exercised in the greatest national emergency. No President should be given the power to decide when that emergency exists, for we have become so used to emergencies the Presidents sign proclamations without real thought or consideration. Only Congress, by joint resolution directed at a particular emergency, should bring into being the powers needed for that particular occasion. Just as Congress only can declare war, Congress only should be able to declare that a national strike situation is equivalent to war. When the immediate emergency is over, the powers should cease.

Asks Study of Labor Legislation

Now that the President has vetoed the Case bill, Congress should devote still more study to the principles and proper scope of labor legislation. No one can claim that the present situation is ideal or even satisfactory. I do think that Congress understands —as the President does not—the fundamental principles of labor legislation. I think Congress is determined to preserve the freedom of labor and industry alike. I hope that the labor leaders will not maintain the position to which they have recently tended, that any legislation dealing with labor is necessarily bad and indicates an anti-labor position on the part of any one who sponsors it. The leaders of labor know more about labor relations than anyone else in this country, and I welcome their cooperation in preparing the soundest legislative program we can find, to promote industrial peace in the United States based on equality and freedom.

Former Government Counsel Form New Firm

Telsey, Lowenthal and Miller opening offiices in New York and Washington.

Three government lawyers formerly prominent with war agencies have established a law partnership under the firm name of Telsey, Lowenthal and Miller.

Leon G. Telsey was formerly Agency Counsel, New York Loan Agency of The Reconstruction Finance Corporation and counsel for its affiliated corporations. He returned from active duty as Lieutenant Commander, United States Coast Guard Reserve. Abraham M. Lowenthal was formerly Assistant General Counsel, Office of Alien Property Custodian. Joseph F. Miller was formerly Director, Legal Division, New York Regional office of Real Property Disposal, War Assets Administration, and counsel, Reconstruction Finance Corporation and affiliated corporations.

Herbert G. and Samuel A. Telsey will also be associated with the firm.

The offices will be located in New York City at 55 Liberty Street, and in Washington at 1011 New Hampshire Ave., N.W.

Cornell Elected Director

John J. Connell has been elected a director of Neville Island Glass Company, Pittsburgh, Pa. Mr. Connell recently returned to Amott Baker & Co., 150 Broadway, New York City, after four years' service in the Navy.

Schram Hds. Campaign For Visiting Nurse Fund

Emil Schram, President of the New York Stock Exchange, has accepted the chairmanship of the 1946 fund raising campaign of the Visiting Nurse Service of New York, it was announced by James L. Harrison, President of the organization. The drive will open Oct. 9, Mr. Harrison said, and the goal will be announced later.

Emil Schram

Mr. Harrison also revealed that Mrs. D. Brewster Jennings of 770 Park Avenue and Glen Head, L. I., has accepted the chairmanship of the Women's Division of the campaign, for the second consecutive year.

Enlistment of the divisional chairman and committee members for the drive will begin immediately, he said.

Mr. Schram has been President of the Stock Exchange since 1941. Prior to his election to that office, he served as Chairman of the Board of the Reconstruction Finance Corporation. He is a member of the Executive Committee of the Business Advisory Council of the U. S. Department of Commerce and also a member of Mayor O'Dwyer's Business Advisory Council.

Edgar Payson Dies

Edgar Robinson Payson, retired investment banker, died at the age of eighty-nine after an illness of four years. Mr. Payson was formerly affiliated with the Portland Water Company and later was connected with H. M. Payson & Co., Portland investment firm, from which he retired in 1927.

Bank and Insurance Stocks

By E. A. VAN DEUSEN

This Week — Bank Stocks

An analysis of the mid-year reports and balance sheets of sixteen leading New York City commercial banks reveals somewhat mixed results.

Two earnings tables are presented below. Table I shows the half year earnings of the nine banks which reported their operating results, and Table II shows indicated earnings for the seven banks which published only their balance sheets.

TABLE I

Per Share Earnings as Reported by Banks

	First Six Months 1945			First Six Months 1946		
	Net Oper.	Net Secur.	Total Net	Net Oper.	Net Secur.	Total Net
Bank of Manhattan	$1.50	$0.48	$1.98	$1.40	$0.57	$1.97
Chase National	1.14	0.57	1.71	1.30	0.34	1.64
*Chemical Bk. & Tr.	1.79	0.90	2.69	1.56	0.81	2.37
First National	--	--	59.53	--	--	55.45
Guaranty Trust	8.53	3.19	11.72	10.87	0.46	11.33
Irving Trust	0.68	--	0.58	0.73	--	0.63
†Manufacturers Trust	--	---	2.79	--	--	2.64
‡National City	1.35	0.67	2.02	1.55	0.60	2.15
New York Trust	3.80	0.24	4.04	3.73	1.17	4.90

*Based on 2,000,000 shares in 1945 and 2,500,000 shares in 1946.
†Based on 1,650,000 common in 1945 and 2,062,500 common in 1946.
‡Including City Bank Farmers Trust.

It will be noted that Chase, Guaranty and National City report higher net operating profits thus far in 1946 compared with 1945, but lower net security profits; Irving also reports higher net operating profits but a net security loss. On the other hand, Bank of Manhattan and New York Trust report lower net operating profits but higher net security profits. Chemical reports lower net per share for both operating and security profits; but the number of shares outstanding are 25% greater this year, and aggregate net profits to the bank are actually higher in both categories.

First National, and Manufacturers report total net earnings without differentiation between straight operating profits and other profits. First National's results are lower thus far than in 1945, but in the case of Manufacturers, total net earnings to the bank are substantially better, although on a per share basis they figure 5% lower on 25% more shares.

TABLE II

Indicated Earnings Per Share

	1945			1946		
	1st Qtr.	2nd Qtr.	Six Mos.	1st Qtr.	2nd Qtr.	Six Mos.
Bank of New York	$8.08	$7.66	$15.74	$6.51	$5.94	$12.45
Bankers Trust	0.92	0.89	1.81	0.90	0.61	1.51
Central Hanover	1.50	1.50	3.00	1.50	1.50	3.00
Commercial Nat'l	1.06	1.10	2.16	0.97	0.99	1.96
Corn Exchange	1.18	1.21	2.39	1.33	1.31	2.64
*Public National	1.08	1.19	2.27	1.11	1.12	2.23
U. S. Trust	7.97	7.84	15.81	9.22	9.16	18.38

*Based on 440,000 shares in 1945 and 550,000 shares in 1946.

"Indicated Earnings," which are calculated on the difference in book values between quarters plus dividends, can be very misleading. In the case of Central Hanover, quarterly dividends only are shown, book values remaining unchanged, thus indicated earnings of $1.50 are meaningless.

During the second quarter of 1946 aggregate deposits and assets of fifteen banks, (Commercial not included), have changed as follows:

	Deposits ($000)	U. S. Gov'ts. ($000)	Loan & Discounts ($000)	Total Earning Assets ($000)
March 31, 1946	25,789,734	15,032,594	6,953,120	23,467,600
June 30, 1946	25,808,045	14,231,838	6,086,665	21,761,800
Change ($)	+ 18,311	—800,756	—866,455	—1,705,800
Change (%)	+ 0.1%	— 5.3%	— 12.5%	— 7.3%

Although aggregate deposits are fractionally higher than they were at the end of the first quarter, the following six banks report a moderate decline in deposits: Bank of Manhattan, Bankers Trust, Chase National, First National, Irving Trust and National City; the remaining nine banks report higher deposits. Aggregate loans and discounts are down 12.5%, but Corn Exchange and Public National show a moderate expansion. With regard to governments, Central Hanover and U. S. Trust report a small increase, though the 15 banks as a group are 5.3% lower. Total earning assets for the group are 7.3% below their first quarter figures; Public and U. S. Trust, however, report slightly higher figures.

On March 31, 1946, the total earning assets of these banks represented 91.0% of deposits; on June 30, 1946, the ratio was 84.3%. It is clear that the banks today are not as fully invested as they were three months ago.

Examination of the Member Bank figures for New York City are pertinent at this point, as follows:

(Millions of Dollars

Date	Tr.Bills	Tr. Ctfs.	Tr. Notes	U. S. Bonds	Tot. U.S.G
April 3, 1946	$311	$2,987	$2,357	$9,377	$15,026
June 12, 1946	256	2,616	2,024	9,845	14,742
June 26, 1946	167	2,801	2,018	9,303	14,289
July 3, 1946	375	2,972	1,480	9,325	14,152

It will be noted that the banks have been selling their low interest short-terms throughout the quarter, but were buying long-terms up to the middle of June. Since June 12th however, they have sold long-terms, reducing their total holdings to a point below that of April 3 and also March 26, when the figure reported was $9,327,000,000. The report for July 3 reflects the July 1st retirement by the government of maturing notes, amounting to more than half a billion dollars, and also indicates that the banks are again increasing their long-terms.

With regard to loans and discounts of the 15 banks, which declined $866,455,000 or 7.3% during the quarter, according to the reports of the Member Banks this decline was largely in loans to brokers and dealers, etc., for commercial and agricultural loans declined only 3.5%. Doubtless commercial borrowing in any volume is being held back temporarily by the uncertainty over the fate of the OPA, to say nothing of its restraining influence on enterprise. When business really gets going the banking figures will reflect it.

Britain Views OPA Veto

(Continued from first page)

effective in checking the vicious spiral which was set into motion.

I used the word "feared" advisedly. In normal conditions a rise in the price level of an industrial country would be welcomed by other industrial countries, since it would tend to improve their competitive position. Today this consideration does not arise. Generally speaking, British industries are able to export as much as they can produce, and considerations of relative costs play a relatively subordinate part in the export drive. What matters is the possibility of early delivery. British industries do not therefore expect to gain any advantage from a rise in the prices of American manufactures — at any rate not during the next year or two, while the export boom continues.

Nor do British exporters expect to gain anything after the end of the export boom, when comparative costs become once more the decisive factor in the revived scramble for markets. It is generally assumed here that as soon as the overvaluation of the dollar begins to handicap American exports the United States will seek — and is certain to obtain — permission of the International Monetary Fund for a devaluation of the dollar on the ground of fundamental disequilibrium.

Meanwhile the higher American prices will mean for Britain an increased expenditure on imports from the United States. This will be bad for the British balance of payments, and the gold and dollar reserve, together with the proceeds of the dollar loan—if ratified—will be used up at a more rapid pace. It is pointed out that the dollars of the loan are already worth 10% less than they were when the loan was concluded, and will depreciate considerably more in terms of American goods before they are spent. At the same time, it is feared that in five years' time, when repayment will begin, the American price level will have relapsed, so that the loan, spent when dollars were depreciated, will have to be repaid in appreciated dollars.

A much more immediate cause for concern is that the rise in the American price level is likely to cause a further rise in the price of imported goods in Britain, unless the Treasury further increases the amount spent on subsidizing essential foodstuffs and primary necessities. If the rise is allowed to take place it will initiate an inflationary boom, and the Government is very anxious to avoid this. If subsidies are increased the budgetary deficit grows, and hopes of a reduction of taxation fade away.

Over and above all, it is feared that the rise in prices in the United States will result in a boom there, followed by a slump. And it is now widely realized over here that, as a result of the Loan Agreement and the Bretton Woods plan, it will be impossible to isolate the British economy from the effects of the ups and downs of American trade. This consideration, together with the fact that the real value of the dollar loan is falling from day to day, has materially increased the unpopularity of the loan. So much so that many people who until now were either in favor or at least neutral are now hoping against hope that, as a result of the Zionist agitation, or of the conflict between the President and Congress over price control, the House of Representatives might yet reject the loan.

Should these hopes materialize, Britain would have to reduce to a minimum her purchases of American goods, which fact in itself would reduce to a minimum the effect of the rise of American prices on the British price level. With the aid of reinforcing bilateral and Imperial trade and currency arrangements, it is hoped to be possible to isolate Britain's economy from the effects of American boom and slump.

Most people realize, however, that the chances of a rejection of the loan are very slender. They face the future in a fatalistic frame of mind. If a slump, following on a boom, in the United States is inevitable it is bound, they say, to lead to the breakdown of Bretton Woods, and Britain would regain her freedom to work out her salvation in a way that is best suited to her present conditions.

Halsey Stuart Group Market Brooklyn Union Gas Co. Bonds

Halsey, Stuart & Co. Inc., headed a group that made public offering July 10 of $34,000,000 general mortgage bonds 2⅞% Series due 1976, of The Brooklyn Union Gas Co., at 103% and accrued interest. The bankers were awarded the bonds at competitive bidding on July 9, with a bid of 102.2839.

Proceeds, together with the amount necessary from the general funds of the company, will be applied to the redemption, on or about Aug. 15, 1946, of the $29,240,000 principal amount of general mortgage Sinking Fund Bonds 3½% Series, due Sept. 15, 1969, and the redemption on or about Sept. 1, 1946 of $4,760,000 of 25-year 4% Sinking Fund Debentures, due Sept. 15, 1969.

The bonds are redeemable in whole or in part, at prices ranging from 106% to 100%. The sinking and improvement fund calls for the retirement of $293,104 principal amount of the 1976 Series Bonds, on June 30 of each year, beginning with 1947. Special redemption prices range from 103% to 100%.

Incorporated in New York in 1895, the Brooklyn Union Gas Co. is a public utility operating company. The principal business of the company consists of the manufacture and sale of artificial gas for residential and business purposes. The territory served constitutes about 105 square miles, comprising 30 of the 32 wards in the Borough of Brooklyn, New York, and two of the five wards in the Borough of Queens. Chiefly due to improving transportation facilities, Queens, prior to the wartime restrictions in building, was one of the fastest growing boroughs of New York City and it still has extensive undeveloped areas.

United States Census figures indicate the population of Brooklyn and Queens has increased rapidly since 1900. The population of the territory served by the company is about 2,800,000.

Three Vice-Presidents For Pitman & Co.

SAN ANTONIO, TEX.—Pitman & Company, Alamo National Building, announce that Leavitt Corning, Jr., Leslie H. Lentz, and Frank R. Newton, Jr., have become associated with the firm as Vice-Presidents. All have been returned to inactive duty from military service: Mr. Corning served as Lieutenant Colonel in the Army Air Forces; Mr. Lentz was a Major in the Finance Department of the U. S. Army; and Mr. Newton served as Commander in the U. S. Naval Reserve. In the past Mr. Lentz was a partner in Lentz, Shaughnessy & Farquhar of San Antonio.

Prospects of Transition Inflation

(Continued from page 199)

initiated. This is not a prophecy which can be recommended for individual guidance in business or speculative operations, because it does not predict in sufficient detail the actions that may be taken by such agencies as the Federal Reserve System, the Treasury, the OPA, nor predict the success that is likely to attend their efforts. Neither does it undertake to formulate for public authorities a detailed program of monetary and fiscal reform. Pamphlet No. 8 in this series will deal with the technicalities of credit control and their applications to the postwar era. Our purpose here is to analyze the situation that the control agencies will have to deal with, rather than to say what they will or should do about it. Such an analysis is the necessary first step toward the formulation of a control program.

General Character of the Transition Era

The economic setting of the transition period can be forecast more precisely than that of the years after industry has been fully reconverted to a peacetime basis. If we were drawing up a plan for 1950-52, we should have to guess whether we shall have a labor force of 55 million or 60 million; whether, and how much, productivity will prove to have been affected by both wartime stimuli and wartime deterrents to investment, research, and technical education; how the savings habits of people will be affected by changes in the level of income and the volume of employment; what will happen to interest rates; and what will be the impact of government policy and trade union policy on wages and the form of labor relations. Looking forward five or seven years we cannot be certain whether our price problem will be one of inflation or deflation; whether we shall have a longer or a shorter work week; whether liberalism or mercantilism will characterize our foreign trade policy; whether the Treasury will be operating with a surplus or a deficit.

For the period of demobilization and reconversion, the case is much clearer. We know that taxes will be lower than in 1945, but high by prewar standards. We know that in comparison with the war years the Government deficit will be very small. We know that there will be a huge export demand for both consumption goods and replacement capital goods and that our imports will be much smaller than our exports. Civilian durable goods, especially automobiles and houses, will be demanded in volume exceeding their supply, regardless of whether the general situation is one of boom or depression.

Some of the wartime controls are already being abandoned or losing their effectiveness, and others will become ineffective during the next year or two. For example, the Victory Loan was announced as the last of the bond drives. Consumer rationing is nearly gone and controls over materials have been greatly reduced in scope, and wage controls have been weakened. Some wartime controls are being reintroduced, but they meet increasing public resistance.

The following factors in the current situation are extremely favorable to an orderly reconversion:

(1) The re-allocation of workers started in a situation in which there were more jobs than job-seekers in the civilian economy. This is still true eight months after V-J Day, with more than half the Army and most of war industry already demobilized. To some extent the workers are more versatile, having acquired new skills in addition to those which they had already, though it seems likely that only in a minority of cases are the newly acquired skills of much value.

(2) The financial situation is favorable to investment. A large proportion of the businesses that will have to make substantial investments to get on a civilian basis are in a strong liquid position. Although in some industries a large investment in fixed capital must precede an expansion of output to the scale which the market would justify, the indications are that ample private capital is available.

(3) In a wide range of industries the market situation is probably more favorable for expansion of output than it ever was before. There are backlogs of demand for almost everything durable, an unsatisfied current demand for a wide range of nondurable goods and services, and a large volume of liquid funds in consumers' hands. A year ago there were widespread fears that transitional unemployment and transitional loss of business income caused by the demobilization of war industries would engender a slump in consumer buying and start a downward spiral of business liquidation, distress sales, falling prices and secondary unemployment. Nothing of the sort has happened or is happening today. Though there are a few conspicuous exceptions to the general trend, the upward pressure on prices is still strong. Whatever danger this pressure may threaten from the standpoints of long-run stability and of equity in distribution, the strength of the market is a factor highly favorable to reinvestment and reconversion.

(4) As compared with 1941, a larger proportion of workers have funds sufficient to move themselves and their household goods, and to support themselves while choosing employment. This is slowing up re-employment and the recovery of production for civilian use, but is an important factor in the favorable market situation mentioned in the preceding section.

Against these favorable factors must be set the widespread dissatisfaction of management with current prices and of labor with current wages. Accidents of price control administration distort the relative profitability of different lines of production, and management tends to allocate resources to the lines where ceilings are most favorable rather than those where unsatisfied demands are greatest. Controls designed to prevent wage increases have been restored in weaker form after being abandoned, but Government influence is directed toward encouragement of substantial wage increases. Competition, in a sellers' market, works in the same direction. Wage increases generate demands for higher price ceilings. In dealing with these demands, the price control agencies are confronted with a delicate problem in balancing the risk of a runaway inflation against the risk that restrictive measures will obstruct the process of reconversion.[1]

This summary of the characteristics of the transition area has omitted one important variable, namely, the direction of movement of prices. Will reasonable stability of prices in the transition era depend on successful planning to maintain public buying power, or on continued efforts to check its excessive use? In other words, should public price policy be aimed primarily at prevention of inflation or of deflation? Before this question can be discussed intelligently it is necessary to analyze the concept of inflation and the process by which inflation is generated.

Concepts of Inflation

In this paper, as is customary, we shall apply the term "inflation" to all sharp increases in the price level, as measured by any representative retail or wholesale price index.[2] However, since price movements differ widely from case to case as to their causes, their effects, and their suceptibility to control, we shall distinguish four types of inflation, and devote most of our space to the types that are of current or early prospective importance.

The first class, which we shall call sporadic inflation, consists of cases in which the average of a group of prices rises because of sporadic increases in individual prices due to abnormal shortage of specific goods. This does not mean mere market shortages due to distortions in the price structure—particularly, cases in which costs have risen because of upward adjustments in wages or raw material prices and ceilings have not been adjusted to make production profitable. It means cases in which supply is restricted by physical conditions which can-

(Continued on page 222)

[1] Controlled wages held too low in proportion to prices might stimulate an investment boom; the reverse error might destroy the incentive for industry to convert to a peacetime basis. Moreover, even perfectly reasonable controls known to be temporary may lead to postponement of business operations.

[2] The writer would prefer to define "inflation" as meaning a rise in prices which is apparently due to an increase in the supply of money. This differentiates inflation from "rising prices" by both excluding what is called in the text sporadic inflation, and the increases which are associated with recovery from depression. But the term "inflation" is used in popular speech so loosely that an attempt to tie ourselves to a narrow definition would lead to misunderstanding, since readers generally interpret a word in accordance with their own understanding of its meaning, regardless of an author's explicit statement that he uses it to mean something not quite the same.

Prospects of Transition Inflation

(Continued from page 221)

not be cured quickly. In most such cases the shortage of current production is paralleled by a backlog of deferred demand. Under these conditions free market prices would be very high, and the price increase would do little to hasten the restoration of supply. Typical cases are increases in the prices of food following a crop failure, of manufactured articles following the formation of a successful monopoly which curtails the output, and of commodities whose production has been interrupted and capacity curtailed by war. The postwar shortages of automobiles, housing, silk, and tin are cases in point. The prices of these things, if not controlled, would rise very sharply from their present levels even if monetary conditions were such that most commodities showed little or no upward tendency.

This type of price disturbance does not call for correction by credit contraction or restrictive fiscal policy. To rely on such controls would amount to an attempt to push other prices down to compensate for the rise in the prices of the scarce items. The forced decline of demand for goods not unusually scarce would tend to cause unemployment in those industries without helping the situation in the area of shortage.

On the other hand, this situation is the one in which direct price control, if skilfully used, is most likely to be beneficial to the community at large. Such control is most appropriate in cases where the scarce commodity is so widely used, or so essential to certain persons, that the community will not tolerate allocating it on the basis of ability to pay a high price. We would not tolerate the use of price to allocate salt if it became rare, nor to allocate a drug which would cure meningitis during an epidemic of that disease, though we do not object to prices being used to allocate beaver skins and yachts. Selective control is also justified, though not so imperatively needed, whenever the demand for a scarce commodity is so strong that uncontrolled prices would go up more than is necessary to stimulate the recovery of production, creating windfall profits for those who are lucky enough to control the limited supply.

It is to be emphasized, however, that in cases of physical shortage, price control is at best a palliative. It does nothing to hasten, and may delay, the restoration of normal supply conditions. Nor does it help in determining who shall get the short supply and who shall go without. Unless coupled with a plan of rationing, it leaves the allocation to be effected by dealer favoritism or the formation of queues or the tossing of coins. Or else those who have leisure and patience to chase advertisements and investigate rumors fall heir to the priorities which in the absence of price control would accrue to those who are willing and able to pay the highest prices.

Little more need be said about the sporadic type of inflation. It is obvious that in this meaning of the term we do have inflation and are likely to have it for six months or a year. We shall need selective price control, therefore, until the supply bottlenecks are widened. But the area of shortage is much less than the whole economy and is contracting.

The second type of inflation we shall call montary inflation. This is an over-all adjustment of prices to an increased supply of money, which is not accompanied by a corresponding increase in the demand for cash balances nor offset in its price effects by a corresponding increase in the flow of goods and services.[3] In the absence of control, the excess of money above the desired level of balances leads to accelerated spending. This raises the scale of production (if there are unemployed resources) or causes higher prices, or does both. The expansion continues until prices and the volume of trade reach a level where the money supply is no longer excessive. Unless by this time a speculative boom has been generated (see below), the price trend will level off. This is the most frequent type of inflation. In United States history it has been illustrated by the cases of 1915-16, the recovery from the price collapse of 1921, and the upturn of 1933-35. In fact, a moderate price inflation of this general type characterizes the later stages of almost every period of industrial recovery and boom.

In a fiscal monetary inflation, especially its earlier stages, the price rise is generally less than the increase in the supply of money, so that the purchasing power of the total stock of money increases in spite of the declining purchasing power of a single unit. In other words, demand for balances increases but not enough to offset fully the increase in supply. This to accompany the expansion of industrial output which is likely to accompany the expansion of money makes large business balances necessary, and partly because the increase in money income usually stimulates some increase in the use of cash balances as a storehouse of savings.

The third category of inflation is the "speculative" type in which prices rise more than in proportion to the increase in the quantity of money. This often happens in an advanced stage of expansion when prices have risen long enough to create a general belief that they will keep on rising. The value of the total stock of money falls, while its nominal quantity remains stable or rises.[4] A speculative boom is viciously self-inflammatory because the rise in prices, instead of curtailing the demand, stimulates it. This is the kind of inflation which has given rise to the false maxim that a boom is inevitably followed by a collapse. The maxim is true only if many prices have reached a level which people pay only because they think they can sell before the boom is over. When this stage is reached, it is only a question of time till prices collapse. The boom cannot level off, because too many holders are in the market only as in-and-out traders. Any price is too high from such a traders' standpoint unless he thinks it is going higher. The booms of early 1917 and early 1920 are familiar cases of this type of inflation.

There is little indication of this third type of inflation in the United States at the present time. There is no general reluctance to hold cash assets, savings bond sales are running about as high as redemptions, savings deposits continue to rise, and commodity hoarding is not immoderate. The farm land boom has not, in most areas, outrun the proportions of an adequate adjustment to changed income prospects and capital markets. The low level of long-term interest rates at which earning assets are now capitalized, the sellers' markets for almost everything that industry can produce, the temporary Government guarantee back of farm prices, would make the old level of land prices inappropriate even if the general level of commodity prices should move no higher.

The fourth order of inflation, which we may call the public bankruptcy or astronomical type, is the case where a monetary inflation based on a budget deficit financed by the issuance of new money has reached uncontrollable proportions. Prices rise so fast that Government expenditures expand faster than the Government can increase its tax collections. It cannot borrow either, except by creating more and more paper currency or bank deposits. There is a flight of capital, and the currency depreciates rapidly on foreign exchanges. This case is fortunately rare. In American history the outstanding examples are those of the Continental currency and the Confederate currency, both associated with complete collapse of the taxing power and of public credit. The numerous wild inflations of Continental Europe in the early 20s and the Greek and Chinese inflations of World War II are other examples.

There is not the slightest ground for apprehension concerning this fourth type of inflation in the United States. The rapid curtailment of public expenditures, the maintenance of a high level of wartime taxes, and especially the maintenance of taxes on the lower incomes deducted at the source, give assurance that the Government has not lost control of the fiscal situation and is in no danger of having to resort to wholesale creation of money.

For practical purposes, the range of immediate uncertainty narrows down to the prospect of an inflation of the second, or monetary, type, which might be followed later by the third type. As to the first type, sporadic inflation, spotty shortages due to accumulation of deferred demand and impaired production are unavoidable, but temporary. Housing, automobiles, cereals and silk are perhaps the most serious. Nearly all other cases should be cleared up by the fall of 1946.

Since each shortage presents a different situation its price consequences can best be mitigated by direct selective controls. As was indicated above, the problem here is to avoid on the one hand the development of a temporary price bulge that will be followed by a decline after generating excessive profits and encouraging excessive wage demands, and on the other hand, to avoid making control so drastic that labor and capital resources will be diverted to other fields of production where their output is less urgently needed, thus prolonging the shortage. A serious inflation of the third type may appear later if the monetary inflation runs very far. The fourth type, as was indicated above, is out of the question. But the prospect for the second type, a general markup of goods and services corresponding to the growing abundance of money, requires more detailed analysis before the answer can be clear. The first step in such analysis is an examination of the process by which monetary inflation develops.

Process of Monetary Inflation

It will not be disputed that the organization of production and the method of finance which developed during the war were, and still are, of a strongly inflationary tendency. Government expenditures have been enormous by all previous standards and they have been financed in large part by methods which did not curtail private spending to offset the increase in public spending. The pattern is that made familiar in previous wars—expansion of currency and sale of bonds to banks as an offset to new deposits created by public expenditures. War loan accounts were made free of reserve requirements, and as the funds were spent and reappeared in private pocketbooks and bank accounts, new currency and new bank reserves were made freely available by expansion of Federal Reserve credit. Thus the total volume of currency and credit rose without putting any pressure on the banks to restrict private credits. Since the end of 1939 demand deposits (other than Federal Government and interbank) have much more than doubled in volume, time deposits have nearly doubled, and currency in circulation has nearly quadrupled. The volume of these three forms of money amounts to 151 billion dollars; the stock in 1939 was only 63 billion. Leaving out time deposits, the increase is from 36 billion to 102 billion dollars. Practically all the new money came into existence through Government borrowing.

As this money was spent, total income rose, and the increase in taxes, though substantial, was not sufficient to hold the income available for private use down to its previous level. Of course the supply of goods and services available for purchase by the public did not expand correspondingly; in many cases it was actually reduced. Thus the total income generated by public and private expenditures (after payment of taxes) came to be much greater than the cost of goods and services that were available for private purchase. Part of the difference was used to purchase war bonds, and most of the rest was accounted for by the accumulation of currency and bank deposits in private hands.

In this process net total saving (including under this term funds that represent unspent depreciation allowances and liquidation of working capital assets) was equal to the amount of Government deficit plus the small amount of private investment. It could not be less, since every dollar of the difference between taxes and Government expenditures was reflected in an addition to security holdings either of nonbank investors or of commercial and Reserve Banks. To the extent that the second took place, new bank deposits or currency was created and appeared in someone's unspent balance.[5] Although these deposits, currency holdings, and bond accumulations constitute individual savings, the economy as a whole has accumulated no earning assets or consumable goods to correspond to them; they are claims against wealth that does not exist.[6]

This response of uninvested savings to monetary expansion always occurs, since someone accumulates money equal to the issuance of currency and the expansion of bank deposits. Someone may ask why, in that case, the price level is ever pushed upward by expansionary deficit finance. The answer is that the equivalence of saving and monetary expansion is only in dollar terms. In real terms, that is, in command over goods and services, the increase in the amount of unspent balances that the public is willing to hold may be more or less than the equivalent of the new money at the old price level. In either of these cases, in the absence of subsidies and direct controls, prices must change so as to adjust the purchasing power of the total money stock to the effective desire of the community to hold purchasing power in that form.

If the community desires to increase its uninvested savings, measured in command over real goods and services, in line with the increase of money supply as measured in dollars, no monetary inflation occurs. It is not anomalous that the wartime monetary expansion did not promptly generate the proportionate offsetting change of prices which would be called for by the classical quantity theory of money. The response of spending and saving to monetary expansion is influenced by changes in income distribution, by the availability of goods and services, by price control and rationing, and by propaganda promoting sales of bonds and of Government insurance. If people would expand their cash balances sufficiently to absorb the new money without increasing their expenditures, a Treasury could finance itself, interest free, without disastrous consequences.

During World War II such devices as rationing, price control, and bond campaigns were remarkably successful in stimulating an increase in saving and thus slowing down the pressure on prices. Although there have been substantial price increases, the value of the total stock of money (including bank deposits) as measured by commodity prices, either wholesale or retail, is at least 50% greater than it was in early 1940. It is still greater as measured by the level of rents and of services, most of which have been controlled more rigidly than commodity prices, although neither the housing nor the services are available in the quantities demanded at these prices. In addition the nonbanking public, despite very low interest rates, has accumulated bonds to the extent of more than four months' national income at the level of 1945. The ratio of individual saving to disposable income of individuals rose from less than 9% in 1938-39 to over 25% in 1942-45. The major share of the savings went directly into bonds, and most of the rest remains in unspent balances, against which low-yield Government securities are held by commercial and Federal Reserve Banks.

One factor which has helped to hold back the rise of personal expenditures is the general belief that in a short time it will be possible to spend money in a better market, not necessarily a lower priced market, but one where the increased variety and the improved quality of goods will justify waiting even though prices may rise. The belief has been an effective inducement to saving only because the increase in prices which is generally anticipated is of moderate proportions. If a wild inflation were expected, spending would be stimulated instead of delayed by the narrow range of choices.

Moreover, during the later stages of the war effort a considerable amount of expenditure incurred both by Government and by members of the armed forces was made in foreign markets and hence exerted its inflationary force abroad.

Outlook For Price Changes

The outlook for continuance of general upward price pressure during 1946-47 in areas where there is no bottleneck on the supply side due to monetary conditions, will depend on three

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[3] Theoretically, a monetary inflation might arise also from a decrease in demand for cash balances without an increase in supply of money. Such cases are rare in pure form though brisker spending of balances often characterizes the first stage of recovery from depression, and, as is pointed out below, a general attempt to reduce cash balances is a dominating monetary factor in the astronomical inflations which sometimes result from a breakdown of public taxing power and public credit.

[4] In the technical language of economists, M rises and V falls or remains constant in a monetary inflation; in a speculative inflation, both M and V rise.

[5] Except for an amount equal to the increase in the banks' capital.

[6] One minor exception is to be noted. The surplus property held for sale by the Government is an offset and as sold will mop up a corresponding amount of money, just as would a corresponding amount of taxes. In addition the surplus property will relieve some of the acute commodity shortages if it is sold before supplies become normal.

things: the flow of current savings and dissavings, the level of investment expenditure, including the Government deficit, and the volume of goods and services produced.[7] The volume of money is important only as it bears on the first of these. Abnormally high cash holdings and holdings of bonds redeemable on demand offer an opportunity for abnormal expenditures; they do not guarantee that it will actually occur. The dissavings of those who treat their wartime savings as temporary must be deducted from the new savings of others to determine total savings; if these fall below the level of investment expenditure, national income and gross national product (as measured in dollars) will rise; if they exceed investment, income and gross product will fall. If production in physical terms does not change, prices rise with rising money income, and fall with falling money income. If production increases, however, prices fall more, or rise less, than total money income and national product. With this background of general considerations, we turn to consideration of the prospect for 1946-47.

Inflationary Factors—The factors making for a general price rise may be summarized as follows:

(1) Many goods that are being produced in normal volume are now lower in price than market demand would justify. This is clear from the promptness with which goods disappear from merchants' shelves. In some cases price control has prevented any adjustment since 1942 or 1943, while direct costs and consumer buying power have risen. In a few important cases, prices are below costs and the difference is made up by subsidies. As these are removed—and we cannot assume that it is national policy to continue them indefinitely—prices must rise unless costs fall.

(2) Some excess of Government spending over tax revenues may continue through 1946. The January budget estimate was for a deficit of $10 billion in the first half of calendar 1946 and $4 billion for the fiscal year 1946-47. The estimate for January-June 1946 has since been reduced to $3.6 billion; a price and wage inflation, even a moderate one, might wipe out the deficit for 1946-47 entirely. The inflationary potential arises from the fact that the deficit is to be financed from balances already held by the Treasury rather than from nonbank borrowing, so that no one's purchasing power will be reduced to offset even partly the effects of the Government expenditures. This means that private incomes will be greater than the output of goods for private consumption by the full amount of the deficit. The inflationary effect of a deficit financed by the transfer of funds from inactive Treasury accounts to individual and corporate balances is the same as that of a comparable deficit financed entirely by borrowing the proceeds of bank credit expansion or printing new money.

(3) Both directly, and through the International Bank and the International Monetary Fund, the United States Government will lend dollars on balance to the rest of the world, and these dollars will be provided in such way that they do not correspondingly reduce the purchasing power otherwise available in the market for consumers' or producers' goods.[8] The loans will increase the demand of foreigners for American goods, without causing an offsetting decrease of demand elsewhere. In a period of depression and unemployment such a stepping up of demand might generate an increase of production rather than a substantial rise of prices; in a setting of full employment it is almost purely inflationary.

(4) As was noted above, currency and bank deposits have already reached extraordinarily high levels, even in proportion to the high wartime rate of productive activity and the current price level. In the absence of a change in credit policy they will continue to expand through 1946. Furthermore, there is a large volume of bonds that are either redeemable or marketable and under present policies are practically cash. If they should be cashed in large volume they are likely to be replaced by bonds sold to banks.

The three factors last named provide the purchasing power which makes possible a continuation, or intensification, of the present upward pressure on retail prices. The next four points have to do with the prospect that this excessive buying power will actually be used to an extent greater than the offsetting accumulation of new uninvested savings.

(5) There is a huge accumulation of deferred demand for durable and nondurable goods. A substantial part of the liquid assets of individuals is being held with a view to financing the purchase of goods, both durable and perishable, that are not yet available.

(6) Demobilization of the armed forces is stimulating an increase in retail buying, which will continue for another six months. Dismissal pay and unemployment protection postpone acute job worries.[9] Returning members of the armed forces are short of conventional necessities, especially civilian clothing. Some of them do, of course, exercise restraint in spending until their employment plans are settled. With a strong labor market, however, and assurance of income in the event of unemployment, there is no pressure on them to postpone expenditures.

(7) Organized labor is pressing for large wage increases, in many cases outrunning the decrease of "take-home" pay that results from decrease of overtime and shift differentials. It is certain to obtain at least a substantial part of what it asks. Any or all of three consequences may follow.[10] These are, first, redistribution of income between owners and employees; second, an upward adjustment of prices to cover all or part of the wage increases; third, curtailment of production because costs become too high at existing prices and ceilings are not adjusted.[11] The second and third are clearly inflationary; the first is at least not deflationary, since wage income is taxed, on the average, at a lower rate than the profits of business, so that wage income (after taxes) is increased more than profits (after taxes) are reduced.

(8) Some policies of the Federal Government are restrictive and others are expansionary. In general, however, the deflationary policies (primarily high taxes and price control) are generally regarded as concessions to the war necessities while the expansionist policies (largely developed in the 30's to combat deflation) are deeply rooted in the thinking of both the leadership and the rank and file of the population. Unemployment insurance is mildly anti-inflationary in times of high employment and mildly anti-deflationary in times of heavy unemployment. The farm credit, housing, and veterans' loan programs are purely promotive; if inflation develops, they may be curtailed, but certainly they will continue to be instruments of ex-

(Continued on page 224)

[7] To make the statement accurate, "savings" must include accumulation of unspent depreciation reserve funds, and balances resulting from liquidation of inventories and charge accounts; "investment" must include reinvestment, all of course in current dollar amounts.

[8] Part of this expenditure is already accounted for under the deficit, but the funds advanced to the IMF are to come from the Stabilization Fund and are not counted in the budget estimates of the deficit.

[9] Dismissal pay probably does not, on the average, equal regular service pay plus sustenance and dependency allowances. It is, however, superimposed on earned income if the veteran is at work, and in other cases on unemployment compensation. Moreover, it is spent in this country, whereas a large part of the servicemen's pay, maintenance, and other expenses paid by the Government have been creating purchasing power in foreign communities and not at home.

[10] This is apart from the consequences of possible increases in savings and in productivity, which are discussed below.

[11] General wage increases cannot in general come out of savings in corporate income and excess profits taxes since the latter are concentrated in the most profitable concerns, whereas wage increases fall on profitable and unprofitable concerns alike, and the costs that govern prices are those of marginal concerns. This is not to deny the possibility that strong unions may succeed in getting from prosperous concerns wages above the competitive level. Such increases would not be inflationary except to the extent that the workers' spending rate might be higher than that of the corporation or its stockholders. It has been suggested also that wage-rate increases may not increase wage costs because they are offset by decreases in overtime and shift differentials. These decreases, however, result from a decreased scale of operations which increases the general overhead cost per unit of labor; we cannot generalize that the net effect would be to decrease unit costs if basic wage rates were unchanged.

Prospects of Transition Inflation

(Continued from page 223)

pansion. The rule against bringing back surplus property held abroad retards the restoration of supply. Much more important are such broad policies as public works designed primarily to create current income, protective tariffs, the support of farm prices based on the parity principle, compulsory collective bargaining, and the doctrine that wages should be adjusted to upward movements in the cost of living. Farm price parity and wage parity, if effectively applied, would make an endless spiral of any initial upward movement in the level of prices.[12] While they would become effective only after an inflation had been started by other factors, it is in just such a period that they would have the greatest popular appeal. They would probably not be abandoned for a long time even in the face of rapid inflation.

Anti-Inflationary Factors. As against these considerations four reasons are often given for the belief that the transition process will involve an early reversal of the upward trend of prices. One of these is the decline in the expenditures of the Federal Government, which when completed may amount to $70 billion per year. A second is a possible serious rise in unemployment, with a consequent check on the spending habits of those who are employed. Third, there is a belief that when reconversion is completed and labor controversies are settled, the production of goods and services will be so great that the expanded supply of money will be found to be no larger than will be needed to finance the output of industry at present price levels. And fourth, it is argued that people have formed habits of saving, the persistence of which will more than offset the forces making for inflation.

First, as to reduction of the Federal deficit. Because of rapid demobilization and the high level of business activity the deficit is declining faster than was anticipated at the close of the war or even at the end of 1945. Private investment, on the other hand, is reviving rather more slowly than was anticipated. The danger to price stability in 1946 is not in the size of the debt, which could all be taken care of by sale of bonds to non-bankers, but in the prospect that it will be financed by drawing down Treasury war loan balances. The method is even more inflationary than the wartime deficit financing, since no one's purchasing power is decreased to offset the Government's expenditures,[13] whereas much of the wartime deficit was covered by sale of bonds to persons whose expenditures were correspondingly reduced. It may add $10 billion to the present supply of money. A deficit financed by new money is not a deflationary factor merely because it is lower than it was at a previous date; it is only a weaker inflationary factor than it was before. Nevertheless it is true that the change in Federal budget requirements will soon remove the chief factor which has been generating inflationary pressure. There will still be danger of a delayed reaction from wartime financial policies but it will be much less difficult to exercise credit controls, if they become necessary, than was the case when the money markets were dominated by Treasury deficit operations.

The second point relates to the indirect effect on the general rate of spending of the displacement of labor incident to demobilization and reconversion. Undoubtedly there will be more frictional unemployment over the next year than there was during the war, even if boom conditions continue to prevail in civilian industry as a whole. Employment in the airplane, ordnance, and explosives industries has contracted rapidly and all three of these industries are located to a large extent in communities where industrial activity of prewar types, even at a high level, would not provide employment for all the war workers.[14] Either these communities must develop entirely new industries or part of the workers must move elsewhere if they remain in the labor force. Reabsorption, however, is taking place more rapidly than was generally anticipated.

It is obvious that a situation in which some millions of workers are unemployed is less inflationary than the one in which they were employed at war work, because their buying power has been reduced, while in either case they contribute nothing to the supply of consumables. This is really just another way of stating part of the anti-inflationary effect of the reduction of the deficit. As compared with the employment of these workers in peacetime industry, however, the effect of their unemployment on price pressures is not so clear. Whether 60 million people are at work in civilian industry, or 50 million are at work and 10 million unemployed, affects both sides of the demand-supply equation. A smaller number of workers will have less spending power than would a larger number, but they will also produce less goods. The common notion that unemployment is a direct cause of price deflation is mostly an illusion resulting from the fact that the two usually go together. The primary relationship is that falling prices, whether caused by a monetary deflation or by a rise in the rate of uninvested saving, tend to cause employment[15] — not the other way around.

Two qualifications of this statement are necessary, however. One relates to the effect of unemployment on the buying psychology of those who remain employed; the other to the effect of contraction of economic activity on the inventory policies of manufacturers and distributors. As to the first, it is true that when unemployment increases, some employed workers cut their spending as a precaution against the rainy day. But against these unspent savings must be set the forced expenditure by the unemployed and their relatives of past savings, plus unemployment insurance and relief payments, which are not balanced by a contribution to the output of goods. Neither effect is particularly important while employment stands at its present high level.

As to the second point, it may be suggested that in making the transition from an economy of 60 million to one of 50 million workers, inventories of goods in process and retail stocks would have to be reduced in size, and this reduction would cause a temporary buying recession and slump in production far greater than the permanent change. The point would be a good one in normal times but is irrelevant to the present situation, in which stocks of the goods people want are extremely low and unbalanced. In normal times a curtailment of industrial workers' buying comparable to that which has recently been caused by cutbacks, shutdowns, downgrading, and disappearance of overtime, would have led to reduction of dealers' inventories, cut-price sales, and liquidation of consumer credit lines corresponding to the contraction of productive activity. Inventory and credit losses and shrinkage of volume would wipe out many dealers' profits and produce a crop of bankruptcies.

Some observers expected this sequence to follow the abrupt discontinuance of munition production in 1945. They forgot two things: first, that a cutback confined to war workers does not reduce, and may eventually increase, the scale of civilian goods production and the appropriate level of inventories; second, that dealers' inventories were already below the level that would normally accompany the present scale of civilian industry.

Moreover, the displaced workers still have a lot of spending power—as is evident from the record of Christmas sales in warplant centers and from the slowness with which these workers are accepting jobs in non-war work. The current unemployment, what there is of it, is quasi-voluntary. It reflects dissatisfaction with the kind of jobs available and with the current wage scale rather than a lack of job opportunities. Some of it is fictitious, arising from the requirement that aspirants for unemployment compensation register as job seekers and reject at least one job as unsuitable.

Third, the prospect of an increase in production which is significant for a judgment of price outlook involves two distinct issues. First, an increase in the production of civilian goods and services will certainly result from the transfer of labor, capital and managerial effort from wartime to peacetime tasks. Second, some observers confidently expect a major increase in total output above prewar levels, partly because of a higher level of employment, but chiefly because of improvements in productivity that have occurred during the war or are expected to occur in the immediate future.

The writer's judgment is that current expectations as to the productivity of industry during the transition period are far too optimistic. This is true even if current rosy forecasts of the increase in production over the next decade are justified. The technological situation in 1946 and 1947 will be dominated by the immediate effects of the war and not by the long-term rising trend of knowledge. For four years we have concentrated the research brains of the country on the improvement of techniques, and the increase of investment in war industries, which we had been neglecting for 25 years. During this period we have correspondingly neglected to maintain the equipment and develop the techniques of peacetime industries: the reasonable expectation is that in 1946-47 they will be technologically worse off than they would have been had there been no war.

Moreover, account must be taken of a conspicuous decline in the individual productivity of workers due partly to wartime upgrading and partly to the weakening of discipline which accompanies an extreme abundance of jobs.[16] During the war—as was the case also during and just after World War I—this appeared in exaggerated form. There is no reason to assume that the loss of individual productivity is permanent but it will probably remain important at least through 1946.

These considerations are disregarded by many observers because of statistical evidence that man-hour productivity has actually increased during the war much more rapidly than it did in prewar years. The facts are astonishing rather than convincing, however, since there are several reasons why the output of labor and other resources employed in war production, as conventionally measured, is higher than the potential output of the same resources in peacetime. The difference is partly real and partly fictitious. The fictitious element arises from two factors. First, cost-plus, and virtual cost-plus arrangements cover into value of gross product much unnecessary expense, spoiled work, hoarded labor, and other ordinarily unrecoverable costs. Second, some apparent gains of productivity have been made by accelerating the depletion of natural resources, as in the petroleum industry and in agriculture, or by using up inventories, as in the feeding of old grain stocks to meat animals.

Reconversion involves a fictitious loss corresponding to these fictitious gains. The writer is skeptical also of the permanence of most of the genuine gain, for the following reasons: First, a considerable increase in productivity resulted from the transfer of labor into munitions industries from service lines and the less mechanized industries. This is only a temporary gain.

Second, a very large part of the genuine gain in productivity resulted from the standardization of output which accompanied concentration of whole factories on Government orders. Obviously, labor can be much more "productive" in making uniforms by the hundred thousand than in producing diversified garments for civilian use. Food can be preserved more economically in large containers for army use than in small containers for retail distribution. These gains are not transferable to peacetime industry.

Third, a large temporary gain in man-hour productivty has resulted from abnormally full utilization of the capacity of both labor and equipment. A porter does more work if he services a sleeping car or a hotel that is always full than one that is half empty several days in the week; under peacetime conditions if the demand does not decrease, more hotels and sleeping cars will be built and operated. Similar economies of full load or overload are apparent in hospital and medical service, in truck and rail transport of freight, and in many other industries. In retail trade, overload enables a dealer to curtail service and advertising and to effect a larger turnover per unit of labor, of space occupied, and of equipment. This is not in any real sense an evidence of increased productivity of labor and other resources employed in distribution. The increased load is temporary, being due to the wartime decline in number of retail outlets and to the excessive buying power of customers as compared with quantity of available stocks as currently priced.

Fourth, much of the wartime increase in productivity resulted from the adoption in the munitions industries of mass production methods which were already in use in peacetime industry but not in the relatively small-scale war industries. Particularly is this true of the airplane industry, which changed over from a handicraft to a line-assembly mass-production industry. The shift effected an enormous increase in the ratio of output to labor employed, in spite of notoriously wasteful use of labor. But little of this improvement is now available to increase the output of the automobile industry, in which mass-production methods were already in use before the war, and from which, indeed, the wartime airplane industry borrowed them. Likewise, great improvements were made in the production of ships but we shall build few ships in 1946-47, and there is no reason to think that much of this new technique will be carried over into the production of houses, for example.

Fifth, food production has been favored not only by great advance in plant breeding and insect control, which is permanent, but also by an extraordinary series of good crop years which cannot be expected to continue indefinitely. The so-called efficiency gains of agriculture will suffer severe deflation if the dustbowl takes to the air again. Moreover, for staple food crops, the relevant question of productivity relates not to American agriculture but to world agriculture. European agriculture has received a terrible setback from destruction of animals, neglect of fertilization, demoralization of transport, and dispersal of workers, to say nothing of the wastage of fields and woodlands in battle zones.

Some carry-over of new techniques there will be, of course. Much of what has been learned in chemistry will be useful to peacetime industry, and shipbuilding and aircraft production in their restricted areas will ben-

12 Of course the parity principle never can be 100% effective, without lag, because the prices against which parity is measured have to move first, before any compensatory action is indicated.

13 Except that it requires an increase in total bank reserves, since war loan accounts are free of reserve requirements.

14 However, in California, aircraft factories were actually advertising for help in December, 1945.

15 This is chiefly because of the rigidity of wages against downward readjustment. Falling prices which merely reflect technological progress do not tend to reduce either wages or employment.

16 Compare W. H. Beveridge, *Full Employment in a Free Society*, pp. 194-98.

efit enormously from the wartime experience. But in most lines the genuine gains from the research done in wartime will accrue in the more distant future; they will count for little in 1946-47 because their application to non-war industry will require added research, new investment, and added experience.

In view of these facts any increase in man-hour productivity from 1941 to 1946 except that due to fuller use of capacity, say 5% over-all industry, seems improbable.[17] By 1947 the effect of new investment in peacetime industry will begin to show itself, but a further increase of 3% would be an optimistic expectation.[18]

The prospective volume of production is dependent also on the size of the postwar labor force, and here also the writer believes that most current expectations are too high. Withdrawals from the labor force are running higher than was generally forecast; the writer guesses the average labor force in fiscal 1946-47 at 59 million rather than the usual figure of 62 million. If we allow for 3 million unemployed and 3 million in the armed forces, 53 million jobs would constitute substantially full employment. This is about 18% more workers than were employed in 1940. Allowing for a 7% increase in man-hour productivity and no change in working hours we get a gross national product of $163 billion at 1944 prices from civilian effort.[19] This would provide for, say, $33 billion of Government purchases; private capital formation (including net exports and housing), $22 billions; new automobiles, $5 billion; other durable goods, $10 billion; and non-durables and services, $93 billion. The last figure represents just about the level of 1945. Acceptance of the higher estimates of labor force and productivity generally current would raise these figures by about 15%.

Whatever may be the volume of total production, houses and automobiles are too scarce to be supplied before the end of the calendar year 1947 in such quantity that their prices would not, if uncontrolled, be substantially further above prewar than are prices in general. It seems clear also that foreign needs will keep cereal foods very scarce at least through the spring of 1947. I see no escape from selective control over such commodities for two years unless we are willing to pay very high prices for the goods that are hardest to restock.

Price control will not seriously delay the restoration of normal supply conditions in manufactures, but rent control will reduce residential building unless its effects are offset by subsidies or new construction is exempted from control.

Spending and Saving — Quite distinct from distortions caused by obstructed production is the over-all pressure on prices which may be generated by excessive purchasing power and may carry over into peacetime if employment remains at a high level. This is the most obscure factor which we have to appraise. It really presents two distinct problems; namely, the effect of the rise in the level of incomes above prewar, and the effect of freedom from debt and possession of a backlog of bonds and cash.

As to the first factor, it does not seem to the writer probable that lifting people to higher income brackets will automatically give them the saving habits of the people previously in those brackets. Differences in individual saving capacity vary greatly between members of the same income class, and the qualities of character and past environment which put people in a high- or a low-income class probably would also give them high or low saving capacity at any income level.

The second factor works both ways. Some people will save more because they have acquired the habit, others will spend more freely because they have something put aside for an emergency.

This matter of holding savings in cash balances is another way of stating the old question of the relation between the money supply and the price level. On this point the writer is more optimistic than might be inferred from the enumeration of price pressures in the preceding pages, although the supply of money has increased from less than 35% of gross national product in 1942 to nearly 46% in 1945, with a prospective rise to 55 or 60% for 1946 if prices remain stable.[20] To reduce this to 38-40% would require a 50% rise in prices. It would be rash, however, to predict that the existence of such an enlarged supply of money will force a corresponding upward readjustment of prices.

On the one hand, it may be argued that the increased holdings of liquid funds have been made possible only by rationing, war savings propaganda, and successful enforcement of price control, which has made it almost as easy to save money as to spend it. Many individuals are holding cash as a temporary investment and expect to spend it for investment or for durable consumption goods when conditions are more stable and goods more readily available. A considerable volume of funds has been absorbed into capital through the liquidation of consumer credit, a process which may be reversed as durable goods become available. More important, the restoration of inventories, the reconversion and expansion of equipment, and the construction of new buildings will be financed to an unusual extent by the activation of bank balances and the liquidation of securities held by corporations.

On the other hand, money is a means of conserving past savings as well as of making expenditures, and its use for that purpose has been increasing for more than a decade. The fall in interest rates has been weakening the incentive of individuals to seek maximum use of temporarily available funds. Insurance of bank deposits has increased the attractiveness of unspent balances as semi-permanent investments. The higher level of postwar income will tend to stabilize balances, since in general recipients of higher incomes carry larger proportions of their incomes in unspent balances. Moreover, the wartime habit of keeping more money in proportion to one's income and wealth will surely persist in some degree, un-

(Continued on page 226)

[17] This is on the assumption that weather conditions in agriculture will be no more favorable than average.

[18] For contrary view see Williams' comments in this pamphlet, p. 59. Hagen's estimates for the second quarter of 1947 in Pamphlet No. 1 (p. 28), as well as Williams', involve an assumption of about 3% per year increase in productivity from 1940.

[19] 7% for fiscal 1946-47 corresponds roughly to 5% for 1946 add 8% for 1947.

[20] Cash outside banks plus demand deposits other than Government and interbank, at mid-year, compared with estimated gross national product for calendar year.

Prospects of Transition Inflation

(Continued from page 225)

less too rapid a rise of prices should stimulate speculative attempts to convert cash into goods.

A most encouraging feature of the situation is the fact that the ratio of time to demand deposits, which has been falling for many years, has now turned definitely upward.[21] In the three years 1940-42, demand deposits increased over $19 billion, time deposits less than $1.5 billion. In 1943 over one-fourth of the growth was in time deposits; in 1944-45 over one-half. Savings bond sales, since the close of the Victory Loan drive, have been about equal to redemptions. This is an excellent showing in view of the extent to which wartime propaganda stressed the needs of the war period rather than those of the whole period of war finance. So far as nonbusiness funds are concerned, the money is probably finding its way steadily into the hands of the more thrifty and stable members of the community, who are not likely to rush into a spending spree as the supply of goods begins increasing.

If full employment continues, which now seems a reasonable assumption, and if the level of taxation is not changed, private investment in 1946-47 will be large by all past standards, though much less than the level of Government deficits of the past four years. Likewise, the levels both of taxes and of voluntary saving will be very high by past standards though lower than during the past four years. Conversely, dissipation of money previously saved will be greater than during the war. The combined effect, unless price control remains rigid, will be to push up the money value of the national product by more than any possible increase in physical output, so that average prices will rise. The rise will be largely in service industries, where technological progress is relatively slow and price control has been more rigid than in the commodity field. Assuming for 1946 continuance of general price control and for 1947 control over rents and the prices of automobiles and basic foods insatiably needed for war-stricken nations, a rise of 20% by the end of 1947 seems a reasonable allowance for the delayed direct effect of wartime inflationary finance.

Wages—This analysis, however, does not take account of the wage situation, which is rapidly becoming the primary source of inflationary pressure. The present national policy is to encourage and support demands for higher wages even though such increases may necessitate higher prices. Continuance of this policy would step up the prospective rate of inflation to an extent that cannot be predicted.

Some wage increases will necessitate higher ceilings; others will have no effect; none will cause lower ceilings. Hence the immediate effect of a series of wage increases is necessarily to raise the average level of prices. But even if wage increases are allowed only where no price increase is necessary, the net effect of collective bargaining under present standards is still inflationary. For stability of prices does not mean stability of all prices; it means that some prices rise and others fall. If the excessive profit margins that would otherwise lead to competitive price reductions are regularly absorbed in wage increases, the cases where prices rise for other than wage reasons are not offset in the general average by cases where they decline. In addition, higher prices in one industry often mean higher cost of materials in another, and higher wages in one industry create added pressure in others. Hence, unless the upward pressures are counteracted by anti-inflationary credit and fiscal policies, which reduce other prices to offset the cases where cost increases force higher prices, the price level steadily rises.

The current drive for wage increases is not based on increases in either cost of living or productivity of labor but on the ability of an individual corporation or industry to pay. Ability to pay is of course influenced by productivity but in the present state of demand, price increases are as fruitful a source of "ability" as are productivity increases. We appear to be heading toward a situation in which strikes will be directed against OPA with management playing the role of innocent bystander. This is the logic of the "floor" plan under which price relief is given if wage increases encroach on profits of 1936-39, since whenever a concern has no hope of making better than floor profits under its ceilings, but has a market that would stand higher prices, it has no immediate incentive to resist demands for wage increases. The inflationary effect is parallel to that of a very high excess profits tax, which also removes the incentive to resist wage demands or exercise close control over other items of expense.

The difficulty arises more from full employment than it does from an excessive supply of money and a deficiency of goods, though of course these factors underlie the full employment situation. The fact is that collective bargaining with strong unions, price stability, and full employment are incompatible. We can have any two of these, but not all three. So long as union power is not dampened down by unemployment there is no apparent power in the State strong enough to check a parallel upward sweep of wages and prices.

The basic difficulty is that although the unions have a degree of monopoly power that is sufficient to make them irresistible in their respective fields, the bases are not broad enough to bring their specific interests into balance with the over-all consequences of their policies. The decision whether to demand wages so high as to force higher prices is made by each industrial union separately; the price consequences are spread over the whole community. No union's successful demands will raise its own members' living costs by nearly as much as it will increase their incomes. Even if each unionist believed that the effect of a series of wage increases in different industries would be nullified by the resulting inflation, it would still be good policy for each union to try to get its increases first and make them bigger than the average. Even in times of considerable unemployment (as in 1937) this situation existed but usually it has been held in check somewhat by the fact that an industrial union which moves too far ahead of the procession may force its employers to curtail activity because the market will not pay prices that cover the costs. But in a market like the present one this danger is remote. It will generally be remote in a period of full employment because full employment usually accompanies a condition of high demand, in which prices can be pushed up much further to meet wage increases than is usually the case. Since there is no prospect of a reversal of the policies established in 1933 and following years to strengthen the bargaining power of labor, new wage bargains are likely to work toward inflation for a long time.[22]

This is not to say that the current upward pressure on wages is all due to union policy in a setting of union power. It is largely due to competition for labor. It seems fairly clear that even under present price ceilings, if there were no unions and the labor market was free, wages would be driven above recent levels by competitive forces. As was noted above, certain elements of cost are abnormally low because of large volume, and this gives an incentive to bid up other cost items (chiefly wages and rent). This would create no problem if the low costs were due to permanent advances in technology. But in so far as the economies are those of temporary high plant loads and of selling in a seller's market the translation of economies into wages would foreshadow a later struggle to reduce wages or an industry-wide reduction of employment.

Public Policy

The responsibility of public authorities in dealing with the threat of inflation is twofold—to take appropriate steps to reduce and finally eliminate the upward pressures on the price level as rapidly and as completely as that can be done without creating worse evils, such as mass unemployment; and second, to provide interim controls that will minimize the shocks of transition from a wartime to a peacetime economy, and later from a regime of controlled to one of free prices.

As was stated earlier, appraisal of credit controls, fiscal policies, and measures to stimulate production is the task of other pamphlets in this series (particularly Nos. 1, 3, and 8). Here we shall merely indicate some of the alternatives that must be appraised as possible parts of a reasonable anti-inflation program. Price control is not discussed in other pamphlets in the series and we shall therefore offer certain comments with regard to price control policy in the transition era.

There will probably be general agreement that government surplus property of kinds that are scarce should be disposed of rapidly with a view to their maximum usefulness, even though more money might be realized by holding them off the market till price ceilings have been lifted. The prohibition of return of surplus property to the United States should obviously be repealed or suspended till price control is no longer deemed necessary. There will be little dispute also that major public works should be postponed until the danger of inflation seems to be past, except those which are intended to meet a need arising from the war (such as veterans' hospitals) or to make up a deficiency of public capital which accrued during the war (such as street and highway maintenance, expansion of water and sewer facilities in newly settled urban areas).

Beyond these items we run at once into disagreements that reflect both clashes of conflicting interests and genuine differences of judgment as to the results to be expected from various suggested measures. For example, it is not disputed that sufficiently heavy taxation, creating a budget surplus, would have an anti-inflationary tendency. But there would be considerable disagreement, first, as to whether taxes high enough to stabilize prices would not have an adverse effect on the present high level of employment; second, as to what particular taxes would be most appropriate; third, as to whether we would rather pay the tax or have the inflation. The first of these questions arises also as to the use of credit restraints on further expansion of money — a subject which will be discussed in Pamphlet No. 8 of this series. Suspension of protective tariff duties on all goods subject to price control (except as offsets to excises) would offer a powerful check on inflation, but those who believe that the country derives benefits from the protective tariff would probably consider inflation control an inadequate compensation for the loss of those benefits. Likewise, those who believe that this country derives benefits from the National Labor Relations Act will give those benefits considerable weight in deciding whether suspension of the Act would be justified as a means of checking inflation. Proposals to expand the scope of parity price supports, for example by including labor costs in the parity base, are obviously inflationary, but supporters of the parity program may argue that the benefits expected from such expansion will justify the resulting inflation.

Even if anti-inflationary measures adopted are adequate to check further expansion of purchasing power, there will be acute pressure for from six to 18 months on the prices of articles that will continue to be short. This will justify continuance of price control in those areas. Moreover, in all probability, pressures will be strong for another year even in fields where supplies are of normal proportions. The objective of general control should be to facilitate an orderly transition to a price level that will balance demand and supply when the bottlenecks in supply are eliminated. Decontrol of the trivial features of the price structure might well begin at once. Control over prices of commodities which are in abundant supply, or could be supplied in abundance under a price stimulus, can probably be discontinued within the calendar year 1946.

The difficulty here is to distinguish genuine capacity shortages which are independent determinants of price policy (such as automobiles) from market shortages which are attributable to price control itself (such as men's shirts). For example, at present meat is far more abundant than before the war and flour comparatively scarce, in part because the relative height of the ceilings has encouraged feeding grain to animals rather than to human beings. A similar relation appears to exist between prices of butter and of other dairy products. Relative slowness in the readjustment of such distortions is an inescapable disadvantage of price control. Nevertheless, continuance of control on a diminishing basis seems justified, in view of the risk that its sudden withdrawal would precipitate a speculative boom that would carry prices to a level which would invite a speculative crash.

[21] The ratio of time deposits to total deposits (exclusive of Government and interbank) at mid-year has fluctuated as follows: 1941, 35.5%; 1942, 28.4%; 1943, 26.7%; 1944, 26.3%; 1945, 27.6%. Of the increase in adjusted deposits from January to December, 1945, 55% was in time deposits.

[22] Compare W. H. Beveridge, *Full Employment in a Free Society*, pp. 198-203. Beveridge suggests as remedies either pooling of the efforts of all unions, so that competitive upward pressure on prices may be minimized and more regard given to stabilizing prices, or compulsory arbitration with price stability as the criterion for the arbitrator. The latter suggestion is very similar to the policy adopted in this country last fall and now abandoned. See also League of Nations, *Economic Stability in the Postwar World* (Report of the Delegation on Economic Depressions, Pt. II), 1945, pp. 207-08.

The Trend of Stock Prices Over the Coming Months

(Continued from first page)

gins, and the rate of corporate income taxes. Dividends are determined by earnings and the capital needs of corporations for expansion of plant, working capital, and for other purposes.

The rate of capitalization of earnings and dividends by the public is determined by the state of sentiment at any given time reflecting the many and varied economic and political developments at home and abroad.

Over a period of years the rate of capitalization of earnings and dividends has fluctuated greatly. Stock prices over a period of time, therefore, fluctuate far more widely than suggested by the fluctuations in earnings and dividends alone.

In order to arrive at a sound conclusion as to the outlook for stock prices it is necessary to discuss the trend of developments in each one of these various factors.

Volume of Business Will Be Large

Perhaps the outstanding change in the economic situation since the end of the war has been the enormous increase in consumer expenditures for goods and services, now running at about 125 billion dollars, compared with 100 billion dollars a year during the summer of 1945. The present unprecedented wave of spending has resulted because of two important developments. In the first place, national income payments declined but little after the ending of the war, contrary to the expectations of many observers, particularly in Washington. Income payments are being bolstered by large mustering out and other Government payments of a temporary nature resulting from the demobilization of our armed forces. The small decline in national income payments has been far more than offset by the release of spending power resulting from the sharp drop in individual savings which are now running between 15 and 20 billion dollars as against 40 billion dollars a year during the summer of 1945. Consumer savings at present are below normal in relation to consumers' disposable income. The huge backlog of savings in the hands of individuals has prompted consumers to spend a relatively large proportion of their current income.

These expenditures for goods are likely to remain high for a number of months to come. So far, however, consumers have been buying the type of goods that have been available in substantial quantities such as soft goods, jewelry, liquor, drugs, cosmetics, and are making large expenditures for services such as travel, motion pictures, and other forms of amusements and sports. During the next twelve months there undoubtedly will be a large demand for consumers' durable goods as they come on the market, including automobiles, radios, washing machines, furniture, furnishings, and household appliances, for which there is an enormous need. The large and rising volume of new residential construction will further increase the demand for such goods.

There seems to be a firm basis for the conclusion that consumer expenditures for goods and services will continue large, but there may be reason to question whether these expenditures will greatly increase from the present level. National income payments to individuals may not rise by any significant amount, but certain developments may further increase consumer expenditures for goods and services at least moderately.

We have not yet reestablished consumer credit at the level commensurate with the present rate of national income and expenditures. No doubt there will be a further large increase in installment financing by individuals as consumers' durable goods come on the market. To the extent that consumer credit again becomes a factor of importance, spending can be increased without a corresponding increase in national income payments to individuals. Some decline in individual income tax rates next year may bring a moderate increase in incomes available for goods and services. Current savings may decline still further. Finally, wage rates and salaries are likely to increase further, particularly in service industries and manufacturing industries that have not yet been "brought in line."

The boom in consumer spending will continue to be well supported by large expenditures for capital goods by industry. The enormous rate of consumption of consumers' goods and services encourages and adds further to the need for capital expenditures. This need embraces most types of machinery; it includes equipment such as trucks and railroad equipment, farm implements, and all types of non-residential construction.

The output of capital goods used by industry is at present running about 20 billion dollars a year, or twice the pre-war rate. On the basis of the needs in the immediate future a higher rate is likely to prevail for some time ahead.

Other factors that will support and stimulate the present boom are large exports of a wide variety of goods desperately needed abroad and the filling of the pipe lines between industry and the ultimate consumer to replenish depleted inventories.

All-in-all it seems a reasonable premise that at least for many months ahead we are assured a large national income and a high level of business activity.

The national income and industrial activity that will prevail and the duration of the boom will depend upon the character of future economic and political developments. The dramatic vetoing of the bill amending and extending the OPA has an important bearing on this question. Every effort will be made by most manufacturers and retailers to keep prices in line as far as possible because such a policy is in their own self-interest. Nevertheless, there are two considerations to be made in judging the effect of the elimination of price control (except for rent and perhaps a few other important items) or the enactment of a new OPA bill which makes price control relatively ineffective. First, it is clear that manufacturers, wholesalers, and retailers will be able for some weeks to sell near former ceilings because they hold inventories which can be liquidated at such prices. Secondly, increased prices of raw materials will force manufacturers, over a period of time, to raise prices of manufactured goods which in turn will make it necessary for wholesalers and retailers to increase prices. In a seller's market, which will continue for some months ahead, the result is bound to be a considerable increase in prices. Once production of consumers' durable goods recovers and inventories are reestablished throughout industry our capacity to produce should be large enough to prove an effective damper to further price increases. The danger period is the coming six to twelve months while supplies of a great many products will be inadequate to meet demand.

A considerable rise in prices will tend to shorten the length of the boom and make it more speculative. Even then, a number of months will pass before serious economic maladjustments are likely to develop.

Profit Margins Likely to Widen

During the nine months since the end of the war, American industry has shown a variation in profit margins between individual industries and companies which is unique in our history. Heavy industry and most metal fabricating industries in the consumers' durable goods field during this period experienced poor profit margins, while a large number of industries directly or indirectly dependent upon consumer spending and not subject to reconversion dislocations, experienced abnormal profit margins. The first group of industries suffered a large loss in volume from contract cancellations within a few months after the war, which could not immediately be offset by corresponding cost reductions. The profitable industries experienced a period of rising volume of business accompanied by generally improving profit margins. Later on large wage increases further aggravated the poor profit record of the first group of industries while a number of the profitable industries could easily absorb wage increases because of the rising volume of business.

By and large, profit margins will continue favorable in those industries that have operated under favorable conditions since the end of the war. In some fields, such as retail trade, it is possible that profit margins might shrink somewhat as competitive conditions become keener when larger quantities of goods come on the market and as the public becomes more quality minded. In the case of industries that suffered greatly and have shown poor although improving profit margins since the war ended, every indication points to a continuation of the improvement which is currently taking place. The OPA has been granting price increases to these industries for many weeks and there is every prospect that prices will increase further regardless of the fate of the OPA. A number of companies in heavy and other industries that showed poor earnings or deficits in the first part of this year, are finding that price increases already granted result in satisfactory profit margins under conditions of a large volume of business.

Corporate Income Taxes May Be Reduced Moderately

The high level of national income, far greater than anticipated a year ago, has greatly improved the Government budget outlook. Expenditures for our military establishment and for veterans administration and for other purposes arising from the war may be higher than anticipated earlier; but on the other hand the Government receipts will also be substantially greater. For the first time in many years the Government debt is being reduced and the budget may be balanced during the fiscal year beginning July 1.

If ineffective price controls should cause an unhealthy spiraling of wages and prices the Government may take steps to counteract the building up of economic maladjustments. One of these steps may be the reestablishment of Excess Profits Taxes. Such a development seems far-fetched in the light of the attitude of Congress towards taxation at the present time. In fact, the present sentiment in Congress is likely to favor a reduction of taxes rather than an increase.

Under the circumstances there will no doubt be considerable discussion in the Treasury Department and in Congress about reducing tax rates next year. The most popular policy would be to reduce personal income tax rates first and corporate tax rates later if the large budget requirements will permit it. At the present time the most that can be expected is only a moderate reduction in corporate tax rates while personal tax rates may be reduced considerably.

On the other hand, the corporate tax structure may be overhauled and the question of double taxation (through taxing both corporate profits and dividends paid out of the profits) may become an important tax issue next year. Eliminating double taxation in whole or in part will encourage larger dividend payments in relation to earnings. Larger dividend payments in relation to earnings may also result from the stricter interpretation by the Treasury Department of the penalty provision in the tax law for undue retention of earnings.

All-in-all, the trend in taxation appears to be favorable in its effect upon corporate earnings and dividends.

Earnings and Dividends Should Show a Large Increase

With a volume of business which is likely to be very large, with improving profit margins in many industries, and with a favorable outlook for corporate income taxes, the trend of corporate profits and dividends should be upward for a number of months. Before the end of the present boom corporate profits after taxes may reach new high levels—higher than even the very large profits shown during the war years.

In interpreting this favorable outlook for corporate profits in terms of stock prices, it is useful to consider the widely accepted stock index — the Dow-Jones Industrial Average. This is so despite its obvious statistical limitations and also despite the limitation of making generalizations such as implied in any discussion of an average.

The average earnings per share of the stocks in the Dow-Jones Industrial Average have a relatively poor record since 1929. Total corporate profits of all corporations after taxes during the war years ran at a level higher than that of 1929 but the earnings per share of the Dow-Jones Industrial Average during the war years were only about half of those of that peak year:

Table I

Year	Price Range	12 Months Earnings	12 Months Dividends
1920	110- 67	9.12	5.79
1921	82- 64	2.10	3.89
1922	103- 79	9.11	3.95
1923	105- 86	8.25	4.51
1924	121- 88	10.88	5.16
1925	159-115	13.89	5.53
1926	167-135	11.39	5.54
1927	202-153	8.72	6.04
1928	300-191	15.97	9.76
1929	381-199	19.94	11.22
1930	294-158	11.02	11.97
1931	194- 74	4.09	9.28
1932	89- 41	d0.93	4.68
Year	Price Range	12 Months Earnings	12 Months Dividends
1933	109- 50	2.78	3.36
1934	111- 86	4.60	3.33
1935	148- 97	6.86	4.43
1936	185-143	10.19	7.46
1937	194-114	11.37	8.62
1938	158- 99	6.03	5.36
1939	156-121	9.18	6.30
1940	153-112	10.99	6.97
1941	134-106	11.64	7.56
1942	120- 93	8.87	6.40
1943	149-119	8.30	6.19
1944	153-134	10.03	6.53
1945	196-151	10.47	6.70

During the 10 years ending 1939 earnings of the Industrial Average were only $6.52 compared with $10.94 during the 10 years ending 1929 and $19.94 during 1929; and during the six war years ending 1945 average earnings per share were only $10.05. It is evident from this that tens of thousands of small corporations improved their earnings to a much greater extent during the war than the large corporations in the Dow-Jones Average.

It will be most unusual if the earnings on the Dow-Jones Industrial Average will not advance materially above the war level and above the average level of the 20's — not to mention the average level of the 30's — under the economic conditions that will prevail during the coming twelve months. With the volume of production, the price level, and national income at levels far above those of pre-war, the failure of the earnings on the Dow-Jones Industrial Average to exceed substantially the average past earnings can only be caused by a continued squeeze on profit margins. Under the conditions ahead such a squeeze does not seem to be in the cards.

Our studies suggest that the earnings on the Dow-Jones Industrial Average in fact will be substantially higher than the $10 average of the war period and the $11 average of the 20's. Making reasonable estimates in the light of the conditions that may prevail, earnings of approximately $16 a share seem entirely possible. With such earnings dividends per share on stocks in the Dow-Jones Industrial Average should be $10 or better.

Rate of Capitalization of Earnings And Dividends

It isn't very often that the stock market can go through a period such as the first six months of this year and remain relatively undisturbed in the face of the poorest earnings statements, on the part of many companies, that have been published since the year 1938. Deficits or very poor profits have been a common occurrence, yet the stocks of the companies publishing these statements have declined only moderately and in many cases not at all. Equally interesting is the lack of response that has occurred in many common stocks to the extraordinarily favorable earnings published by a large number of companies. The result is that a great many stocks are selling at very high prices in relation to current earnings, while another large group of stocks is selling low in relation to earnings. The public is capitalizing earnings in the present market in an unusual way not revealed by averages or generalizations based on averages.

This situation arises from the

(Continued on page 228)

Trend of Stock Prices Over the Coming Months

(Continued from page 227)

highly diverse factors that at the present time influence sentiment. Many disturbing developments have occurred to dampen sentiment, while at the same time there is much evidence to support the feeling that on the whole prospects ahead are so favorable that it is easy to exaggerate the unfavorable factors, assuming that they are temporary. Many investors have been disturbed because of the serious strikes that have occurred, the possible continuation of price controls for some time ahead, the large increase in wage costs, and the fear that Government controls and the power of labor unions will be even more important during coming years. It is felt that another wave of strikes will occur within a matter of months which will seriously interfere with production; that another series of wage increases will be forced on industry by the unions; and that we are facing a period of continued poor profits in many industries. On that basis many stocks are selling at high levels and the outlook for stock prices is none too good.

This trend of thought led many investors to take a cautious attitude toward common stocks and some to sell common stocks over the last several months. A policy of caution is further supported by the discouraging reports received from many executives in manufacturing companies that have been bedeviled by reconversion difficulties.

If the premise suggested in this article is correct and earnings and dividends will show a large improvement it is likely that before long much of the present discouragement among investors and among manufacturing executives will disappear and will be replaced by optimism and a more constructive attitude towards stock prices. In fact, if the period of active business and large earnings continues for some time it is quite possible that a dangerous over-optimism may come to prevail.

Stocks Likely to Have Further Considerable Rise

In order to measure potentialities it may be worth while to consider the past record of "times earnings" and the dividend yields on the Dow-Jones Industrial Average.

Table II

Year	Times Earnings At High Price	Times Earnings At Low Price	Times Earnings At Mean Price	Yield At High Price	Yield At Low Price	Yield At Mean Price
1920	12.1	7.4	9.9	5.3	8.6	6.4
1921	39.0	30.5	35.2	4.7	6.1	5.3
1922	11.3	8.7	10.2	3.8	5.0	4.2
1923	12.7	10.4	11.5	4.3	5.2	4.7
1924	11.1	8.1	9.2	4.3	5.9	5.2
1925	11.5	8.3	9.7	3.5	4.8	4.1
1926	14.7	11.9	13.4	3.3	4.1	3.6
1927	23.2	17.5	20.2	3.0	4.0	3.4
1928	18.8	12.0	14.2	3.2	5.1	4.3
1929	19.1	10.0	15.4	3.0	5.6	3.6
1930	26.6	14.3	21.6	4.1	7.6	5.0
1931	47.4	18.1	33.7	4.8	12.5	6.7
1932	def.			5.3	11.4	7.2
1933	39.2	18.0	30.2	3.1	6.7	4.0
1934	24.1	18.7	21.3	3.0	3.9	3.4
1935	21.6	14.1	17.5	3.0	4.6	3.7
1936	18.2	14.0	15.9	4.0	5.2	4.6
1937	17.1	10.0	14.6	4.4	7.6	5.2
1938	26.2	16.4	21.9	3.4	5.4	4.1
1939	17.0	13.2	15.5	4.0	5.2	4.4
1940	13.9	10.2	12.3	4.6	6.2	5.2
1941	11.5	9.1	10.5	5.6	7.1	6.2
1942	13.5	10.5	12.2	5.3	6.9	5.9
1943	17.9	14.3	16.3	4.2	5.2	4.6
1944	15.2	13.3	14.2	4.3	4.9	4.6
1945	18.7	14.4	16.2	3.4	4.4	3.9

This table shows the enormous fluctuations that occur in the public's appraisal of earnings and dividends. Leaving out years of extraordinarily low earnings when the relationship between earnings and dividends meant little, the Dow-Jones Industrial Average since 1929 has ranged from roughly 10 to 20 "times earnings" and has sold on a yield basis from about 3% to roughly 7%. During the 20's "times earnings" averaged about 15, and during the 30's about 17. During the war earnings were appraised conservatively at an average of about 14. Dividend yields during the 20's averaged 4.5%, during the 30's 4.8%, and during the war years 5.1%.

At present the Dow-Jones Average is 203. Earnings per share this year may be about $11.25 to $11.50, and dividends about $7.25. Therefore, at present the Average is selling at 19.8 "times earnings" and on a yield basis of 3.6%, suggesting a relatively high stock market.

If earnings and dividends should improve as anticipated and reach $16 and $10 a share respectively, the Industrial Average now is just under 13 "times earnings" and gives a yield of 4.9%, both of which are well within the limits of past experience and, if anything, in the lower part of the normal range.

It must be borne in mind that these earnings and dividends have to be capitalized in relation to the returns from other securities and particularly in relation to the returns on high grade bonds and preferred stocks. An appraisal of the outlook for bond yields and money rates will not be made in this article, but in the light of the prospective demand and supply situation for funds the recent slight hardening in high grade bond yields may mark, for the time being at least, the end of the many years of an easier trend in money conditions. Any prospective firming in money rates and rise in high grade bond yields that can reasonably be expected should be of minor proportions. For a long time ahead the Government should have little difficulty financing its requirements on the basis of 2½% for long term bonds. Therefore, it is likely that the yield on common stocks on the basis of present and prospective dividends will have to be judged in the light of, say, 2½% long term bond yields for Governments and less than 3% for bond yields on long term high grade corporate bonds.

Another factor that must be considered in appraising the outlook for stock prices in relation to anticipated earnings and dividends is the remarkable improvement that has occurred in the financial position of most large corporations. Reduction or elimination of prior capital, reduced prior charges, and substantial improvement in working capital enhance the underlying values of common stocks and should make for greater stability of earnings and dividends. Also, balance sheets do not yet reflect the large increase in values that has occurred in recent years as a result of increased costs. Furthermore, the high rates of corporate income taxes as compared with pre-war should tend to make for somewhat greater stability of earnings. These higher taxes act as a cushion when earnings decline and as a damper when earnings improve. Finally, the present inflationary trend in commodity prices, real estate, and the huge funds available for investment will still continue to stimulate the purchase of common stocks for many months to come.

In judging the net effect of these various factors on stock prices it seems reasonable to conclude that before we come to the end of this bull market, the Dow-Jones Industrial stock index may sell at at least 17 "times earnings", which is only moderately higher than the 15 "times earnings" which was the average for the 30's. On the basis of $16 per share this would mean a level for the index of more than 270 as against the present 203. At that level, with $10 per share dividends, the yield would be 3.7% as against 4.8%. These figures are given not as estimates but merely as indications of potentialities in specific terms. They merely suggest that stock prices may yet rise considerably even from the present relatively high level historically.

Summary

The outlook for national income and industrial activity is favorable.

The further developments of the present boom may be along more speculative lines particularly in view of the apparent end of effective price control at this time. Even then a good many months are likely to go by before economic maladjustments are likely to develop serious enough to cause deflationary trends. Rising prices should improve profit margins. The outlook for taxes and tax reform is favorable. Total corporate earnings and dividends should, therefore, rise to levels substantially higher than in any past peacetime period and may be higher than during the war period. The low yields on high grade bonds and preferred stocks justify a more liberal capitalization of common stock earnings and dividends than for many years in the past. Also, corporations have greatly improved their financial strength through debt retirement, reduced prior charges and greatly increased working capital.

These considerations lead to the conclusion that there is still scope for a considerable rise in stock prices during coming months.

Money in Circulation

The Treasury Department in Washington has issued its customary monthly statement showing the amount of money in circulation after deducting the money held in the U. S. Treasury and by Federal Reserve Banks and agents. The figures this time are those of May 31, 1946, and show that the money in circulation at that date (including of course, that held in bank vaults of member banks of the Federal Reserve System) was $28,120,083,952, as against $27,884,748,980 on April 30, 1946, and $26,527,895,787 on May 31, 1945, and compares with $5,698,214,612 on Oct. 31, 1920. Just before the outbreak of the first World War, that is, on June 30, 1914, the total was $3,459,434,174.

Speaking of Booby Traps!

(Continued from first page)

mitting it to happen, is, by definition, an inflationary booby trap.

OPA A Booby Trap

The OPA itself fits perfectly the Bowles definition of an inflationary booby trap. Its defenders have described it as our bulwark against inflation. This should deceive only the most gullible and unwary, for the inflation is here and has been here for a considerable time, and the OPA has been capable of only the most feeble gestures against it. If it had been a truly competent and effective defender of the people against inflation, why should there be all the talk about black markets? Why should there not be a reasonable supply of the various kinds of consumer goods that people want—meat, butter, white shirts, men's shorts, pajamas, and an interminable list of other goods—available in the market at ceiling prices? Reconversion has long since been accomplished, and there is no longer this alibi for the production lag. The plain fact is that the OPA long ago lost control of the situation.

It never had more than a negative control, which was somewhat effective during the war in combination with rationing, together with priorities on materials, capital, and labor. That is, its major function was to police prices by setting upper limits. It never had the authority to compel production to occur at these prices. As soon as the war ended, production took its own course and the administration's wage policy made observance of ceiling prices impossible. In consequence, producers, from farmers to manufacturers, short-circuited its futile orders and regulations. The OPA's protection against price inflation became formal and unreal. The manufacturer of a $2. white shirt was not permitted to sell his product above ceiling price. He didn't, for the reason that he made no $2 white shirts. Instead, he made a sport shirt, with short sleeves and a flaring collar, to sell at $5 to $10, with the blessing of OPA. The amazing mass of evidence presented to the Congressional committees in demonstration of the failure of this kind of regimentation of an economy that must be free if it is to function properly and effectively was sufficient to convince any reasonable person of the folly of retaining a full-fledged OPA.

Only an Incidental Booby Trap

But OPA is only an incidental booby trap, as it were. There is a bigger and better booby trap behind OPA. For example, OPA set itself up as the St. George who was to slay the dragon of inflation, or at least hold it at bay. But the trap-wise citizen at once asks—Why should there be an inflation dragon to be killed or held at bay? And this brings us to the grandfather of all booby traps in this particular family line. The inflation, my children, was produced by the government's financing methods before and during the war. It is a long story but it can be told briefly. Once there was an Englishman, a professor, who wrote many books, for which he was eventually elevated to the peerage. In some of these books he argued that government should borrow and spend in order to supply purchasing power. Without such action, the people would not have enough money to buy all of the goods produced, and for lack of a market there would be depression and unemployment. Government should not borrow by selling bonds to the people for that would divert current income without increasing the total. To be effective the borrowing must occur as an expansion, or inflation, of bank credit.

These doctrines reached this country in the early 1930's, when there was large unemployment, reduced business activity, relatively low prices, and uncertainty as to the future. The experience was a normal one and the country was well on the way out of it when the Keynesian revelations appeared. Since they offered a short-cut and at the same time an opportunity for government to pose as the savior of the economy, they were accepted and applied. The Federal Government began to borrow and spend, not for the purpose of covering the regular and necessary costs of the public services, but for the purpose of inflating prices and national income. In order not to alarm the people over the cost of the borrowing, procedures and devices were introduced whereby the interest rate could be reduced. Now this, in itself, is a gigantic booby trap. The proposition that as the amount of debt increased, the cost of the borrowing should decrease, is against nature, against common sense, against all of the evidence of supply and demand. In 1930, when the Federal debt was $15,922 million, the computed rate of interest was 3.807%. As of June 30, 1945, the interest-bearing debt was $256,357 million, and the computed rate of interest was down to 1.936%.

Bank Credit Used As Mirrors

This was not done with mirrors. It was done by an enormous inflation of bank credit. The banks stood ready to buy all debt paper that the general public would not buy. During the 1930's the gold nationalization policy (suggested by another professor) led to large excess reserves which forced interest rates down. After gold imports stopped because of the war, the Federal Reserve banks supplied the member banks with the credit resources that were used by the latter in absorbing debt at low and diminishing rates of interest.[1]

The booby trap is clearly evident. The people were assured, over and over, by high Administration officials and by some professors, that here was the Eighth Great Wonder of the World. Government could do so much for the people at so little cost. The path to prosperity and plenty lay along the road of further borrowing at rock-bottom interest rates. Such was the bait used and it is hard to understand why even boobies were caught in it. The jaws of the trap were the inflationary forces created and promoted by the cheap money policy. The trap has been sprung. The huge paper profits of corporations, the fancy wages paid to wholly unskilled workers on war jobs, the immense increase in so-called national income—all of these superficial evidences of prosperity had their origin in the credit inflation of the war financing. So our American St. George, the OPA, had a dragon ready-made.

Beating the Waves Back

The Greeks had a story for it. They told of a King who was so puffed up with kingly vanity that he ordered the tide to stop, and sent his sheepish courtiers to beat the oncoming waves with whips to register the royal displeasure. But neither the royal decree nor the whips wielded by servants could stop the tide and King Canute was lucky to escape with only wet feet.

Our inflation tide is not a remorseless and irresistible force of nature, but a product of the foolish policies of government. We do have a chance that was not available to Canute. We can stop the tide, but we cannot do it by setting more booby traps. Rather,

[1] Cf. H. L. Lutz, "The 64-Billion Dollar Question," in "The Tax Review," March, 1946.

we must get rid of the traps that have already been responsible for the mischief. Let us have a look at them.

The first booby trap to be exposed and thrown out is the policy of artificially cheap money. The Treasury and the President have declared that this policy must be continued. To do so, however, will mean that the impetus of the inflation tide will be sustained, even while the budget is balanced and the debt is being reduced. This result will follow from the enormous amount of debt refunding that must occur. At artificially low-interest levels, the principal buyers of refunding bonds will be the banks. Thus we shall continue to inflate bank credits. The public budget will not be required to provide increased payments for interest, but the private budget of every citizen will be required to sustain the impact of further inflation. An enforced cheap money policy means price inflation. When money is cheap it will buy but little, and when a dollar will buy only a little we have the concrete evidence of high prices.

A second booby trap to be sprung and thrown out is the Administration's policy of supporting each and every demand for higher wages. There can be no question that wages were inflated during the war. Employers were under great pressure to produce war materiel. Many thousands of persons with no previous industrial experience or training went into factories and shipyards, where they were paid liberally while being taught and still more liberally afterward. Wage costs had no relation to the prices that the customer, which was the government, would pay for the product. Taxes, and in patricular, the excess-profits tax, were so high as to jusify liberal wages since the government would take a large share of any savings realized under a tighter wage policy.

Instead of following the sensible line of standing pat on wages and pushing for a rapid expansion of production aimed at reasonable cost and price levels, it was decided to give active support to the demands for wage increases. This would have led to higher prices even with no abnormal credit inflation in evidence. OPA contributed to the blunder by undertaking to compel absorption, along the line, of the burden of the wage increases without permitting appropriate price advances. The failure of goods to appear provided the best evidence that OPA like all other forms of public regimentation, can function only negatively.

Have Generated Inflation Tide

Thus we have been generating the inflation tide which our modern King Canute tells us he can hold back, using price ceiling orders as royal decrees, and fines against occasional violators, together with the Treasury's play against black market incomes, as the whips. Yet there were few goods at the old ceiling prices, and the quality of those that were available was often so sadly inferior as to represent a serious degree of concealed inflation.

At this moment the third booby trap, the OPA itself, has been sprung. In recognition of whatever useful services it may have rendered during the war, as an offset to the foolish financing policies that made price control necessary then, let the dead OPA have a decent burial. Any resurrection of it would be, at best, inglorious. The first stage of the shock of termination is rapidly passing. Apart from a little hysteria, the country bore it well. The amazing thing was not the rush to buy, but the prompt movement of livestock and other commodities into the market. Having already passed over the hump so easily, it would be far better to proceed with the adjustment process than to snarl everything by a restoration of price controls that are certain, in any case, to be relatively ineffective.

Final Removal of OPA a Constructive Step

The grave shortages which developed in the weeks prior to June 30 were natural and logical. The final removal of all uncertainties regarding price control would be the most constructive step possible in the direction of putting both producers and consumers on notice that prices henceforth are to be determined in a free market. Producers would no longer hold back goods and there would be no black market into which to divert them. Prices would find their natural level. This level would be somewhat higher than ceiling prices but not anything like as high as black market prices. Most important of all, there would be goods available at the new, free market prices. The people have a choice to make here, and there should be no difficulty whatever about the right decision to be made. It is a choice between a free market in which there will be a liberal supply of goods at prices that will warrant production, or a return to a regulated market in which supplies for the legitimate trade will again dry up while the black markets flourish once more. By all means let us have prices that will stimulate production and legitimate trade. The forces of competition will level prices off on a plateau determined by costs of production, and the consumers can never hope for a better deal than this. When all production and trading are open and aboveboard, there is no opportunity to gouge in special deals. Black markets exist only when there are laws, rules, or regulations to be evaded.

The economic principles involved in a return to a free market are reasonably simple, yet there appears to be general lack of understanding of them. The commonest error is in the assumption that if price controls are retained, supply will eventually catch up with demand at these controlled prices. The fact is that whenever there is trading, whether in the open or under the counter, demand and supply are in balance at the price at which the trading occurs. The adjustment factor is the price. It is naively assumed that producers will eventually turn out enough goods so that there will be a balance between the quantity demanded and the quantity supplied at the controlled price, even if that price barely covers the out-of-pocket costs of production. But there is no reason at all to suppose that producers would ever take an interest in trying to produce all that could be sold at the fixed price as long as they could get better prices elsewhere. And it is precisely because so many producers have been able to get better prices elsewhere that the stocks of goods available at ceiling prices have so nearly dried up altogether. In part, these better prices have been obtainable in the export market; in part, they have been realizable in the domestic black market; and also, in part, they have been realized with the aid and comfort of OPA, through the device of shifting to a new line, in which the producer had no previous cost and price experience, a situation in which the newcomer could get price ceilings that were denied to the firm with a record of production.

Therefore, during all of the talk about holding the price line until supply caught up with demand, we have had a series of equilibria between supply and demand in many fields, largely at prices of which OPA knew nothing or about which it could do nothing. Supply has undoubtedly been in step with demand in the case of the $5 to $10 sport shirts, for example. No retailer handling these shirts has found it necessary to post signs, saying, "Sorry. Only one to a customer." The most significant aspect of market equilibrium is freedom to find the price at which a given amount of an article will sell. If the producer can keep his costs below that price, he will earn some profit for himself. If he cannot get his costs down that far, he must be free to raise his price and still try to hold his market, or the Sheriff will take his assets over in due course for the benefit of his creditors. There is no such freedom under a system of ceiling prices, however determined.

Booby Traps in Federal Laws

If we accept Mr. Bowles' definition of a booby trap as something which snares the unwary by purporting to accomplish one result while actually permitting or causing other results to occur, then we can find numerous illustrations of these traps in the Federal statutes. The National Labor Relations Act, for example, was sold to the people on the ground that it would prevent strikes. Actually, it has promoted bigger and longer and more bitter strikes. The subsidy program has been sold to the people on the ground that it doesn't cost anything, although even the dullest booby knows that nothing is really for free. A Federal budget of more than $30 billion is a booby trap that will snare some 40,000,000 income taxpayers.

The list could be prolonged indefinitely but this is hardly necessary. There is one prize trap, however, which should be mentioned. It is the doctrine that government planning and control are superior to the decisions made in a free market, as a means of advancing the general well-being. More suckers have been caught in this one than in all of the others combined. Once the people were able to detect and avoid this particular snare, they would have much less difficulty in steering clear of the many lesser traps set to catch them in this or that bypath. The best protection against being caught by any of the booby traps set by the planners is a genuine faith in the efficacy of the private enterprise system to advance the general well-being. Any scheme to limit or hinder the full and free operation of this system would obviously be a booby trap.

Fred V. Loeliger Is With Carl Marks Co.

Carl Marks & Co., Inc., 50 Broad Street, New York City specialists in Foreign Securities announce that Fred V. Loeliger has become associated with them as Manager of their European Securities Department.

Mr. Loeliger returned several days ago from an extensive European tour visiting Switzerland, France, England, Holland and Belgium, in which countries he observed and studied the on-the-scene financial and business conditions. Mr. Loeliger was formerly connected for 16 years with A. Iselin & Co.; for six years with Dominick & Dominick; and more recently with Arnhold & S. Bleichroeder, Inc., where he was in charge of the Foreign Department.

Burchard Returns to Goodbody Department

Gerard Burchard has returned from the armed forces and assumed his post as co-manager of the Canadian Department of Goodbody & Co., 115 Broadway, New York City, members of the New York Stock Exchange and other leading exchanges.

I Sold! I Didn't!

According to Martin Judge, Jr. of Lauterwasser & Co., 145 Sutter Street, San Francisco, in the early days of San Francisco a very successful merchant on Montgomery Street had in his private office two large photographs on opposite walls. One was of a jolly fellow, stoutish with flowing sideburns, and under him the caption "I sold too soon." The other was a cringing fellow with tears in his eyes, and had under him the legend, "I didn't sell." Whenever the merchant had an intricate problem to solve he studied both pictures and often came to the conclusion that "if the other fellow expects to make a profit, its all right with me—I've got mine." Copies of this fable, illustrated with sketches of the two gentlemen may be obtained from Martin Judge, Jr.

Washington Ponders Bretton Woods Salaries

(Continued on page 202)

Washington there has been a good deal of wire pulling to get berths there. Under the arrangements concluded at Savannah in March, 12 executive directors and 12 alternate executive directors have a place on the Fund and an equal number on the Bank. Executive directors receive $17,500 a year after taxes and alternates $11,500 after taxes. The managing director of the Fund gets $30,000 after taxes and the President of the Bank the same. Thus, counting taxes, the services of the top 51 officials of Fund and Bank cost a potential $1,000,000 a year. This does not allow for the permissible entertainment expenses of managing director and President.

Under these 51 officials there is commencing to be built a staff of lawyers, economists, engineers, administrative and clerical personnel, all paid on an after-taxes basis. The salary arrangements thus far made reveal that these positions are on a similarly attractive basis. Thus far most of those employed have been Americans, and of these, all who have come to this writer's attention are former government employees. A number of former members of the Treasury Department's division of monetary research, once headed by the present American executive director of the Fund, Harry D. White, have gone to Fund or Bank. These are men who worked on the Bretton Woods program at the Treasury. A few have gone to Fund or Bank from the State Department, after having worked on BW there. The Federal Reserve Board staff has commenced to contribute research personnel.

In other government departments, and even in some of those most concerned with the Fund and Bank, the writer has heard criticism of the numerous and high-paying positions and to the manner in which they are being awarded to "insiders." Apparently no one has moved from a government job in Washington to the Fund or Bank without a very appreciable increase in his or her salary. This seemingly applies to the clerical help as well, most of the research officials having taken along from the government at least one secretary.

The Proposed Salaries

As reported earlier in these columns, Harry White and E. G. Collado, the American executive directors on Fund and Bank, moved from pre-tax salaries of less than $10,000 to post-tax salaries of $17,500, or the approximate equivalent of $25,000 for a married man with dependents. One young civil servant long associated with the development of Bretton Woods moved out from under the government $10,000-before-taxes salary ceiling to $14,000-after-taxes, or approximately the equivalent of $20,000, which is twice as much as a Senator gets paid in this country.

The Bretton Woods agreements provide that personnel of Fund and Bank shall be selected with due consideration of geographical considerations, and undoubtedly a number of the higher-paid posts are being reserved for non-Americans. It has been reported to the writer that the Fund and Bank will find it hard to get people to come here from abroad "because the salaries are not sufficiently attractive." This may be true in a few special circumstances, as where a country because of its past history or other circumstances has only a relatively few skilled financial "technicians." But it is hardly likely that the posts reserved for non-Americans will long remain unfilled if there is need to fill them. As one European director put it in conversation with the writer, "No one who has lived in Western Europe in recent war and postwar years would not jump at the chance of coming to Washington, especially at the salary scale in force in Fund and Bank."

Since there will be in all only a few hundred positions on Fund and Bank, the great majority of those who have applied must be disappointed. Recently, a man seeking employment in the Bank was advised to get the endorsement of Mr. Harold Smith, its Vice-President. A call at Mr. Smith's office disclosed that he was out but elicited from a secretary the information that, insofar as concerned any vacancies to be filled by Americans, Mr. Collado had reserved them for persons of his acquaintance. It may be an indication of the dominant role of the State Department in the government's foreign financial policies, including the NAC, that of the American executive directors and alternates on Fund and Bank the Treasury Department contributed one (White) and State, three (Collado, Hooker and Luthringer). That the Treasury has supplied more personnel for research and other technical work than has State may be explained by the fact that the Treasury had more such trained people to start with.

Salary Comparisons

How well paid the Fund and Bank directorships are may be seen by a few comparisons. Not only do the executive directors receive, with taxes taken into account, about 60% more than the Chairman of the Federal Reserve Board and 2½ times as much as a Cabinet member or member of Congress; they are paid more than any American Government official outside of the President. Such a high salary scale was vigorously opposed at Savannah last March by the Birtish delegation, supported by the Canadians and others. However, they were overruled by the greater voting power of the United States delegation, embellished with copious arguments by Mr. Harry White in committee meeting aided by the State Department representatives there.

Why these salaries appear to the British "wildly extravagant"—to quote the London "Economist"—is apparent by a few comparisons. To earn $30,000-after-taxes a Britisher would need a gross income of $400,000 in the United Kingdom. To have $17,500 left, he would need a gross income of $80,000. The Chancellor of the Exchequer receives "only" $20,000 before taxes; the Permanent Secretary of the Treasury, $14,000; the Chairman of the Midland Bank, $40,000. There are in all Britain only 60 subjects of His Majesty whose income equals that of Mr. White and Mr. Collado.

Czechoslovakia's Minister of Foreign Affairs receives as salary and allowances, and before taxes, only $5,600. In all Latin America there is no government official, not even a President, whose salary equals that which the American delegation at Savannah put across for the Fund and Bank executive directors. All this was done with the blank-check powers voted by Congress when it adopted the Bretton Woods Agreements "as is." Even when the Senate confirmed the American Executive Directors of Fund and Bank earlier this year, it made no inquiry as to the emoluments of the office. Now, though it is too late, some Senators are raising questions.

Senators Ask Information

In the midst of the turmoil over the expiration of the OPA, the Senate Banking and Currency Committee took off a morning to consider and confirm the nominations of Mr. Edmond M. Hanrahan to the SEC, Mr. John W. Snyder as American Governor of the World Fund and Bank, Mr. John Stam Hooker to be American Alternate Executive Director of the Bank and Mr. George F. Luthringer to be Alternate Executive Director of the Fund. Most of the meeting was given over to an examination of the qualifications of Hooker and Luthringer and the reasons for the high salaries which are being paid by Fund and Bank.

Eliciting from 35-year-old Mr. Hooker—he pointed out that he will be 36 on Aug. 8—the fact that the salary of an alternate executive director is $11,500 after taxes, Senator Taft asked the nominee: "What qualifications have you got for being appointed to such an important position, international position, at such a salary [the equivalent of $18,000 before taxes, according to Taft]?"

Hooker—I have worked since 1934 on these specific problems relating to the Bank and have followed the work on these subjects in this government right from that time.

Taft—Well, you mean about four years ago the plan came in and started and you since then have been in the Treasury under the same gentlemen who have been appointed to the higher positions; you have been their assistant right through and now you want to move in there with this $18,000 salary. . . . Are the State Department and the Treasury Department going to fill all these big-salaried jobs out of those two departments only, without going into the general field and looking for people with long experience?

Proceeding to question Hooker on his experience in and after College, Taft asked:

Taft—Have you ever had any experience in the sale of securities?

Hooker—No, sir.

Taft—Have you ever been a member of a firm that had the problem of marketing securities in the United States?

Hooker—No, sir. That will be the essential function of the staff of the Bank, rather than the directors of the Bank. The Bank will have to hire people experienced in marketing securities. I mean the technique and the details of getting up a bond indenture, etc., the legal questions involved.

Taft—Do you know anything about, for instance, have you had any experience that would qualify you to judge whether a water power development, we will say, in Palestine or in Russia, is a sound proposition to be guaranteed by the Bank? Are you an engineer in any way?

Hooker—I am not an engineer; no, sir. I have been in on all the projects submitted to the Export-Import Bank.

Taft—You mean you have read the reports?

Hooker—No, sir. I have actually considered them and formulated opinions when I was in the Treasury and . . . State Department.

Taft—Were you at the Savannah Conference?

Hooker—Yes.

Taft—What was the purpose of fixing these high salaries so much higher than the general standard of government salaries? What was the purpose of fixing them at that rate?

Hooker—The purpose was . . . so that they could get into the Bank, particularly the staff of the Bank, qualified people.

Taft—Yes, it was to get better men with experience, wasn't it?

Hooker—Yes.

Taft—It was not just to put a bunch of State Department and Treasury Department people into better paid jobs, was it?

Hooker—Well, Senator, if you have been working on the particular questions which the Bank is going to consider, or similar questions, and requests for loans—and the United States has been the only country which has had the funds in this whole period to loan out—I don't really think you would say that wasn't any experience in what the Bank is going to do.

Asked by Senator Barkley what salary he had earned in the State Department, Hooker replied $9,950. "What was it before July 1?" Barkley inquired. "$8,750," said Hooker.

Barkley—Was it necessary to double the salary to get you to go into the Bank?

Hooker—Sir, I did not set the salaries in the Bank or the Fund.

Barkley—I know that, but you said a while ago, and I think it is to be assumed, that the high salaries were set in order to get people who might not otherwise be interested in the Bank, men of experience. I wondered if it was necessary to double the salary of the men already in the government, with experience, in order to get them to be transferred to the Bank. . . .

Hooker — Senator, the primary reason, in my opinion, for the high salaries was the job of getting for the Bank a President and other high officers of the staff. . . . The salary of the President of the International Bank was set at $30,000. In order to get qualified people with experience in securities, you have got to set the salary rather high.

Taft—It is free of taxes, though.

Hooker—It is free of taxes. But you have got to pay them a salary which is somewhat comparable to the salaries they get in New York.

Mr. Luthringer, also, was questioned on the salary of his post. During the discussion, Senator Murdock of Utah commented: "It might be these salaries were fixed, anticipating we were going to get rid of price control."

Taft questions Luthringer about his qualifications to be assistant to Mr. Harry White, the American Executive Director of the Fund. There followed this colloquy:

Taft—What is Mr. White's salary?

Luthringer—$17,500 after taxes.

Taft—How many other State Department or Treasury Department officials are moving into this Fund at these salaries, besides Mr. White and yourself?

Luthringer—I don't know, sir, what salaries they are paying the staff. . . .

Taft—There is quite a force that has moved out of the Treasury Department and State Department, into the Fund at these higher salaries?

Luthringer—I don't know about the Treasury. From the State Department there were only three: Mr. Collado, Mr. Hooker and myself.

Asking whether the salary scale determined at Savannah had not been practically fixed by the American delegation*, Luthringer answered:

"The American position on the salaries was cleared with the NAC. As I understand, the matter was also taken up with the White House."

This caused Senator Millikan, from the great mining state of Colorado, to comment: "There seems to be gold in them thar international hills."

And from Taft: "I understood they were putting them high in order to get people from the country who had some actual experience in business, and not to move over the forces of the State and Treasury Departments at more or less double their present salaries."

Clayton Defends Appointments

Later, Assistant Secretary of State Will Clayton testified in support of the Department's selections and the high salaries. He endorsed Hooker and Luthringer as able men. But Taft persisted: "What seems to me so doubtful is to move the whole staff over from the State and Treasury Departments without going out and looking for people with wide experience in the international business field, because that business field is something that gives a great deal of experience. The reason a fellow gets $25,000 to $50,000 at a bank, which incidentally if it were $50,000 would give him about $35,000 net, is that he has had experience in banking. He knows exactly how to do the things a banker has to do. With all due respect, I don't think any bankers will come over and pick out Mr. Hooker and make him the president or vice-president of a bank at a salary equivalent to $18,000 a year. But it seems to me the purpose was to enable you to get someone from the outside to go in there, not just to increase the salaries of State Department officials who might or might not get an offer from private industry."

Senator Wagner — I think the government is fortunate in having Harry White to take this position.

Taft—Oh, he would have a hard job to go out and get $30,000 a year from a bank. That is a better salary than anybody in the government has, except the President of the United States.

Staff, Too, Well Paid

Apart from the top officers of Fund and Bank, who rank immediately after the managing director and president of the two institutions, higher members of the staffs also are to be paid considerably more than corresponding U. S. Government salaries, when taxes are taken into consideration. While salary policies are reportedly still flexible, a chief of division, it appears, will receive as much as $15,000 net after taxes. Assistant division chiefs will get up to $11,000 net and section chiefs generally up to $8,000, but in a few cases $9,000 net.

Among those who have moved from the Treasury to better-paying positions with the Fund or Bank are Mr. Ansel Luxford, now acting general counsel of the Bank; E. M. Bernstein, now acting chief of research in the Fund at a reported salary of $12,000 net; Mr. V. Frank Coe, now secretary of the Fund; Mr. Irving Friedman, now working with Mr. Bernstein in the Fund; Mr. Richard Brenner, now in the legal department of the Fund; and several others. Mr. Orvis Schmidt, Treasury Department director of foreign funds control, is expected to join the Fund shortly. Mr. Walter Loucheim of the Washington office of the SEC will probably soon get an important post on the World Bank. From the Federal Reserve Board as of this writing only Mr. Robert Triffin is at present known to be going to the Fund, where he will be in charge of research on exchange-control matters. The writer has heard of no important positions in the Fund and Bank being awarded as yet to non-Americans or to Americans outside of Government officials.

*Cf. earlier reports by the writer in the "Chronicle" of March 21, 1946, p. 1; April 4, p. 1787; and in "Nation's Business," June, 1946, p. 64.

Henry W. Byrne Joins Staff of Hirsch & Co.

Hirsch & Co., 25 Broad Street, New York City, members New York Stock Exchange, announces that Henry W. Byrne has become associated with the firm's Foreign Department. Mr. Byrne, who has recently been on war duty, was formerly with F. M. Mayer.

The Counterfeit Front of Liberalism

(Continued from page 198)

in war—it is certainly worth whatever struggle may be necessary to protect it from subversionists and alien agitators who would wreck our American institutions under which we have grown and prospered until we are the envy of all the peoples on the earth.

This is an issue which transcends the ordinary difference between our great political parties. If we do not preserve our free government, our free economy, our free society, partisan differences won't be important because the parties themselves will disappear. They will be succeeded by that tyrannical political monstrosity, the one-party system, such as we have seen rule in the totalitarian states—past and present.

I bring this subject up tonight in all its gravity because the trend of events in this nation for the past decade definitely and dangerously threatens the existence of our free political institutions. We have evidence of that from patriotic Americans who are members of both great political parties. Within the past two weeks Attorney General Clark, the chief law enforcement officer of this nation, has declared:

"We know that there is a national and international conspiracy to divide our people, to discredit our institutions, and to bring about disrespect for our government."

Mr. Clark cited illustrations of the techniques used by those whom he described as Communists and Fascists, to accomplish the destruction of the United States. Mr. Clark said he saw no difference between Communists or Fascists. Neither do I.

The Counterfeit Front of Liberalism

Let us consider some of the factors which have brought about this danger to the nation. We have been experiencing in the United States the growth of a dishonest, scheming reactionism masked behind a counterfeit front of liberalism. It is, in essence, the very opposite of real liberalism. If allowed to grow unchecked it will ultimately destroy us. Planned confusion is the method these wreckers use to defraud the people of their freedom.

In the Declaration of Independence, and the Constitution, the American Colonists set up the most truly liberal form of government the world has ever known. They set up a liberal government on the premise that that government is best that governs least. It was a liberal government because it gave liberty to the individual. It is a government of limited powers; a government bound to respect certain inalienable rights of the individual. The radical idea that the people belong to the government is abhorrent to the Constitution. The American government belongs to the people and the people belong only to God. It is a government conscious and considerate of the rights of helpless minorities. Our Constitution is the most liberal and the newest political invention existing in the world today. In terms of 5,000 years of history, it is as new as the jet-propelled plane.

By way of justification before the world for their decision to renounce their allegiance to the British Crown, the signers of the Declaration of Independence pointed out:

"He has erected a multitude of new offices, and sent hither swarms of officers to harass our people, and eat out their substance."

That was written in 1776. At that time the population of the American Colonies was less than three million persons. Think of that; less than the number of Federal office-holders, who today are harassing our people.

No Freedom Without Private Property

It has been the chief charge of those seeking to destroy our American system that our Constitution is designed for the protection of private property—or, as they phrase it—that it puts property rights ahead of human rights. Let us see what that means. Freedom of speech, freedom of religion, freedom of peaceful assembly, and right of habeas corpus, can not exist in a nation without private property. When the ownership or use of property becomes dependent upon the whim or favor of some government official, all freedom is dead.

The very basis of our American civilization is our private property system. That means that every individual is entitled honestly to attain abundance and to enjoy it without interference. The Colonists came to America to get away from the power of the total state and create something of their own without fear that it would be taken from them by the state.

The British Empire, China, and Russia have more natural resources than we have, and more people. Yet the American worker receives wages many times those received by the worker in any of these nations.

We have the highest standard of living in the world because the American worker has tools with which he can convert raw materials into food, clothing and shelter, into bath tubs, automobiles, radios and a hundred other items, instead of making everything by hand. These tools are our farms, tractors, trucks, our railroads, our factories, our telephones, our stores, and other productive facilities. With the protection of private property guaranteed us by our Constitution these tools of production are owned by 100 million Americans and have been accumulated over a period of 150 years.

The men and women who settled the American Colonies came to the New World and braved the unknown, endured the hardships, underwent the privations, because they wanted to get away from tyrants who prevented them from earning that which they could hold as their own without fear that it would be wrested from them by the State. They set up here a new and liberal government to give liberty to the individual, to guarantee one of the most important of human rights, the right to own and to use private property. The assurance that that which was honestly earned could be kept, stimulated the American people to a degree of industry never before equalled.

Listen to the words of Abraham Lincoln; he declared:

". . . . Property is the fruit of labor; property is desirable; is a positive good in the world. That some should be rich shows that others may become rich, and hence is just encouragement to industry and enterprise. Let not him who is houseless pull down the house of another, but let him work diligently and build one for himself, thus by example assuring that his own shall be safe from violence when built."

I have stressed the importance of private property rights—as one of the inalienable human rights—because that particular right is the one most frequently attacked by those who would destroy our institutions. It is a right which can be most dramatically attacked by the demagogue who plays upon the envy, jealousy and fear inherent in human nature. That is the technique which has brought us face to face with grave dangers today.

These demagogues and alien-minded subversionists who are always attacking property ownership usually have no property of their own. But they are always willing and ready to divide the other fellow's last dollar. And those rare individuals, who have property and who still advocate Communism or Fascism, do not divest themselves of their property. They hold on to it.

Beating the Production Cow to Death

Down in Tennessee we know that one sure way to make a cow go dry is to chase her around the field and beat her. The cream of human comfort cannot be spread by beating the production cow to death. Even the skimmed milk of bare necessities will not be provided by drying up production at the source.

This Independence Day is an appropriate time for all of us to re-dedicate ourselves to the task of preventing the demagogues and the advocates of subversive and alien philosophies from wrecking our great, grand country.

This year, as never before, I hope every one of my fellow citizens will make full use of another of his inherent rights—the right to vote in order to preserve our system of Government.

If we elect the right kind of a Congress this year we can stop the trend toward centralization of power in Washington and the drift toward disregard for the rights of individuals.

Within the past week we have seen how far an intrenched bureaucracy will go in efforts to perpetuate its powers. We have had the spectacle of the President defying the expressed will of the peoples' representatives in Congress and gambling the whole economic structure of this nation on an effort to retain unchanged the authority of a discredited and bungling bureaucratic agency of the Government. Only a few weeks earlier we had the even more humiliating spectacle of a public brawl between members of the Supreme Court of our nation. This humiliating display was the logical result of attempts to convert the Supreme Court into a subservient and partisan political tool of the Administration in power.

All of this damage to the basic fabric of our Government has been done in the name of a completely false claim of liberalism. It is the kind of false liberalism which seeks to buy the peoples' rights with the peoples' money, or the money which they or their children have not yet earned. It is one of the oldest devices in the history of tyranny. In ancient Rome, it was the practice for the Emperors to console the people for their loss of liberty by providing bread and circuses without reminding the people that their own taxes paid the bill. It is the technique of those who would persuade us that a liberal government is a government which is liberal with **your** money. The Government has no money of its own. It has only what it takes out of our pockets by taxes, or can pledge to be paid out of future taxes.

Making Inflation Inevitable

We have had a great many warnings during the past few weeks about the dangers of inflation, meaning the condition in which money loses its value in terms of what it will buy. A great many of these warnings have come from the very persons who have helped make inflation inevitable.

The dollar bill which you have in your pocket is really a promissory note, signed by the Government. For the past 14 years the Government of the United States each year has spent billions of dollars more than it took in. Today the Government owes approximately $300 billions. Part of that astronomical debt represent the cost of the war. But a considerable part of it also represents extravagance in peace-time. Even this year, with the war over, the Federal budget calls for expenditures of five times as much money as the Government ever spent before in any one peace-time year. It is the main reason why we have progressed a long way toward inflation in the United States today. We will continue to progress in that direction so long as our Federal Government is operated by men who believe we can spend ourselves into prosperity, or that they can continue to spend public funds to perpetuate their own power. Every dollar that is added to the national debt makes the dollar in your pocket less valuable. That is just simple economics, so simple it is frequently overlooked.

In the end, the American people will have to suffer through a very painful financial headache as a result of the spending spree on which their Government has been embarked for more than a decade. But, more serious than the financial losses, is the fact that this process of disillusionment may impair the faith of the people in the Government itself. That is why government wreckers insist on reckless spending and mountainous debt. That creates an ideal situation for those who would like to destroy our system of government and take over power themselves. When the people lose confidence in the existing system, it is easy to sell them some other system. We have seen that process work out to its tragic culmination in many nations throughout the world. So far we have been able to avoid it here. But we are not immune to the poisons which have proved fatal to freedom in other parts of the world.

If my remarks tonight seem to have been in a serious vein, let us remember that the first Fourth of July was a grim and solemn occasion. The men who signed that Declaration, which we commemorate today, were not celebrating a holiday. They were gambling their lives and their fortunes on behalf of the establishment of a free government of free men. If we could revive some of the spirit which animated them, and apply it to the solution of our present-day difficulties, most of those difficulties would vanish quickly. Not since the American Army suffered through that tragic Winter at Valley Forge has the cause of freedom in America been more greatly endangered than it is today.

We are threatened by the enemies of freedom—both abroad and at home. In this fast-moving age of air power and atom bombs one mistake may be fatal. Let us strive to recapture the grim determination of those whose achievements we commemorate tonight, and reconsecrate ourselves to the task of preserving the heritage which they bequeathed to us.

George A. Searight V. P. of First Colony

George A. Searight, Manager of the trading department for First Colony Corporation, 52 Wall Street, New York City, has been elected a Vice-President of the firm. Mr. Searight, who has been well-known in Wall Street since 1919, principally in the trading division, from 1921 to 1931 conducted his own investment business in New York City.

"Our Reporter on Governments"

By JOHN T. CHIPPENDALE, JR.

Last week the government bond market broke out of its recent trading range, as prices went ahead as much as 3/8 of a point on not too heavy volume. . . . The technical position of the market has been improving for quite some time, so that not too substantial purchases by bank and other institutional investors pushed prices through recent resistance levels. . . . The Victory Loan 2½% due Dec. 15, 1967/72, which had been stopped several times at 104 was able to carry through it this time and this resulted in a good demand for the rest of the ineligible obligations, which also advanced through recent supply levels. . . . The 2¼% due 1956/59 which becomes bank eligible on Sept. 15, was the largest gainer among the restricted issues, and this took place in spite of trading out of this obligation into the 2¼s of 1959/62. . . .

The bank eligible bonds were led by the 2% due 1952/54, the 2½% due 1956/58, and the 2½% due Sept. 15, 1967/72, as the commercial banks replaced high coupon obligations that have been taken away from them in the recent debt retirement. . . . Dealers, it is reported, have also been building up positions in the belief that prices will tend upward, now that the market has moved out of its recent trading area. . . .

MARKET ON MARCH

In face of the warning by the Federal Reserve Bank of New York regarding the use of bank credit in the purchase and carrying of government securities, which seems to be primarily for the purpose of shaking holders out of their obligations, and thus increase the floating supply, the market moves ahead. . . . Likewise the reported readiness of Government Trust Funds to sell selected marketable issues did not have any retarding effect on the market. . . .

The real test of the technical position of the market and its underlying strength will be forthcoming soon, and if it is as strong as it seems to be, any liquidation that may come from loan calls, speculators and the Government Trust Funds, will not be too important. . . .

This does not mean that there will be another runaway market on the upside, such as we have had in the past. . . . It probably will result in a good trading market with advancing tendencies as the floating supply is digested. . . . There is no doubt that the monetary authorities will do all they can to prevent the market from going into another upsurge. . . .

DECELERATED DEBT REDUCTION

The most important development in the money markets last week was the statement by Secretary of the Treasury Snyder that there might be some slackening in the pace of public debt retirement because of its inflationary effects. . . . It is not expected that debt retirement will be ended abruptly but that there will be smaller amounts retired than has been the policy in the past. . . . The Aug. 1 maturity of certificates outstanding in the amount of about $2,500,000,000, will probably not be paid off in full, but between $1,-000,000,000 and $1,500,000,000 may be retired out of cash. . . .

It is believed that issues in which the commercial banks and the Federal Reserve Banks are the largest holders will get more attention from the debt retirement standpoint from here on. . . . There will no doubt be clarification of the Treasury's stand on debt retirement in the next few days, when plans will be announced for the handling of the Aug. 1 maturity of certificates. . . .

NOT INFLATIONARY

What seems to be involved in this rather abrupt change in policy toward debt retirement? . . . It most certainly does not appear to be the inflationary effects of debt retirement. . . . Where the securities are held by the commercial banks both government securities and deposits are decreased. . . . This is not inflationary. . . . When the securities are owned by the Federal Reserve Banks, it results in a decrease in reserve balances. . . . This is not inflationary. . . . Where the securities are owned by non-bank investors, this results in these holders' having the deposits that formerly were government deposits. . . . To the extent that non-bank investors use these deposits to buy securities or for other purposes, they become active deposits as against dormant deposits of the Treasury. . . . It creates a demand for securities and other goods, which could add somewhat to the inflationary pressure. . . .

However, by far the largest amount of securities that has been retired has been owned by the commercial banks. . . . The deflationary effects of deposit retirement through repayment of issues held by the commercial banks seems to be much greater than the inflationary effects of the retiring securities held by non-bank investors. . . . The retirement of obligations held by the Federal Reserve Banks, unless counteracted by open market purchases, results in a decline in reserve balances as does the transfer of reserve-free government deposits to individual deposits with required reserves. . . . These operations are deflationary and tighten the money markets. . . .

TREASURY WORRIED?

Could it be that the Treasury is worried over the trend of redemptions of Series "E" Savings Bonds and wants to keep cash resources large, to be in a position to meet these payments without resort to new borrowings? . . . There is no doubt the Treasury could issue bonds to non-bank investors at favorable rates and with restrictive provisions in the new financing could prevent these holders from selling bank eligible obligations for a period. . . . It is questionable, however, that these conditions could prevail for a long space of time, and the Federal Reserve System in its recent report to the Congress seems to admit its inability to control such a situation. . . .

CAUTION

The slowing down of the debt retirement program, with its tightening effect on the money markets as well as its effects on the reserve positions of the commercial banks, must be watched very carefully, because it could have an important bearing on the purchases of securities by the deposit institutions. . . . The member banks have been replacing called issues, with bonds in many instances to offset the loss in income due to the decrease in earning assets. . . . If these institutions are to lose smaller amounts of their earning assets in the future there may not be this same trend toward the longer-term high coupon obligations. . . .

Although the larger institutional investors have not been too prominent in the market, the medium-size and smaller ones have been adding regularly to their holdings of the ineligible issues. . . . They have been buying on a scale basis and although recent purchases have been made as the market moved up, they report that very satisfactory average prices are being obtained. . . .

Capitalism and the Menace Of a Fifth Column

(Continued from page 199)

ing together, which used to be called (and which I still call) Capitalism.

Those who still have a tenderness for Capitalism (in spite of Professor Laski, Mr. Molotov, and others) generally now talk of it under another and a sweeter name, such as Freedom of Enterprise or something vague of that sort. But not I.

Strange to relate, the final proof—if proof be needed—that Capitalism is not to be talked about, as such, in polite circles, may be found in current argument against removing wartime price controls: for it actually takes for granted the prospective failure of Capitalism.

Wartime Controls

When controls in general were first clamped on they were intended to *prevent* civilians from getting goods—indeed, to prevent many such goods from being produced at all. It was necessary to prevent them from being produced, in order to free the materials and the labor, by means of which Capitalism might try to forge tools for the defeat of Fascist Socialism.

One of the things which government has always been good at, is preventing people from doing things which otherwise they could and would have done. It is a matter of record that our wartime controls did throttle down consumption by civilians, and so, did release materials and labor needed for the tools of victory.

Thanks to the fact that Capitalism—so far—has proven itself a great deal more efficient than any kind of Socialism, Fascist or otherwise, the tools were forged in time. Thanks to this fact—and thanks to countless feats of arms—the defeat of Fascist Socialism has been achieved.

Whether we gained safety by defeating Fascist Socialism—that remains to be seen. Let us in any case record that World War II vindicates Capitalism, the most efficent means yet found of getting production of the kind required in the necessary volume, quickly.

The supreme need from 1939 to 1945 was to get necessary things done fast. We might have been unable to produce the tools in time. We might have been overwhelmed by the Fascists. We might have lost our ancient liberties—liberties which no one possessed anywhere in the world, except those fortunate enough to live under Capitalism. But we were spared these disasters: and very largely, because Capitalism produced so fast, and in such quantity, the tools with which "to finish the job."

Our Russian Allies, no less than ourselves, may now thank God for western Capitalism. For they no less than we, depended on that endless flow. The convoys fighting through to Murmansk were, in truth, the life-line from capitalist Gary, Pittsburgh, Detroit and Montreal to Soviet Russia, by means of which Russia was enabled to survive.

Now that the fighting is ended we move to the next question: What about lifting wartime controls?

Should Controls Be Continued?

Here our commissars inform us that we must keep the controls, or at least, a lot of them, because goods are still in short supply. We must retain controls till enough goods come to market. Only when supplies become adequate, can these controls be removed.

In other words, we must retain (in part, at any rate) a system which was intended to prevent civilian goods from being produced: and we must retain it, if you please, with a view to getting the same goods produced now. To me, "this does not add up."

Those of us who learned our economics before the nineteen-thirties can remember when these problems were looked at otherwise.

Then it was believed that a demand for goods, backed by money, was the best means of getting goods produced — provided, of course, that the money backing the demand was enough to render production of them worth while, from a maker's standpoint.

Of course, it was realized, then as now, that shortages of goods provoke high prices. But it was realized also that high prices, in their turn, provoke abundance of supply: thus bringing prices down again to reasonable levels.

The secret of Capitalism is and always has been simply this: There is a casual connection between shortages and high prices; there is a casual connection between high prices and abundance; there is a casual connection, too, between abundance and a corrective lowering of prices.

Consumers Govern Course of Production

Thus have consumers governed the course of production. Just naturally, demand has begotten supply.

But not so now. No parliament has repealed the laws of demand and supply: but a good many people have, somehow, managed to forget about them. Those who now rule our destinies, at a time when goods are short because regulation by government (urgently needed in wartime) has brought about supply shortages, call for continuance of regulation, to produce abundance.

All this I say, not in order to start an argument for the removal of the remaining controls, but merely to point out, by means of an obvious example, just how far doubt regarding the basic premises of Capitalism has gone—and this, at the moment when Capitalism scores its greatest triumph.

Our purpose is really to talk about this doubt—a danger, the tremendous importance of which at present we must drive home.

But perhaps I may be permitted, before venturing on our topic, to lay down three propositions. These are not, perhaps (in the language of the Declaration of Independence), self-evident; but I do state without hesitation that each of them could, if necessary, be proved in a court of law.

Propositions Regarding Capitalism

These propositions are as follows:

(1) Never did men in general live under conditions of freedom—never did men in general enjoy what we now call "the liberties of the subject"—till Capitalism was born, and indeed reached vigorous life, a very few centuries ago. Nor have men in general anywhere enjoyed what we call freedom, since then, under any method of living and working together but Capitalism.

It is thus a not unreasonable inference that the future freedom of mankind and the future existence of Capitalism are intimately bound up together.

Now for my second proposition:

(2) Never did there exist in the world what we regard as democracy, till Capitalism made democracy possible.

The name democracy comes as everyone knows, from certain ancient Greek republics, Athens in particular. But anyone able to read and not blind to the facts, knows that Athens and her sister Greek republics were slave states; that the mass of mankind in those republics were just as much slaves as the blacks in the Deep South before the Civil War; and that the citizens themselves were privileged minority groups.

Not until Capitalism came into being—not indeed till Capitalism had managed to strike deep roots and had put out strong branches—not until then did the term democracy begin, by modern standards and in terms of our usage, to mean anything at all.

Even in these days, when "Pravda" talks about democracy just as much as our own newspapers talk about it, let us recognize that the term democracy means, in the columns of "Pravda," something entirely different from what it means here, in the columns of "capitalist reactionary papers," like "La Presse," "The Gazette," and "The Montreal Star."

"Pravda" finds the notion of democracy quite consistent with government *of* the proletariat, *through* the secret police, *by* Russia's privileged class—a class which is as clearly differentiated, in Muscovite Russia, from the proletariat, as it ever was in a "capitalist, reactionary" country—such as, for example, Scotland or Canada.

The discussion of democracy, by papers such as "Pravda," proves (if proof be necessary) that it is impossible to believe in the Four Freedoms, and at the same time, to support Communism.

Now for my third proposition:

(3) Never in a thousand years under any system but Capitalism, did the living standards of the plain man rise as much, and as fast, as they rose in capitalist countries during the nineteenth century.

The result is that even in 1946—despite our tax load, and the bad effect of World Wars on World Markets—even in 1946, I say, the Canadian man-in-the-street, the good Jean Baptiste, lives in most respects better than the Roman Emperors lived before Capitalism.

"Pravda" pities Jean Baptiste—but what about Ivan Ivanovitch? What about the Moscow man-in-the-street? What about the Soviet citizen, fortunate enough to live among the blessings of Muscovite democracy?

Let me tell you, Sir, that Ivan Ivanovitch would gladly change places with Jean Baptiste tomorrow.

But (you may properly demand) if that is the case, why does not Ivan Ivanovitch say so?

Let me tell you the reason.

Ivan is unwilling to live in a concentration camp. For, you must remember, while Jean Baptiste enjoys and is protected by the Four Freedoms embodied in the Churchill-Roosevelt Atlantic Charter, not all of these freedoms protect Ivan Ivanovitch.

Fascist Socialism is not the sole type of Socialism which finds it convenient to maintain concentration camps. Moreover, so long as these places exist, one does not idly talk about wishing to live abroad.

But let us get away from this grisly topic. We rather shrink, in our effete capitalist society, from that kind of thing. Doubtless it is a sign of our spiritual weakness.

Let us, instead, go back to the thread of our argument.

I have just laid down three propositions. Let me repeat them:

One is, that never did men in general gain and keep freedom, as we know freedom, till Capitalism gave it to them.

Another is, that what we westerners call democracy never existed, till Capitalism made such democracy possible.

And the third is, that never in a thousand years did the living standards of the plain man rise as much, or as fast, as they rose under Capitalism, in the century before 1914.

Let me repeat that the truth of these propositions can be proved beyond cavil.

Why then—and here I come back to my main question—why the doubt as to the basic premises of Capitalism, which is visibly so general and corrosive at the present time?

The Fifth Column

That there is this doubting, every man among us knows. It is today's manifestation of the Fifth Column in North America.

Nor can anyone among us afford to make light of it.

Not long ago, the suggestion that Capitalism might be doomed in North America belonged in the covers of a book—and of a book by no means widely read. It was one of the quaint fanciful prophecies of a man called Karl Marx.

But not now. Kingdoms and principalities have been smashed, since 1917, in such numbers, that we now recognize no social or political breakdown as being impossible. We now recognize that there is no safety, but that which rests on a robust faith and cold, realistic preparation for events. It is not any more impossible for Capitalism to be sapped and undermined, and to collapse in North America, than it was for Capitalism to be sapped and undermined, and to collapse in Europe.

Whence comes the Fifth Column on this continent?

Somewhere the great military writer Clausewitz makes an observation, which is firmly stuck in my mind.

He says that every defeat, on every battlefield since war began, occurred in some human skull.

At some stage in every battle, someone became convinced that his troops were defeated.

Till that conviction was formed they still had a chance of being victorious.

But as soon as the conviction of defeat was registered, in the brain of the key man (or sometimes, the key men) defeat in the field became an actuality.

Some of us are aware of what happened on Aug. 8, 1918, to the then German Chief-of-Staff, General Erich Ludendorff.

In both World Wars, it was usual for Germans to keep a diary. Ludendorff was one of them; and in time his jottings came to be published.

As late as Aug. 7, 1918, Ludendorff was handling on the Western Front an army, still the strongest ever seen in the world. On that date, victory still was in doubt.

But on Aug. 8, 1918, Ludendorff told his diary that the Germans were defeated—that Germany had lost, not a battle, but the war.

From the moment when defeat occurred—and I beg you to remember that it first occurred in the broad, unlovely, bullet-head of the German Chief-of-Staff—that military machine began to disintegrate. Neither could it repel attack, nor could it disengage.

Let us look at an event much nearer in time than defeat of Ludendorff.

Does anyone doubt that if Churchill, in June of 1940, had recorded in *his* diary that *England* was defeated—does anyone doubt that in such an event England would have perished—and with England, everything else that we value?

But to some things, apparently, Churchill's skull is quite *impervious*. In it the notion of defeat could not register.

Because of Churchill's failure to conceive defeat, we meet here as free men today.

Most stories have a moral. What is the moral of this one?

I venture to think we can make our own the Clausewitz conviction that defeat occurs, not on external battlefields, but in the quiet recesses of the human skull.

Capitalism Must Not Lose Faith In Itself

If Capitalism is going to be defeated—and it may be defeated—the result will come, not because a lot of "pinks" and "fellow travelers" are skeptical about Capitalism (mostly they preach, over the cocktails, to persons of their own kind) but because the capitalist himself has lost faith in Capitalism.

We must realize that like other men, the capitalist chooses, and will always choose, his own role. He can decide to suffer the slings and arrows of outrageous fortune. Or, if he prefers, he can take arms against a sea of troubles.

He can play the part of a Ludendorff. He can play the part of a Churchill. He can share the former's fate, and go down to defeat. Or else—he can share the latter's courage: and of him it may be said afterwards, that then was his finest hour. What his choice will be depends on the faith, or lack of faith, inside him.

We have already noted that Capitalism brought mankind—or perhaps, made possible for mankind—better living standards than at any time in the past, more freedom than at any time in the past, and democracy. This was not due to some abstract principle of evolution. Nor, of course, did it just come by chance. It was due to the restless genius of individuals—many thousands of individuals in many countries—each of them engaged in the search for a living.

A Free Market, Basic Principle of Capitalism

The system of joint stock; the principle of limited liability; the right to transfer shares in an enterprise by means of purchase and sale; the technique of payment by check; the method of bookkeeping by double entry; the provision of insurance against risk, on an actuarial basis; the device of patenting inventions (with all that this has brought of material benefit to man); and back of all these devices, the notion of a free market in which buyers and sellers may be permitted freely to deal with one another.

I have never heard a political scientist, nor any lawyer, talk of these things as forming an essential equipment of society, lacking which our present living standards, some of our present freedoms, and our present habit of democratic government might not yet have been seen on this planet.

But I do firmly believe that without these legal and economic devices (and others of like purpose, too numerous to mention) we might still be leading the same kind of life, poverty-stricken, insecure, limited, unfree, that our ancestors were leading before Capitalism was born, and before it unleashed the great Industrial Revolution.

Pioneers of Capitalism

I mentioned a few moments ago the courage and the creative genius which distinguished individuals in the first years of Capitalism. Let us remember that, in general, the pioneers of Capitalism received little help from governments—indeed, as a rule, met with, not help, but hindrance, from governments. For in the first years of Capitalism, it was the land-owning class which flourished at court.

Thus was the capitalist thrown back on his own self-reliance in order to survive; and in the terrific business mortality which attended the first period of Capitalism, those who did survive must have been in an amazing degree self-reliant.

Narrow they doubtless were in many cases — but Cobden and Bright who destroyed the Corn Laws were capitalists; self-centered they doubtless were in many cases—but Sir George Williams, selfless creator of the Young Men's Christian Association, was a capitalist; callous they doubtless were—but Wilberforce, who freed the slaves in the British Empire while still slavery flourished in the States (and serfdom in Russia), was a capitalist also.

Mention of these names, nonetheless, is a digression for which I should apologize. The quality most marked in the pioneer capitalist still seems to me the man's intense courage and self-reliance which persons, like ourselves, living in an age of grim dangers, cannot but respect and admire.

This I couple with the reflection by Clausewitz, that every defeat occurs in the first place within some human skull (or skulls). The founders of Capitalism (whatever their shortcomings) must have had one at least of the qualities of a Churchill, in that their skulls were not easily penetrable by the thought of defeat. When they found themselves up against fearsome new problems, and without guidance, they steered by dead reckoning — just as their ship's captains did in uncharted seas, or lacking sun and stars to guide them; and in either case, the grasp of the wheel did not lack firmness—and if, in a storm the wheel persisted in bucking, they did not hestitate to lash it down.

Coro Inc. Common Offered To Public

An underwriting group headed by Emanuel, Deetjen & Co. on July 10 offered to the public 134,814 shares (no par) common stock of Coro, Inc., at $24.50 a share. Of the offering, 59,814 shares represent new financing by the corporation. The balance of 75,000 shares is stock already outstanding and being sold for present holders. The corporation is offering to stockholders of record July 9, 1946 rights to subscribe for new shares in the ratio of one share of additional stock for each seven shares held. A number of holders have waived the rights to subscribe for 45,660 shares and such shares have been sold directly to the underwriters. The investment bankers also have agreed to purchase any of the 14,154 new shares not taken up by stockholders who have not waived their subscription rights. Subscription privileges will expire on or about July 26, 1946.

Coro, Inc., manufacturer, importer and exporter of costume jewelry and simulated pearls, will use proceeds received by the corporation to finance the construction, now under way, of a four-story annex to the plant at Providence, Rhode Island; to purchase machinery and equipment for the new structure, and for improvements to the present Providence plant. In addition, the corporation's treasury will be reimbursed for expenditures in connection with the acquisition in Jan., 1945, of the Toronto, Canada plant. Remaining proceeds, together with the replaced working capital, will be devoted to the expanded activities of the company resulting from broadening of its fields of operations.

Aldrich Gives Program For Trade Policy

(Continued from page 203)

scribed to the International Bank and the International Fund set up under the Bretton Woods agreement. It has in the Office of International Trade in the Department of Commerce, which is primarily concerned with foreign trade promotion, a specialized staff to study the effects of loans on the expansion of foreign trade and our domestic economy. That office has already pointed out that while there are less goods of many kinds than our own population demands, there are already some fields in which surplus capacity is looming up.

Generally speaking, the function of the committee, as I see it, will be to devise ways and means, in cooperation with the National Advisory Council, to accomplish the following purposes:

First — To bring into orderly common effort public and private finance, through business men and bankers, in the foreign field.

Second—To foster the application of the productive capacity of the United States in the most effective manner possible to the needs of domestic consumption and foreign reconstruction.

Third — To promote relations between American and foreign business enterprise for the purpose of developing and maintaining foreign trade, both export and import, on a high and expanding level.

The accomplishment of these purposes would not only help in rebuilding the economy of the world, but would increase and stabilize employment in this country.

The committee will also work with the Departments of State and Commerce in connection with the trade promotion aspects of its work. The National Advisory Council, to which the committee will make its report and recommendations and with which it will work on the lending aspects of its assignment, includes the heads of the Treasury Department, the Department of State, the Department of Commerce, the Export-Import Bank and the board of governors of the Federal Reserve System.

I have just come back from attending the meetings of the council of the International Chamber of Commerce in Paris and have set to work immediately to get the data together to provide a basis for discussions by the committee. We shall move forward under the President's instructions just as rapidly as the magnitude of the task permits.

I had a short letter from the President last Wednesday in which he said: "I shall look to you as Chairman of the committee to call the members together and organize the work of the committee."

I shall lose no time in doing just that.

Argentine Bonds Drawn For Redemption

J. P. Morgan & Co. Inc., as Sinking Fund Agent, is notifying holders of Argentine Republic Sinking Fund External Conversion Loan 4% Bonds, due Feb. 15, 1972, that $142,000 principal amount of these bonds have been drawn for redemption on Aug. 15, 1946, out of moneys in the sinking fund. Payment of the principal amount of such bonds will be made on the redemption date at the office of J. P. Morgan & Co. Inc., New York City, or at the principal office of The National City Bank of New York, or at the principal office of The First National Bank of Boston.

Business Man's Bookshelf

Concentration of Economic Power, The—David Lynch—Columbia University Press, Morningside Heights, New York City—Cloth—$5.50.

Prices, Wages and Employment — Charles O. Hardy, Kenneth B. Williams and Howard S. Ellis—Board of Governors of the Federal Reserve System, Washington, D. C.—Paper—25c.

Graphic Stocks—July issue containing over 900 charts of stocks listed on the New York Stock and Curb Exchanges—F. W. Stephens, 15 William Street, New York City.

Some European Currency and Exchange Experiences: 1943-1946 —Frank A. Southard, Jr.—International Finance Section, Princeton University, Princeton, N. J.—paper.

Free Enterprise and Insurance Regulation

(Continued from page 205)

crackpots and long-haired theorists alone. I have heard them from respectable businessmen who seem to despair of making the private enterprise system work in the complicated modern world.

Opposes Regimentation

To my way of thinking, those who want to substitute regimentation for enterprise and risk are all wrong, irrespective of whether they would accomplish their end by private agreements to restrain trade and monopolize or by government controls. Both roads lead to fascism. Private monopoly in time creates the necessity for a greater measure of government regulation. And effective government regulation of production, distribution and price would call for a plenitude of government power not consistent with democratic political institutions. Whether you seek protection from the risks of competition by private or government regimentation you will probably wind up with a full measure of the later, or at least a blending of the two.

I think we shall be better off with a maximum of healthy competition in this country. I mean competition that is fair and honest but which is not afraid to venture with new ideas for serving the people's needs and which is willing to risk volume production at lower prices.

Now I have referred to the willingness to assume risk as fundamental in a free enterprise economy. Does that mean that all risks of all kinds must be endured without any attempt at mitigation? Not at all. There are many kinds of risk against which individuals, corporations and society itself can and should provide protection and where protection is in no sense incompatible with free enterprise. Protection against the risks of death, accident, sickness, fire, storm, shipwreck and other acts of God not only is consistent with economic freedom but actually promotes it.

By being able through insurance to eliminate these and other fortuitous risks, men can concentrate their energies and capital upon the creative work of the world. To illustrate it simply, if a small businessman can make provision for his family through life insurance, he is then enabled to risk his small savings in expanding his business. Without insurance he would probably feel compelled to invest his small savings at the going rate of interest in something having a minimum of risk, or to hoard them. Again, if it were not for fire insurance many businesses, the victims of fire loss, would be ruined financially and thus would be unable to make their individual contributions to an expanding economy.

Insurance Compatible With Free Enterprise

Both in origin and in operation the principle of insurance is both compatible with and promotive of the objectives of a free enterprise economy. But in our proper zeal to lessen the impact of those risks of life against which insurance can be written, we must not lose sight of the fact that our free enterprise system requires a constant willingness to accept competitive business risks if we are to have an expanding economy. Otherwise our economy would become static because of our unwillingness to venture. Insurance might properly be viewed as an approved mechanism for minimizing the *fortuitous* risks of life so that man's energies will be more free to assume other risks in adventurous grappling with those problems which he has a chance to solve. If we did not have insurance we probably would not be able to maintain a private competitive system. Individuals would hardly be able under modern conditions to risk their capital on new business ventures if they were not able to pool with others through insurance their risks of accident and disaster. Consequently, it should be emphasized that insurance is a system of calculated risk, and as such it is a constructive corollary to enterprise. Insurance is not designed to displace enterprise, but to assist it.

The Sherman Anti-trust Act is a legislative expression of the philosophy of free enterprise. It provides that no artificial restraints shall be imposed upon the market. It involves no plan of government regulation or control of business. Indeed, its purpose is quite the opposite, since it contemplates a minimum of government regulation. Under the anti-trust laws, businessmen are free to make individual decisions regarding the conduct of their own businesses. Freedom of enterprise is protected against those who would hamper the operation of the market and prevent free access to the market. An anti-trust suit is not an attack on business or a contest between government and business. It is rather a dramatization of the conflict between those businessmen who wish to operate in a free market and those who desire a privately controlled market.

Two years have passed since the Supreme Court handed down its decision in the *South-Eastern Underwriters Association* case and caused the insurance industry to engage in some intensive soul-searching. Although characterized by some as "precedent smashing," the decision was the inevitable result of the growth and development of the insurance business. Keeping pace with the organized commerce of our time, the insurance industry has lost most of its local aspect and has become more and more a national concern. As the Supreme Court pointed out:

"Perhaps no modern commercial enterprise directly affects so many people in all walks of life as does the insurance business. Insurance touches the home, the family, and the occupation or business of almost every person in the United States.

"This business is not separated into 48 distinct territorial compartments which function in isolation from each other. Interrelationship, interdependence, and integration of activities in all States in which they operate are practical aspects of the insurance companies' methods of doing business."

And, I remind you, the insurance companies themselves had for years vigorously maintained that they were in interstate commerce. This contention was often made in contesting the validity of state regulatory or taxing laws.

Insurance Now Considered Interstate Commerce

In *Paul v. Virginia*, decided by the Supreme Court in 1869, it was held that a Virginia statute which regulated foreign insurance companies did not offend the Commerce Clause of the Constitution because "issuing a policy of insurance is not a transaction of commerce." In subsequent cases this statement was repeated and broadened. But until the South-Eastern Underwriters Association case, the Court never had before it any case involving application of a federal statute to the business of insurance. In that case we took the position, which the Court adopted, that *Paul v. Virginia* was not authority for the proposition that insurance was not subject to federal regulation under the commerce clause of the Constitution, and that the Sherman Act by its terms was all-inclusive and applied to all business that was commerce within the meaning of the commerce clause.

No purpose would be served in attempting now to restate the legal arguments. It is now settled that the business of insurance conducted across state lines is interstate commerce.

But even before the South-Eastern Underwriters Association case decided, a movement had been initiated to obtain for insurance legislative exemption from the Sherman Act. A smoke-screen of misrepresentation about the motives of the Department of Justice was cast about the basic issues. Bitter controversy raged in the press concerning the implications of declaring insurance to be interstate commerce. False prophets darkly predicted that the holding would mean chaos in the industry, that it was a step toward socialization, that it would overturn state regulation and taxation of the insurance business, and that the American agency system was doomed.

Finally, Congress passed Public Law 15 — the McCarran Act — granting a period of moratorium from the application of the anti-trust laws and affirming the principle of state regulation. Now, in a calmer atmosphere brought about by the passage of time, it may be well to comment on the record and to venture some remarks regarding the future.

No Purpose to Regulate Insurance

I think it has become abundantly clear by now that the action of the Department in proceeding against restrictive practices in the insurance business was not motivated by any desire to bring about federal regulation, or to socialize the industry. Our position with respect to federal regulation has been consistently stated from the outset. We have no program for federal regulation. Furthermore, I can state that I have not seen or heard of any program for federal regulation suggested by any other government agency. The allegations regarding a move to socialize the industry or to manipulate its financial reserves were the worst sort of misrepresentations. They were distortions of fact—an effort to confuse the issues.

The "chaos" that was predicted has failed to materialize. If you suggest that the chaos predicted was the overturning of developed and accepted system of state regulation, and that Public Law 15 averted the disaster, I answer by referring you to the case of *Robertson v. The People of the State of California*, just decided by the Supreme Court on June 3. Mr. Justice Rutledge, speaking for a unanimous court, sustained the principle of state regulation of insurance under the police power of the states without relying upon the McCarran Act. You will recall that we took this very position in our arguments in the South-Eastern Underwriters Association case. We there asserted that the application of the Sherman Act in no way interfered with the application of reasonable state regulation.

Parenthetically, it is interesting to note the similarity between the *Robertson* case and the historic case of *Paul v. Virginia*. The facts present a startling parellel. Both cases were attacks by insurance companies on state regulatory laws upon the ground that the state laws were regulations of interstate commerce forbidden by the commerce clause of the federal Constitution. The result in both cases was the same — the state laws were upheld—although the rationale of the cases differed in some respects. So it is clear that the South-Eastern Underwriters Association case holding the insurance business to be in interstate commerce has not had the effect of invalidating reasonable and non-discriminatory state regulation.

One field in which the McCarran Act has had a more direct effect is in regard to state taxation of the business of insurance. While the South-Eastern Underwriters Association case was not concerned with state taxation, the decision that insurance was commerce had the effect of raising questions about the propriety of various types of taxation upon the business of out-of-state insurance companies. These, too, have just been answered by the Supreme Court in *Prudential Insurance Co. v. Benjamin*, decided on the same day as the *Robertson* case. The *Prudential* case makes it clear that the McCarran Act will serve as a general protection to state taxing systems. There is, however, language in the opinion indicating that the same result might have been reached in the absence of the McCarran Act.

Effect of McCarran Act

The most significant phase of the inter-action of the South-Eastern Underwriters Association decision and the McCarran Act, however, is the fact that the enactment of this statute terminated a bitter struggle by some elements of the business to remove insurance wholly from the rules of the free enterprise system. Instead of attaining this result, Congress granted an opportunity to the business and to the states to demonstrate how free enterprise in the insurance business can be preserved subject to state controls designed to protect the public interest. The act was not an invitation to continue a sytem of private regimentation under a cloak of state protection. Nor was it a declaration that the states could establish islands of immunity from the anti-trust laws for the furtherance of private group interests.

What the McCarran Act does is to declare a moratorium on the application of the anti-trust laws to the business of insurance until Jan. 1, 1948. But Section 2 (b) of the Act provides:

"No Act of Congress shall be construed to invalidate, impair, or supersede any law enacted by any State for the purpose of regulating the business of insurance, or which imposes a fee or tax upon such business, unless such Act specifically relates to the business of insurance: *Provided*, That after Jan. 1, 1948, the Act of July 2, 1890, as amended, known as the Sherman Act, and the Act of Oct. 15, 1914, as amended, known as the Clayton Act, and the Act of Sept. 26, 1914, known as the Federal Trade Commission Act, as amended, shall be applicable to the business of insurance to the extent that such business is not regulated by State law."

Thus Congress declared that no act of Congress shall be construed to invalidate state regulatory or tax laws unless it expressly relates to insurance, and that after Jan. 1, 1948, the anti-trust laws shall apply to the business of insurance to the extent that such business is not regulated by State law.

A narrow legalistic approach to the interpretation of the McCarran Act will defeat its own ends. Insurance companies are not thereby to be permitted to make contracts and agreements in restraint of trade, to monopolize or attempt to monopolize interstate commerce, or otherwise to engage in restrictive practices.

Reexamination of State Insurance Laws

The states have the opportunity to re-examine and re-constitute their regulatory laws for the orderly correction of abuses which have existed in the insurance business. Fairness, efficiency and the preservation of competitive opportunity should be the criteria. If the attempt fails, the answer must lie with Congress and the Courts.

The most discussed issue at the moment is the regulation of rates and rate-making. It is argued that cooperative rate-making, illegal under the Sherman Act, is necessary. Three reasons prominently advanced for this conclusion are:

First: It is necessary to use the combined past experience of all companies to determine future loss probabilities.

Second: Competition in rates results in discrimination among purchasers of insurance.

Third: Competition in rates will imperil the financial stability of the industry.

The need for combining the experience of all companies for rate-making purposes is reasonably clear. But other factors enter a rate in addition to what might be termed "pure cost" based on past experience. Administrative expense, acquisition cost and profit are also included in any final rate. Under a system of agreed rates, rates must be weighted in favor of the least efficient operator. Although each company should perhaps use the same factors and tables, it does not necessarily follow that all should use the same final rate—which includes other costs. The latter are not uniform for all companies. The need to make use of common experience, or even to use a basic rate floor derived from such experience, does not necessitate depriving the public of the benefits of competition. I am sure that a plan for permitting the fullest use of common experience while preserving competition could be worked out within the framework of the Sherman Act.

Discrimination among purchasers of insurance similarly situated is undoubtedly unfair and uneconomic. But most of the states have long prohibited such discrimination. The Sherman Act does not prevent each company from charging its own patrons uniform prices. Indeed, the Clayton Act as amended by the Robinson-Patman Act actually forbids price discrimination among customers in interstate commerce. So State laws enjoining discrimination are entirely consistent with the federal laws. But the elimination of discrimination among customers does not require agreement between insurance companies upon final rates.

Rate Competition

The argument that competition in rates would injure the financial stability of the industry overlooks the vast body of existing state regulation designed to guard against insolvency. There are regulations regarding minimum capital, adequate reserves, deposit of security funds, reinsurance, types of security investment, and periodic examination by state authority. All of these are entirely consistent with the Sherman Act, and could be further implemented if deemed necessary.

The extent to which the states shall "regulate" rate-making practices in the business of insurance is one for their own determination. By "regulating" they will prevent the application of the anti-trust laws at the close of the moratorium period. The Department has never urged the states to pass any laws or exercise any control over insurance rates and it does not do so now. But, where the states do act, it is incumbent upon them to regulate affirmatively in such a manner as to protect the public interest. I construe the word "regulated" in the McCarran Act as requiring state laws designed to prevent abuses or combinations among private groups which penalize competition, promote the concentration of economic power, or otherwise restrain trade and commerce in insurance. The widest possible area of competition should be preserved. Where combined activity is authorized, adequate safeguards must be provided to guarantee that the grant is not misused to the public detriment.

I am pleased to note that the reports coming to me demonstrate that yeoman efforts are being exerted by all branches of the industry, and by the insurance commissioners of the several states, to eliminate restrictions and abuses and to formulate proper legislation. The major stock company organizations have abolished the so-called "separation rule." The fire insurance companies represented in the Insurance Executives Association have made a commitment to the Superintendent of Insurance of the State of New York that they will not, by agreement or acquiescence, be bound to any rules involving the principles of "separation" or "non-intercourse." Let us hope that these efforts to preserve freedom of enterprise will be successful.

No Interference With Agency System

I have already stated that one of the charges which was made following the South-Eastern Underwriters Association decision was that it would mean the end of the American agency system. Here again, I think that the passage of time has clearly demonstrated the baseless nature of the claim. There was nothing in the Department's case nor in the Court's opinion which could in any way reflect upon the agency system. Nor does the organization of agents into associations for the furtherance of competitive objectives draw with it condemnation under the Sherman Act. It is the natural tendency of individuals with common interests to group themselves for common advantage. In business and labor, in agriculture, among veterans and others, an improved understanding of the relation of individual interests to community interests can thus be promoted. There is no inherent inconsistency between the existence of such organizations and the principles of a free economy. Associations can properly exist in the insurance field just as they do in almost every field of business subject to the anti-trust laws. These associations can aid in promoting the democratic process. But the power of any group must not be perverted to serve selfish or special interests to the detriment of the broad social or economic order. They must not further monopolistic practices or restrict the freedom of the channels of commerce. Social responsibility is a necessary characteristic of group activity.

Insurance agents and their organizations have long been an integral part of the competitive aspect of the insurance business. It is to the agent that the purchaser of insurance looks for advice and guidance. The agent is most important in interstate insurance distribution. Insofar as the activities of agents are part of the stream of interstate commerce or affect that commerce, they must avoid practices which hamper free operation of the insurance market or free access to that market.

Deplores Exemption From Anti-Trust Laws

I believe that the Sherman Act stands between all industry and government control. I believe that it stands between the insurance industry and further government control. I have pointed out that concentration of private power in industry becomes a challenge and an invitation to those who would concentrate economic control in government. If competition is not a satisfactory regulator of the market, then the government ultimately becomes the regulator. In some fields, notably public utilities, we have long accepted the inevitability of government regulation. But it is traditional American belief that the field of industrial life in which government regulation is substituted for competition should be kept as narrow as possible. Every time an exemption is made from the anti-trust laws, some form of government regulation must sooner or later be substituted. The American people would not long put with unregulated monopoly.

I, therefore, strongly urge that businessmen should deplore the tendency of special groups to seek legislative exemption from the Sherman Act. The moratorium period provided by the McCarran Act allows ample time for the states to work out appropriate state regulatory legislation and for the industry to adjust itself to such changes in practices as seem necessary to comply with the Sherman Act. I hope that the industry will not feel that it is necessary to seek additional legislative exemption from the Sherman Act. Other groups — the railroads and press associations — have gone to Congress seeking anti-trust exemption. I am confidently expecting that Congress will refuse to take any of these groups out of a society of free enterprise. I believe that to do so would, in the long run, merely be to create the necessity for further and more stringent government regulation of these industries — a result which I would not like to see occur.

In cooperation with government, industry must work to perpetuate a free economy. Wise leadership is essential. For if our present system fails, if free enterprise becomes a sham and not a reality, if private groups abuse their privileges — then industry will have taken a step toward public control from which there may be no returning.

H. R. O'Neil, Jr., Is With Buckley Brothers

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—Hubert R. O'Neil, Jr. 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. O'Neil has been with Butler-Huff & Co. in charge of special situations. Prior thereto he was with Hill, Richards & Co. and in the past conducted his own investment business in Los Angeles.

Allied Stores Holders Buy Most of Stock

On June 18, 1946, Allied Stores Corp. offered 257,840 shares of its common stock to the common stockholders of the company for subscription at $47 per share, at the rate of one share of common stock for each seven shares held to record. The offering to stockholders expired at 3:00 p.m., EDST on July 2, 1946.

Of the 257,840 shares, 239,900 shares were subscribed for by the common stockholders of the company or their assigns. The remaining 17,940 shares have been purchased by the underwriting group headed by Lehman Brothers.

Reginald Walsh With Amos Treat & Company

Reginald L. Walsh, formerly wholesale representative for Hugh W. Long & Co., Inc., has become associated with Amos Treat & Co., 40 Wall Street, New York City, as wholesale representative in New England and the New York State area.

Factors In Changing Price Levels

(Continued from page 198)

cabulary, when we discuss our monetary affairs.

The word "inflation" had its origin at the time this government issued greenbacks without gold reserves in the early 1860's, revived again at the time of the German fiasco, when that nation issued fiat money, without gold reserves, deliberately to defeat the terms of the Versailles Treaty and to liquidate her internal debt structure. Similar factors are not present in our economy today. To give the people of this nation a better understanding of what we are experiencing, we should designate the phenomenon by a correct, descriptive term, namely, extreme pressures for higher prices.

After a careful analysis, we should determine, whether we are experiencing an extreme price rise, or are we about to experience such an extreme rise. If we are, then we should determine the cause then devote ourselves to a cure or a preventative.

May I point out some of the basic changes that have taken place in our economy that may constitute the force that creates the pressure for constantly rising prices.

First: We adhered to the gold standard during the Hoover administration in the face of an aggravated liquidation of our debt structure and a constant decline in our commodity price level. England abandoned the gold standard in September of 1931. By that action she, in part, arrested the rapid decline in prices. Had we temporarily abandoned gold at that time, the course of our financial affairs might have been greatly changed. This action on the part of the Hoover administration indicated a conclusion on its part that the depression should be permitted to run its course—go to the absolute bottom and then start anew.

Whether that depression ran its full course, prior to March 4, 1933, will always remain a moot question.

The inauguration of President Roosevelt brought a new philosophy. We abandoned the gold standard, declined gold payment and embarked on a new course of fiscal affairs.

Second: In 1934, we increased the price of gold from $20.67 an ounce to $35.000 an ounce, buying foreign and domestically mined gold, but continuing to deny redemptions in gold.

Third: The coming of the war brought further changes and justly so. We increased our Federal debt from 36 billions of dollars in 1934 to 275 billions of dollars as of a recent date.

Fourth: We increased our currency in circulation from 5½ billion dollars in 1934 to 27 billion dollars as of today.

Fifth: We reduced our gold ratio against currency in circulation from 40% to 25%.

Sixth: We reduced the requirement of gold reserves against Federal Reserve Bank deposits from 35% to 25%, both to give the gold in our ownership support for a greater volume of currency and an expanded Federal Reserve Bank deposit liability.

Seventh: We increased our commercial bank deposits from 40 billion dollars in 1934 to 160 billion dollars as of the last call date.

Eighth: We increased wage levels, since Pearl Harbor, by 61%, with the suggestions of the government constituting the pattern therefor.

All of these actions our our part have already, or will, at some time in the future, have an effect upon our economy and upon the purchasing power of our monetary unit. Whether these effects will be permanent, what they will be, when their full force is recognized, is a question that I cannot answer, nor do I believe that any other man would hazard an estimate of their effect.

What are we doing at the moment, to aggravate or control, some of the additional forces, that we have created which continue to exert a pressure for higher prices?

First: Congress has recently enacted the Patman Bill, which incorporates the Wyatt program for emergency housing. Congress is currently giving consideration to the Wagner-Ellender-Taft Bill, which constitutes a long range housing program. These bills have as their primary purpose a stimulation of our home building industry. Senator Taft has made the statement that the bill of which he is co-sponsor has as its purpose the construction of 12½ million new housing units in the next 10 year period. That, said Mr. Taft, will involve mortgage financing for a total of approximately 80 billions of dollars.

The Patman Bill provides for FHA insurance of a mortgage, bearing a ratio of 90% to the current necessary cost of construction. The Wagner-Ellender-Taft Bill provides for the insurance of a mortgage bearing a ratio of 95% to the appraised value, with an amortization period of 32 years and bearing an interest rate of 4% per annum.

This volume of credit, insured by a government agency, is intended to stimulate housing construction that may produce excesses far greater than we are suffering in shortages today. While we are all in accord that adequate housing for all of our people is necessary, an appeal for a reasonable balance between supply and demand, and a maintenance of that balance, is justified.

During the 20's, we added 20 billion dollars to our mortgage structure. In the early 30's, we witnessed an extreme deflation in this type of financing. I doubt if this volume of mortgage credit, with long term maturities, as provided by recent and prospective housing legislation, will serve the best interest of our economy.

Second: Credit expansion on a vast scale under the RFC participation program, which provides for that corporation's automatic insurance of any industrial loan of which a bank is prepared to carry 25% of the risk. Again, this represents credits, created through governmental activity, that adds to the debt burden of industry.

Third: The Congress of the United States is at the moment considering a loan to the United Kingdom of Great Britain. Many factors in the loan justify it, but it is to be remembered that it too, will exert a force for higher prices in this country, by creating shortages of goods already scarce. Most of the funds advanced under this agreement will be spent for goods and services in the United States.

In spite of this hazard, the American Bankers Association has, by an unanimous vote of its executive council, approved this loan as a possible source of encouragement to increased multilateral world trade.

Fourth: The Office of Price Administration passes out of existence on the 30th of June, 1946. Congress is giving consideration to an extension of its terms for a period of a year. Without analyzing this bill, its advantages or disadvantages, I am inclined to feel that its extension is justified, owing to the fact that many shortages of which we complain today were created, and properly so, by governmental activities during the war years. The common interest of all of the people should be considered, to the end, that hardships brought on by the emergencies of the war shall be avoided as far as possible.

By reason of the activities on the part of the government in fostering the creation of a private debt structure by guarantees, insurance and direct lending, we are creating additional pressures for higher prices, because of the shortages that already exist. Those credits aggravate and increase the demand.

A private debt structure, in reasonable balance, commensurate with our corporate or individual resources is desirable, at all times. To do the best we can with what we have, is to be preferred over a greatly expanded debt structure that is built on an unsound foundation that will be vulnerable to instability and forced liquidation.

In years past, there were two factors that brought about a depression; **first,** an over-extended private debt structure; and, **second,** surplus production of our farms and our factories. Neither of these factors are current in our economy today. Caution and conservatism in the creation of a debt structure and the redevelopment of our foreign markets will serve us well to avoid a repetition of the early 1930's.

In my travels on behalf of the American Bankers Association, I have heard many men bewail our present monetary status, our huge debt structure and other phases of our present day economy. Of course, we have problems, but in the wake of every great war the economies of the countries involved have been dislocated. So with the last war. The dislocations were more extensive than any in history, that because of the number of nations involved, and the huge destruction of life and property. The reconstruction of our economy cannot be accomplished by an attack upon one individual phase of that economy. Careful planning, free of political expediency and political considerations, is essential.

Out of the maze of conflicting ideas, there appear three fundamental necessities—

First: The restoration of civilian production with the same zeal for life, that we devoted to production of war material to destroy.

Second: To rebuild our foreign trade to provide an additional outlet for our production and to give the people of other nations of the world the benefit of our industrial production.

Third: To maintain the present purchasing power of our American dollar. Do that, to demonstrate to the world that we will defend the integrity of that dollar, and in addition, to be fair to the people of America, who invested their accumulated funds and their savings in the securities of this government during the war years.

Make these fundamentals the creed of our people and the philosophy in our government and all of the other problems that lie in our path will be surmounted with an ease and grace that will justify an even greater pride in our American way of life. I have great faith in the future of America.

James Van Dyke Dead

James E. Van Dyke, former publisher of "The Investors Pocket Manual" in New York died in Philadelphia at the home of his daughter. He was 70 years of age. Mr. Van Dyke was graduated from Princeton in 1898.

The Federal Reserve Credit Control Proposals

(Continued from first page)

a desire and need to put a brake on currency expansion while, at the same time, it wishes to continue this cheap money program.

In short, the Board wants its cheap-money cake and at the same time escape its consequences without using the instruments of money and credit control which are appropriate to the situation.

It therefore asks for new powers — peculiar powers. It is the old story of what happens when "managed" currency advocates undertake to "manage" a great expansion of money and credit and at the same time endeavor to escape the consequences of their actions. "Give us more power," is their common cry; they are never ready, apparently, to face the natural consequences of preceding policies and procedures.

This present manifestation of this type of thinking on the part of the Board is, in its essentials, the same that has permeated most other administrative departments of our Federal government in recent years. It is but one aspect of the managed economy concept.

It would seem that any reasonably intelligent person should be able to understand the unfortunate pass to which the managers of our managed economy have brought the people of this nation. And all students of central banking policies should be able to comprehend the situation in which the advocates and cultivators of our cheap money policy now find themselves, just as they should be able to appraise for what it is the type of solution now being offered by the Board of Governors of the Federal Reserve System.

Preludes to the Federal Reserve Proposals

Preludes to these proposals appeared in the plans submitted by Seltzer, Leland, Robinson, and a group of economists employed by the Committee for Economic Development, described by this author in the "Commercial and Financial Chronicle" of March 28, 1946. All the economists that submitted that C.E.D. report, with one exception (the Chairman), have been government economists, buried deeply in the inner workings of the managerial group that has worked day and night and in every way to give us a Federally-managed economy. The Board begins its statement of its principal thesis in words that sound very much like those of Seltzer, Robinson, Leland, and the C.E.D. Committee.

The history of the policies and recommendations of the Board of Governors, particularly of those of its Chairman and certain members of the Board's staff, from 1933 to date, has been of such a nature that there is no reason to be surprised that the Board should come out with its present suggestions to Congress. These are simply a part of a "managed" economy pattern.

Retention of Low Interest Policy

The Board takes the position that it cannot raise the ⅞% rate at Federal Reserve banks on one-year Treasury certificates because it promised the Treasury not to do so and because it has long regarded, and still regards, these low interest rates as desirable and socially economical. If the Board has shown any consistency in its policies it has been in its efforts to keep the Treasury free from the natural and proper pressures of a free-money market; and that is still its policy as outlined in the Board's press release of June 17. Says the Board (p. 7): "This assurance [to the Treasury by the Board that it would maintain the ⅞% rate on one-year certificates] is necessary from the standpoint of the Government's financing operations, and was given because the Board does not favor a higher level of interest rates than the Government is now paying."

The Board is unwilling to do anything to tighten this and other interest rates and to let the value of the securities involved be tested in a free, competitive, open market. The Board does not trust open, uncontrolled markets for government securities. It prefers to continue to foster a situation and to utilize devices that may cause the value of these securities to depreciate in purchasing power while their face value in dollars is maintained rather than to run the risks of a decline in their dollar value, although their purchasing power may not decline as much as may result from present policies.

Just what is the difference, from the point of view of the social welfare, whether a government security actually falls from \$100 to \$90 while the purchasing power of dollars in general does not decline as against the maintenance of the nominal value of a \$100 security while the purchasing power of the dollar declines to 90%? It is the welfare of the banks and of the Treasury, not the social welfare in general, that, in the opinion of this author, dominates the Board's thinking. The Board, in principle, takes the position that the maintenance of nominal values of government securities is preferable; it does not trust the testing of the values of government securities in a free open market, particularly should brakes be put on credit expansion and further monetization of the Federal debt by the Reserve banks. Not trusting objective markets, the Board desires new powers to regulate or perpetuate still further the artificialities it has been fostering.

Since commercial banks find it profitable to add to their reserves by selling their short-term low-interest-rate certificates to the Reserve banks and investing the proceeds in higher-interest-bearing longer-term government securities, the Board desires the power to force these banks to hold a certain amount of these short-term government securities and to restrict the amount of longer-term securities they may hold. This is the heart of the Board's proposal, although in addition, they ask for authority to raise the reserve requirements for member banks beyond the level now permitted by law and for certain other changes in our commercial banking system and procedures.

The Board does not wish interest rates on short-term securities to rise to a level that would make it unprofitable for commercial banks to shift from shorter- to longer-term government securities "because it would increase the cost to the government of carrying the public debt" (p. 10). Why should not the cost to the government be increased if a free open market so dictates? That is one of the brakes which the people can put on wasteful government spending. But that is a brake—a wholesome and desirable brake — which the Reserve Board helped to remove and is proposing to keep out of the hands of the general public.

The Gold-Standard Brake Removed

The Board has worked consistently, since early 1933, to deprive the American people of every brake they might use, and use properly, on wild and wasteful government expenditures. They deprived them of a most fundamental brake when they took the gold-coin monetary standard from them. They deprived them of another fundamental brake when they embarked upon a system of artificial, sheltered, low interest rates. They deprived them of still other brakes as, for example, when they arranged for the removal of reserve requirements accounts in the banks. All these against the Treasury's war loan policies are still desirable in the opinion of this Board.

In short, the Board wants Congress and the Treasury to run, as they have been running, free from any pressures that might be applied directly by the American people. They want a free-wheeling monetary and fiscal system with an accelerator but no brakes, and with the advocates of this free-wheeling system in the driver's seat giving orders and telling all passengers just what they may and may not try to do in their own interests as this free-wheeling machine continues on its precarious course.

Congress Should Not Grant Powers

Congress should not give the Board the following powers which it now desires: (1) The power "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) The power "to require all commercial banks to hold a specified percentage of Treasury bills and certificates as secondary reserves against their demand deposits." Neither proposal is proper in so far as the basic problem is concerned.

As a part of the Board's second proposal it has a further suggestion of a mystifying and peculiar character: "To aid banks in meeting this requirement, they should be permitted to hold vault cash or excess reserves in lieu of government securities" (p. 15). The term "secondary reserves" is a vague, non-legal term. It generally refers to assets of a certain type, presumably those of a highly liquid nature. But it is not reserve. A member bank's reserve is a deposit on the books of the Federal Reserve bank, and its nature and minimum amount are prescribed in law. Therefore, what is the Board talking about when it suggests that as a part of its "secondary reserve," the bank be permitted to hold vault cash? What is vault cash now but a most liquid bank asset? And why should excess reserves be counted as "secondary reserves" when they are reserves under the law? Are "secondary reserves"—whatever that coined term means — preferable to lawful reserves against demand deposits? This proposal seems to reveal confused thinking of a most remarkable sort.

Power Over Reserve Requirements

The following — third — proposal of the Board is also remarkable, to put it mildly: "A further possibility would be to grant additional power to the Board to raise reserve requirements, within some specified limit, against net demand deposits. If this authority was granted, banks should be permitted to count vault cash as reserves, and there should be provision for greater administrative flexibility in applying changes in requirements. To assure effective control, all commercial banks should be subject to the same reserve requirements."

Perhaps no harm, and possibility even benefits, would result if Congress gave the Board authority to raise reserve requirements of member banks above those now authorized.

But why should the Board now wish to enable member banks to count vault cash as reserves? After all that has been said and written by Reserve Boards and monetary authorities in the past about the virtues of centralized reserves, what defensible ground can this Board find for wishing to embark upon a program of decentralization of our reserve structure? If there is any sound argument to support this proposal, this author is unaware of it.

This report of the Board gives this author the impression that anything that has been in vogue for any length of time and is accepted as sound is naturally suspect in the eyes of this Board. If it is "traditional" it is, apparently, and of necessity, bad.

Some extremely bad things have emanated from this seemingly anti-traditional Board—for example, its sleight-of-hand conversion of Federal Reserve bank notes into an illegally-issued fiat money. Consequently there is good reason for not being surprised at anything said, or proposed, or done by this Board. But aside from the Federal Reserve bank note manipulation, it would seem difficult to think of anything more indefensible than to start back on the road to decentralized reserves in our member banks.

The absurdity of this suggestion becomes even greater when it is recalled that on June 12, 1945, this same Board persuaded Congress to exclude from the reserves of the Federal Reserve banks all Treasury cash except gold certificates. In other words, this Board now proposes that Treasury (and other) cash that cannot serve for reserves in the Reserve banks should be counted as part of the reserves in member banks! One of these proposals is just as indefensible as the other.

Proposal of Uniform Reserve Requirements

Then the Board adds another "gem of wisdom." It is this: "To assure effective control, all commercial banks should be subject to the same reserve requirements." Why that change should be made is a peculiar mystery. Again, monetary authorities and past Reserve Boards have pointed out over and over why commercial banks should be classified and not subject to the same reserve requirements. So far as this author knows this is the first time that any Reserve Board since 1914 has discovered that such a system, so long studied and so long approved, is really not sound in principle. The present Board, in this report, now propounds a new "truth" without providing any reasons for it beyond saying that it is "to assure effective control." That is, in the opinion of this author, sheer nonsense.

The Board states (p. 5) that "further general reduction of taxes should be avoided and prudent economy should be effected in governmental operations." It then says: "Necessary as it is that government policy be firmly anti-inflationary at this juncture, the rapid attainment of full and sustained production far overshadows all other considerations."

If "full and sustained production far overshadows all other considerations," then it would seem wise to have our very high taxes reduced as a stimulus to business enterprise. There is no good reason why we cannot have both a balanced budget with some surplus for debt retirement *and* some reduction in taxes. This would, of course, call for real, not just rhetorically-recommended, government economy. The Reserve Board has been altogether half-hearted about real economy and the stoppage of profligate waste by our government. Essentially, the Board has generally been on the side of the spenders and wasters in Washington. Nor has the Board's voice been particularly prominent in behalf of measures that would really stimulate private business. The Board's current admonition that prudent economy should be effected in government expenditures, unaccompanied by any ability or willingness to find a way to suggest a lowering of taxes while balancing the Federal budget with a surplus to spare, is typical of the failure of the Board to be thorough-going or to take a position that is fundamentally good and helpful in this matter.

Since, in the judgment of this author, there are members of the Reserve Board who are well trained, and seemingly level-headed and quite sensible, the question arises as to whether this so-called Board report may not be the work of some staff members whose product has gotten past certain Board members without there being an intimate knowledge on their part of its nature and contents.

Denton To Be Officer Of Mellon Nat'l Bank

Frank R. Denton, will be Vice-Chairman and Chief administrative officer of Mellon National Bank & Trust Company, as the merged banks, The Union Trust Company of Pittsburgh and Mellon National Bank will be known. Mr. Denton is President of Mellon Securities Corporation until it is merged with The First Boston Corporation. He is a director of Mellbank Corporation, Pittsburgh & West Virginia Railway, Shamrock Oil & Gas Corporation, Pullman Inc., and The Pullman Company.

Frank R. Denton

Budd Co. Com. Stock Offered at \$17.75 a Shr.

An investment banking syndicate, headed by Carl M. Loeb, Rhoades & Co. and Blyth & Co., Inc. yesterday (July 10) offered to the public 68,714 common shares, without par value, of The Budd Co. at \$17.75 a share. The shares are the unsubscribed portion of an offering of 540,573 shares initially made by the company to common stockholders in the ratio of one new share for each five shares of common stock held. Subscription warrants entitling stockholders to purchase the stock expired on July 8.

The Budd Co., the result of a merger last month of Edward G. Budd Manufacturing Co. and Budd Wheel Co., will use proceeds from the issuance of the shares, together with funds to be obtained from the contemplated sale to The Equitable Life Assurance Society of the United States of \$30,000,000 of 3⅝% sinking fund debentures due 1961, to expand manufacturing capacity, to the payment of indebtedness, and to increase working capital.

Unfilled orders for products of the Budd company totaled \$158,471,000 on April 30, 1946.

Graham Walker Returns To Nat'l Quotation

The National Quotation Bureau, Inc., New York City, announces that Captain Graham W. Walker has returned to the bureau after serving three years with the armed forces. He has resumed his former position as Vice-President in charge of sales and investment dealer relations.

The bureau also announces that Miss Kathryn A. Gilroy has been elected Executive Vice-President to assist Louis E. Walker, President, in general management duties.

Science and World Order

(Continued on page 202)

making strange and illogical statements, such as: "We must keep all knowledge of the bomb a secret." "We must keep all research under strict military supervision and under a cloak of secrecy." "We must have the largest Army and Navy in the world." "The United Nations Organization is obsolete." And a few are saying, "The United Nations Organization, or some type of world government which evolves from it, is the only hope." And "What are the peace time benefits that may come from the discovery of atomic energy?"

What should be the attitude of the scholar toward these problems? First, let us look at the history of the bomb. All the basic principles on which the bomb was built were known to the scientific world before the war. The making of the atomic bomb was a project in applied science. The path to be followed in building the bomb was so definite that workers in charge of the project even predicted just how long it would take to do the job. Professor Arthur Compton has said that the engineers were never held up for lack of information necessary to go on with the construction of the plant for the manufacture of the bomb. We possess no secrets in terms of fundamental principles. One of the best reviews of the subject is found in the Russian Journal of Physical Chemistry. Contrary to what some people believe, the Russians can read. The secrets we do possess are in the hundreds of gadgets that were invented, such as the instruments for measuring radioactivity, pumps for handling corrosive gasses, and hundreds of physical and chemical constants that had to be determined. It took us four years to discover these facts and build the bomb. This means that any nation with resources can discover these facts in three to five years. There is only one safe assumption and that is the assumption which lies at the basis of all education, namely, "what one fool can do, another can." We lull ourselves into a false sense of security if we believe we can keep the technique of making the bomb a secret. If we attempt to do this, an atomic bomb armament race will be the inevitable result.

What about keeping all research in this area under the cloak of government secrecy? If this is done, progress in this field will stop because it is only as men all over the world exchange ideas and cross-fertilize each other's minds that progress is made. Science is not a national structure. It is international and by its very nature must always be international. The release of atomic energy is based on discoveries made by Frenchmen, New Zealanders, Englishmen, Italians, Germans, Hungarians, Danes, and Americans.

Compulsory Military Training Not Realistic

What about building the largest army and navy in the world through compulsory military training? This is not realistic. Before the advent of the atomic bomb, it was true that the nation with the largest army and navy and the largest stock pile of ammunition stood the best chance to win. This is no longer true. A new effect has been introduced into war by the atomic bomb. It has been called "the saturation effect." There are about 30 industrial areas in the United States. They could be destroyed by 75 atomic bombs. Suppose a country had 500 atomic bombs. Why would you want any more? You could destroy practically everything with that number. If we have another war it will be fought with atomic bombs. The atomic bomb is the cheapest destructive agent known. Civilization will be destroyed. Compulsory military training will not protect us.

UN Only Hope We Have

What about the United Nations Organization? It is the only hope we have. Our choice is not between a weak and imperfect structure and a perfect UNO. Ours is the choice between an imperfect organization and nothing.

What about the peace time benefits from atomic energy? The liberation of atomic energy can be controlled. In fact, man had to learn how to liberate this energy under controlled conditions before he would dare make an explosive. The liberation of atomic energy in the form of heat can be controlled more accurately than the temperature of this auditorium can be controlled. If Uranium-235 costs $9,000 a pound, as far as fuel cost is concerned, electrical energy may be had for one-tenth of a cent per kilowatt hour. There are great possibilities in using fast and slow neutrons for treating cancer, studying chemical reactions, etc. At this, the beginning of the atomic age, no one knows enough to predict the future.

When people asked Thomas Edison of what possible use his talking machine could be, he said he could think of two uses: (1) it might be an interesting toy for children, and (2) it might be used to record the last words of the dying who had made no will. No one has the imagination to see the details of the new world which lies ahead.

Can we realize this new world? That depends on whether we can live in peace in a world where atomic bombs are a possibility. When a nation builds an atomic power plant for peacetime uses, that nation has gone 75% of the road toward making a bomb. In order to make bombs or a power plant, the element uranium has to be prepared in a pure form. But pure ordinary uranium cannot explode. Uranium atoms are of two major varieties having different weights. If the lighter atoms (U-235) are obtained in sufficient quantity in the pure form, an explosive can be made. From the heavier uranium atoms (U-238) another element can be made called plutonium, which, if obtained pure in sufficient quantities, can be made to explode.

Can Bomb Secret Be Released for Peacetime Power Use?

It is not necessary to have pure Uranium-235 or pure Plutonium to make a power plant. Can any nation be allowed to prepare Uranium-235 concentrates and impure plutonium for power plants, realizing that it is only necessary to extend the processes a little further to make pure materials for bombs? This is the heart of the atomic energy problem. The answer is "No." Is it possible to set up an international structure through the UNO which would furnish the impure materials for peacetime power plants, medical, and other uses? Our Department of State has said "Yes."

There has recently been published by our State Department a plan for the international control of atomic energy by the United Nations Organization. It is commonly called "The Acheson Report." Every citizen should study this report. It represents the unanimous conviction of a group of men whose backgrounds lie in industry, in education, in science, in engineering, and in military affairs. The report recognizes three fundamental conditions that are the bases of the report:

1. The atomic bomb is a means of destruction too terrible to be described.
2. No defense exists against it, nor does anyone see the possibility of building a defense against it.
3. We cannot hope to keep our industrial secrets for very long.

The development of atomic energy for peacetime purposes carries a nation 75% of the way to a bomb. The problem is to develop and expore this new reservoir of energy for the benefit of man without, at the same time, building atomic bombs for the destruction of mankind.

The report proposes that all mining and all prospecting for uranium is to be placed under the control of an Atomic Energy Commission of the United Nations Organization. The reason for this is that the element, uranium, is strategic in the liberation of atomic energy. It is the one element we know of that is absolutely basic to the process. That is, without uranium it is impossible, as we see it today, to liberate atomic energy by the processes that are now known. The report also contemplates that the production of the basic materials for atomic energy plants, namely the production of Uranium-235 and plutonium, or fissionable materials derived from thorium, shall be controlled entirely by the United Nations Organization. All countries are to be open to inspection to see that no steps are taken to further purify plutonium for bomb purposes or that any attempts are made to prepare pure Uranium-235 from the material sufficiently pure for peacetime purposes. This control is based upon the fact that, while it is necessary to have pure plutonium or pure Uranium-235 for the making of a bomb, it is not necessary to have materials of the highest purity for the development of atomic power.

It is also proposed that the Atomic Energy Commission of the United Nations Organization will be the only group that will be allowed to carry on research and experimentation in the use of atomic energy for military purposes. This means, of course, that the United States will be called upon to divulge the technological secrets it possesses to the United Nations Organization. The question immediately arises: Is the United Nations Organization strong enough at the present time to be entrusted with this information? The answer to that is that the report contemplates releasing this information to the United Nations Organization in stages, so that it will be a matter of a few years, probably, before all of the secrets now possessed by the United States alone will be in the hands of the United Nations Organization. A program, however, in which the United States gradually relinquishes its favored position with respect to the atomic bomb to the United Nations Organization, as it becomes strong enough to take over this information, will prevent an atomic bomb armament race. Unless these essential parts of the program for producing atomic energy are under the control of an international authority it will be impossible to carry on any system of inspection that will be effective. For it is the element of rivalry and the impossibility of policing the resulting competition through inspection alone that makes inspection unworkable as a sole means of control. With the factor of international rivalry removed, the problem becomes hopeful. An illustration is in order. Suppose all nations are allowed to mine uranium and prepare concentrates of Uranium-235 and manufacture plutonium for peacetime purposes. Suppose further that these operations were subjected to inspection to make certain that the work is not done for military purposes. This means the inspectors must question the motives of the authorities of that particular nation. This would surely lead to friction. But if the only legal ownership and development of uranium ores is in the hands of an international agency manned by and representing all nations, the problem of detection of evasions is, by a single stroke, reduced tremendously. Now the mere mining of uranium is illegal. Indeed, any national violation is an unambiguous danger signal of warlike purposes. The very opening of a mine by anyone other than the international agency is a red light, is a danger signal, and the world is immediately given the alarm signal.

To take another illustration,—the production of Uranium-235 or plutonium. This would be entirely in the hands of the international agency, and any attempt on the part of any nation to process these substances would again constitute a danger signal.

How Fast Should Information Be Released?

How fast, then, can the United States be expected to release the technological information which it possesses? The information would be released just as fast as the United Nations Organization has developed the machinery to make use of the information and has developed the power to safeguard it. Under this program, of course, no nation will possess atomic bombs. This will strengthen the United Nations Organization, and it may well serve as a pattern for the control of other implements of war. The plan is a first step toward a permanent peace.

In a world where the world's resources are regarded as limited, it is inevitable that men will struggle to possess what they regard as their share of these resources. This, in the past, has inevitably led to war. Today the world's resources are, in reality, unlimited, because man's creative imagination has made it possible to create all he needs for a good life. It is no longer necessary to look upon the nitrate deposits in the world as limited to those in Chile, South America. Man can now make nitrates from the air in unlimited quantities. It is no longer necessary to look upon the amount of oil in the world as limited. Man can make an unlimited amount of oil from coal deposits which exist in tremendous quantities.

Man's Discoveries Give Choice of Creating or Destroying

It is worth knowing that every discovery that man has made gives him the choice of creating or destroying. With the atomic bomb he can destroy civilization or he can have power to drive ships to distant places. He can have power plants with no smoke nuisance attached to them. He can have new tools for the cure of disease, new tools for purifying sewage, new techniques for modifying the nature of plants. A whole new world is open to him in a constructive way provided he can resist the temptation to destroy. The atomic bomb is not the only destructive agent discovered during the war. Let me briefly refer to the problem of biological warfare. Chemical compounds were developed which have great destructive properties. Some of these compounds, for example, if distributed on rice fields or wheat fields would destroy such fields. The material is such that only the very smallest of quantities are necessary to bring about these results. In other words, the possibility of starving a nation has become a reality by destroying its food supply. These same compounds, however, if used in different concentrations can be used for such a variety of purposes as ripening bananas in five days instead of three weeks, increasing the sugar content of the turnip, increasing the size and sweetness of pineapples, keeping fruit on trees for a longer period of time for ripening, increasing the flow of turpentine from trees, destroying weeds, destroying the forms of plant life that inhabit our water supply and make it difficult for us to have the kind of water we want to drink. Compounds are now known which will completely repress malaria, and one compound, in all probability, exists which will cure malaria. In other words, almost a Utopia is ahead of man if we can have mutual understanding between men.

The good life is only possible in a world where men learn to share, and in a world in which man can create he has the maximum opportunity to share in such a way as to benefit both his associates and himself. This has been a hard lesson for man to learn. It is a lesson that has been preached to him for long periods of time. It was the lesson that Jesus of Nazareth attempted to teach in the incident with the rich young man. A glance at the story of human progress will show that everything that we have ever been able to achieve has come as a result of our willingness to share. A happy family depends upon the willingness of its membership to share. A happy community depends upon its willingness to share. A happy nation depends upon its willingness to share. In the last analysis, our whole system of taxation, our schemes of pensioning and insurance are merely administrative techniques by which we are able to carry out the philosophy of sharing. The world has now arrived at a point where it must learn to share on an international basis. In the light of the tremendous destructive capacity in man's hands, sharing becomes a "must." Perhaps no greater problem faces the scholar of our day than to be a leader in a world where the lesson of sharing is still to be taught in practically every phase of our life.

And so that age old dream of a world at peace becomes a "must" for your generation. It can be achieved provided your generation can resist the temptation to destroy and can throw all of your strength into the effort to create and to share. Our basic problem is the wide differences in the capacity of individuals and nations to create in relation to our common everyday needs for food, for clothing and for housing and for protection against disease. We create because we are blessed with intelligence. We share because we recognize and appreciate the dignity of human personality.

Federal Tax Revision Proposals

(Continued from page 209)
stand taken in each of the plans on the major points of revision of the tax structure.

In addition, a brief analysis of each proposal may be useful in indicating more specifically its nature and scope.

American Railroads' Proposal

This plan calls for a basic revision of the Federal tax system on the ground that it violates every principle of sound taxation. It was prepared by the Subcommittee on Taxation of the Association of American Railroads Committee for the Study of Transportation as a recommendation to Congress growing out of the group's interest in the economic and governmental conditions under which the railroads must operate.

ESTIMATED FEDERAL REVENUES
(Billions of dollars)

Author of Tax Plan—	—Income Tax— Nat'l Income	Individual	Corporate	Estate & Gift Tax	—Sales and Excises— Liquor	Tobacco	Other	Total	—Miscellaneous— Customs	Other	Total
Committee for Economic Development	140	9.9-11.9	1.8-2.3	.9	--	--	--	2.9	.8	.8	17.1-19.5
Association of American Railroads	100-120		15							5.	20
Ruml and Sonne	140	13	1	.5	--	--	--	3	--	.5	18
Twin Cities	120	7.8	5	.5	1.5	1.	1.5	4	.4	.3	18
Committee on Postwar Tax Policy:											
1. Low Budget	125	8.8	2.6					*3.5			14.9
	125	8.6	2.9					*3.5			15.
	125	7.6	4.4					*3.5			15.5
2. Medium Budget	125	9.6	2.9	†1.1				*4.4			18
	125	9.6	4.4	‡ .7				*3.5			18.2
	125	9.6	4.4					*4.4			18.4
3. High Budget	125	9.6	5.8	†1.1				*3.5			20
	125	9.6	5.8	†1.1				*4.4			20.9
	125	11.6	3.6	†1.1				*3.5			19.8

*Includes customs. †Includes gasoline and motor vehicle taxes. ‡Includes motor vehicle use taxes.

The basic assumption in the proposal is that the chief objective in postwar taxation should be to raise sufficient revenue to pay the interest on the national debt, provide for its amortization over a reasonable period of time, and meet other necessary governmental expenditures while preserving private enterprise. Since it recommends that the national debt be amortized on at least a 1% a year basis, debt service and retirement would probably require not less than $9 billion a year. Proposing to raise $20 billion in Federal revenues from an estimated national income of from $100 billion to $120 billion, the plan would leave $11 billion for the Federal Government's remaining expenditures.

A good tax system, the report emphasizes, must raise adequate revenue, be fair and equitable, be simple or at least understandable, be certain in its application, and be capable of reasonably economic administration without interfering unduly with the established economy of the country.

Describing double taxation of corporate income as the greatest inequity in our existing tax laws, the plan advocates restoration of the original concept of the corporate income tax as a supplement to the levy on personal incomes, and recommends that the same rate be applied to both corporate and individual income.

This plan proposes lowering or abolishing personal exemptions on individual income with the normal tax rate fixed at from 20 to 25%, and a graduated scale of rates for those with incomes up to $2,000 if the personal exemption is abolished. It also recommends substantial reduction in personal surtaxes to allow laying aside of private funds for the large investment necessary to maintain full production.

Overlapping and competing taxation of the same revenue sources by Federal and State Governments would be eliminated, income taxation being left entirely to the Federal Government and sales taxes to the States except for limited Federal action involving imposition of a tax on interstate sales.

The Railroads' plan asserts that the tax laws must be purged of their complexity and uncertainty, and makes recommendations for their simplification. The report points out that "mere words no longer suffice" to explain the regulations but that "resort must be had to other vehicles such as mathematical symbols and algebraic formulae to express the Treasury Department's interpretation of the statute," while the regulations themselves are so involved that decimals, upper and lower case letters, and Arabic and Roman numerals must be used to identify sections.

Committee for Economic Development Plan

The plan of the Research Committee of the Committee for Economic Development, a group of business men and educators, proposes that at least half of Federal revenues be derived from the graduated personal income tax. The recommendations for tax revision developed from a group of research studies under the general heading of "Taxation and Business."

The Committee believes that all citizens should contribute some monetary support to the Federal Government except those with incomes below the subsistence level. While taxes should cut as little as possible into the buying power of consumers, it is held they should be adequate to induce confidence in the integrity of the Government.

The Committee considers the graduated income tax less repressive upon production and employment than are sales and excise taxes and levies upon corporate profits, provided rates on the upper-income groups are lightened sufficiently to encourage risk-taking and those for the lower-income groups are not so high as to limit markets unduly.

It favors the graduated income tax as the only tax that can be closely adjusted to ability to pay and to show clearly where the burden falls. Consequently, with a broad base for the tax structure, the Committee asserts that "some 40,000,000 taxpayers and their families would be acutely conscious that they were contributing to the Federal Government," a factor which it is believed would contribute to governmental economy and efficiency.

Double taxation of corporate income is described as a tax on job-creation, and the Committee proposes that this tax, like that on wages, be regarded as a tax withheld by the corporation on behalf of its stockholders. The rate on corporate earnings, it is suggested, should be the same as the normal rate on individual incomes, from 16 to 20%, depending upon total revenue needs and the size of the national income.

Under this plan, individual exemptions would be $500 for each taxpayer and dependent, with the adoption of rate schedules of from 16 to 73%, 18 to 75%, or 20 to 77% on income subject to tax, the choice being determined by revenue needs. The present 3% normal tax would be eliminated.

The Committee's plan differs sharply from the Railroads' proposal in its attitude toward the need for payment of installments on the public debt. While both would end Federal deficits immediately, the Committee does not consider justified "the apprehensions sometimes voiced about the size of the Federal debt, so long as there is a manifest national resolution to stop its further increase, except under clear conditions of slump in industry and trade." The Committee recommends, therefore, that sizable debt retirement be accomplished only when the net national income reaches $140 billion, figured at 1943 prices.

Other features of the proposal call for repeal of all Federal excise taxes except those on liquor, tobacco and perhaps gasoline, if needed, and excise taxes levied for social and regulatory purposes, repeal of the excess-profits tax, plugging up loopholes in estate and gift taxes, and revision of tariff duties to raise revenue rather than to prohibit imports.

Committee on Postwar Tax Policy Plan

Latest of the plans under consideration to be submitted, the proposal of the Committee on Postwar Tax Policy, differentiates between a "transition" period and a "normal, long-range postwar" period which will follow. This Committee was formed in the spring of 1944 as the result of a conference of some leading economists, and after review and revision of various drafts by committee members, tax authorities, businessmen and government officials, its report was made public in the last half of 1945.

During the "transition" period, estimated to last two or three years after the end of the war, the Committee on Postwar Tax Policy recommends as a first step to relieve individual tax burdens the repeal of the 3% normal tax, together with a gradual reduction of the corporate normal tax, to be applied at a lower rate on small corporations.

In the long-range postwar period, the Committee proposes the initial tax rate on individuals be set at between 15 and 20%, depending upon the level of Federal expenditures, with the rates then ranging progressively upward to a top of from 67 to 72% on incomes at the million dollar level. These represent the merger of the normal and surtax rates.

Alleviation of double taxation of corporation dividends is proposed by allowing stockholders a credit on account of the tax paid by the corporation. In the long-range postwar period, the Committee recommends simplification of corporate taxes by eliminating the surtax proposed for the transition period, and imposing a single tax on corporate income with the goal being the same rate as the initial rate on individual income.

This plan would retain the present exemption of $500 for the taxpayer and for each dependent together with the withholding principle and the payment of taxes currently, and for five years the taxation of capital gains as now provided in the Internal Revenue Code.

The program calls specifically for repeal of the wartime excess-profits tax, the declared-value excess-profits tax, and the corporate income surtax. It holds that all income, however gained, should be subjected to the same, or approximately the same, initial rate of tax, to avoid discrimination against any form of economic effort, and recommends allowance of business net losses as a deduction against business profits of other years by permitting a carry-forward for at least five or six years.

Using the term "excise tax" to mean a levy on articles of consumption, the Committee believes excises "should be regarded as an essential element in a well-rounded Federal tax program. The scope of such taxes could be narrow, wide or variable. The choice would depend upon revenue needs and upon how far it might be felt desirable to broaden the revenue base in the interest of avoiding extreme rates of income taxation and of assuring revenue stability." Gasoline taxes, however, as well as estate and gift taxes would be left to the exclusive jurisdiction of the States.

No budgetary balance is foreseen during the transition period but the Committee proposes that attention be given to postwar debt management policy "to the extent of designing a sinking fund program to be set in operation as part of the long-range fiscal program," adding that the rate of amortization can be more accurately set later in the postwar period.

Ruml-Sonne Proposal

Prepared for the Business Committee of the National Planning Association, whose members are drawn from government, business labor, and the sciences and professions "to recommend for consideration plans for coping with the future," the proposal by Ruml and Sonne aims at the maintenance of continuing high employment, of vigorous private enterprise, and of cooperative activity of the legislative and administrative branches of the Government in effecting fiscal policies which will mesh with private undertakings.

Ruml and Sonne would make the individual income tax the chief source of Federal revenue with substantial reductions from wartime rates. Exemptions would be $500 for each taxpayer and dependent, with a rate of 16% normal tax and a 1 to 50% surtax the minimum being imposed on incomes of from $2,000 to $3,000 and the maximum on incomes of $200,000 or more.

The corporate income tax would be abolished, although a franchise tax of 5% on corporations is suggested. Ruml and Sonne believe the amount of corporation income which has been going to Federal taxes would be reflected in lower prices, higher wages and greater earnings for stockholders, and that the taxation "of corporate profits prior to distribution imposes double taxation on dividend income without regard to progressive rates."

Holding that a general sales tax tends to be deflationary, Ruml and Sonne oppose imposition of such tax, favoring adjustment of income tax rates to exert deflationary pressure in "boom periods."

They propose abolition of excise taxes except those on tobacco, liquors and perhaps gasoline which they believe should be retained at approximately the present rates to yield some three billion dollars.

Revision of the social security programs is recommended, with taxes for Federal old-age insurance sufficient to meet the then current disbursements and no more, while tax rates for unemployment insurance should produce income to balance outgo and accumulate reserves at high levels of employment and production.

While Ruml and Sonne believe the national debt should be retired, they do not "view the debt with too great concern, or acquiesce in a policy of automatically retiring a fixed percentage every year regardless of employment and economic conditions in the country."

Twin Cities Plan

This plan differs from those previously considered in relying primarily upon the corporate income tax as the principal source of Federal revenue. It was prepared for business men of Minneapolis and St. Paul as a study that would not merely protest their tax grievances but would contribute toward the solution of tax problems.

Terming the personal income tax "the compensating device that makes up for the shortcomings of other sources of revenue," the plan states that "relatively heavy corporate income tax rates are not as harmful to the private enterprise system as are heavy individual income tax rates because the latter are held to shut off at the source all possibility of venturing capital by individuals."

Consequently, it is proposed that after repeal of the excess-profits tax, "the current high normal and surtax rates, ranging up to 40%, be retained for corporations, and that substantial reductions be effected in the surtax rates on individual incomes."

The plan further recommends that 40% of dividends received by individual stockholders from domestic corporations be excluded from gross income, and that the individual then pay the tax called for in his own bracket on the 60% reported.

It is proposed that the individual income tax include a normal tax of 10% on income over exemptions starting at $500 for a single person, together with a surtax ranging from 6% on incomes of $2,000 to 55% on incomes over $500,000.

"Congress should fix permanent corporation and individual rates, both normal and surtax," the report states. "If changes are necessary, the normal rate and not the surtax rates, should be the fluctuating element. Under no circumstances, however, should increases in taxes of any kind be made retroactive."

The Twin Cities Plan presents two alternative proposals, one of which embodies a sales tax, while the other eliminates such tax. Its proponents say that if a sales tax is to be imposed it should be a general sales tax without exemptions and in normal times moderate in amount. A sales tax of 5% is suggested. Recognizing that a combination of the income tax and sales tax would place a burden on the low-income groups, the plan recommends lower individual income tax rates if a sales tax is levied. The spread between the rates with sales tax and those without it ranges from about 2% in the lower brackets to about 15% in the upper.

In defining their objectives, the proponents of the Twin Cities Plan stress particularly that their proposal is designed to encourage a high level of production by making available venture capital. Their estimates of required revenues are based on the assumption that employment in the postwar period will be maintained at a level which will eliminate demands upon the Federal Government for work relief. They also state that Federal income should balance expenditures and they call for retirement of the national debt.

Conclusion

Federal taxes will probably remain high for years to come, since the total amount of revenue raised by taxation in the average normal year between the wars will not now pay the interest on the Federal debt.

The prospective high level of taxation is in itself sufficient for modernization of the tax structure and for consideration of the plans briefly reviewed in this article.

Among the items in such program of tax revision is agreement on the distribution of tax sources among the major taxing agencies, the Federal Government, the States and the local governmental subdivisions, to eliminate or at least to minimize duplicate taxation.

It seems apparent that any plan for improving the tax structure should be based on the need for raising revenues required by a sound budget from which ambitious social schemes would be eliminated, including funds for economic controls, spending for prosperity, prevention of "over-saving" and other managed economy purposes.

In recent years, the Federal Government has assumed many extra governmental functions for political reasons and as the result of activities of small but potent political blocs. So-called "social" spending now costs about three times as much as it does to carry on general governmental functions, including the traditional activities of the legislative, judicial and administratvie branches of the government. Many observers believe it would not be too difficult to reduce appropriations for both social spending and general governmental functions substantially without affecting government efficiency. Some believe, indeed, that such reduction would increase efficiency.

Provision for debt retirement over the years should be a primary consideration in any plan for tax revision. In emergencies, as the experiences during the depression of the 1930's and World War II have indicated, a budget far out of balance does not necessarily lead to loss of confidence by the owners of the debt. If no attempt is made to balance income and expenditures and retire the debt after the emergencies have passed, however, the safety of the nation is involved.

Moreover, the base of the revised tax structure should be as broad as possible, and most important of all, the structure should encourage risk-taking and employment as the only sure means of preserving our system of free enterprise. Too heavy taxation leads inevitably to industrial stagnation, particularly when its effect is concentrated upon the most progressive enterprises. Collectivist doctrines can be checked by maintaining production and employment on a high level.

The changes in our national economy brought about by the war make it more imperative than ever that the present complicated Federal tax structure be revised and simplified. Action in modernizing the tax system now will help to solve postwar fiscal problems and to preserve confidence in the stability of the nation.

Some Elements of the American Character

(Continued from page 201)

was inspired by this deep religious sense: "Of all of the dispositions and habits which lead to political prosperity, religion and morality are indispensable supports."

Lincoln was inspired by this deep religious sense: "That this nation, under God, shall have a new birth of freedom, and that government of the people, by the people and for the people shall not perish from the earth."

Our late, lamented President, was inspired by this deep religious sense: "We shall win this war, and in victory we shall seek not vengeance, but the establishment of an international order in which the spirit of Christ shall rule the hearts of men and nations."

Thus we see that this nation has ever been inspired by essential religious ideas. The doctrine of slavery which challenged these ideas within our own country was destroyed. Recently, the philosophy of racism which threatened to overwhelm them by attacks from abroad, was also met and destroyed.

Today these basic religious ideas are challeneged by atheism and materialism; at home in the cynical philosophy of many of our intellectuals, abroad in the doctrine of collectivism which sets up the twin pillars of atheism and materialism as the official philosophical establishment of the state.

Inspired by a deeply religious sense, this country which has ever been devoted to the diginity of man, which has ever fostered the growth of the human spirit, has always met and hurled back the challenge of those deathly philosophies of hate and despair. We have defeated them in the past, we will always defeat them.

How well, then, has DeTocqueville said: "You may talk of the people and their majesty, but where there is no respect for God, can there be much for man? You may talk of the supremacy of the ballot, respect for order, denounce riot, secession—unless religion is the first link, all is vain."

Idealism

Another element in the American character that I would bring to your attention this morning is the idealism of our native people —stemming from the strong religious beliefs of the first colonists —developed as they worked the land.

This idealism, this fixed regard for principle, has been an element of the American character from the birth of this nation to the present day.

In recent years the existence of this element in the American character has been challenged by those who seek to give an economic interpretation to American history. They seek to destroy our faith in our past so that they might guide our future. These cynics are wrong, for while there may be some truth in their interpretations, it does remain a fact, and a most important one, that the motivating force of the American people has been their belief that they have always stood at the barricade by the side of God.

In revolutionary times, the cry, "No taxation without representation," was not an economic complaint. Rather, it was directly traceable to the eminently fair and just principle that no sovereign power has the right to govern without the consent of the governed. Anything short of that was tyranny. It was against this tyranny that the colonists "fired the shot heard 'round the world."

This belief in principle was expressed most impressively by George Washington at the Constitutional Convention in 1783: "It is probable that no plan we propose will be adopted. Perhaps another dreadful conflict is to be sustained. If, to please the people we offer what we ourselves disapprove, how can we afterwards defend our work. Let us raise a standard to which the wise and honest can repair, the event is in the hands of God."

This idealism, this conviction that our eyes had seen the glory of the Lord—that right was right and wrong was wrong—finally lead to the ultimate clash at Bull Run and the long, red years of the war between the States.

Again, the cynics may apply the economic interpretation to this conflict: the industrial North against the agricultural South; the struggle of the two economies. Say what they will, it is an undeniable fact that the Northern Army of Virginia and the Army of the Potomac were inspired by devotion to principles: on the one hand, the right of secession; on the other—the belief that the "Union must be preserved."

In 1917, this element of the American character was stimulated by the slogans: "War to End War" and "A War to Save Democracy," and again the American people had as their leader a man, Woodrow Wilson, whose idealism was the traditional idealism of America. To such a degree was this true that he was able to say: "Some people call me an idealist. Well, that is the way I know I am an American. America is the only idealist nation in the world."

It is perhaps true that the American intervention in 1917 might have been more effective if the case for American intervention had been represented on less moralistic terms. As it was, the American people eventually came to look upon themselves as giving food and guns to a general cause in which all other people had material ends and in which they alone had moral ends.

The idealism with which we had entered the battle made the subsequent disillusionment all the more bitter and revealed a dangerous facet to this element of the American character, for this bitterness, a direct result of our inflated hopes, brought a radical change in our foreign policy and a resulting withdrawal from Europe. We failed to make the adjustment between what we had hoped to win with what we actually could win. Our idealism was too strong. We would not compromise.

And thus we brought to our shoulders much of the burden of the responsibility for World War II —a burden which we would not then acknowledge but for which we have paid full price in recent years on distant shores, on faraway fields and valleys and hills, on pieces of foreign soil which will be forever ours.

It was perhaps because of this failure that the second World War never did become a crusade as did the first.

Our idealism had become tarnished, but extraordinary efforts were made to evoke it and it is indubitably true that the great majority of Americans had strong convictions as to which side spoke for the right before our entry into the war.

It is now in the postwar world that this idealism—this devotion to principle—this belief in the natural law—this deep religious conviction that this is truly God's country and we are truly God's people, will meet its greatest trial.

Our American idealism finds itself faced by the old-world doctrine of power politics. It is meeting with successive rebuffs and all this may result in a new and even more bitter disillusionment; in another ignominious retreat from our world destiny.

But if we remain faithful to the American tradition, our idealism will be a steadfast thing, a constant flame, a torch held aloft for the guidance of other nations. It will take great faith. Our idealism, the second element of the American character, is being severely tested. Now only time will tell whether this element of the American character will be true to its historic tradition.

Patriotism

The third element of the American character that I would bring to your attention this morning is the great patriotic instinct of our people.

From our pioneer days, perhaps because we were a people who developed from a beach-head on a tremendous continent, this American patriotism has always had as its core a strange and almost mystical love of the land.

Early in our history we acquired, as James Truslow Adams has pointed out, "a sense of unlimited energy face to face with unlimited resources."

Land, land, land, stretching with incredible richness across half a world. Its sheer vastness has made it a challenge to the American spirit. The endless land, stretching to the western sun caught the imagination of men who founded this nation and awakened the patriotic spirit that has become a characteristic of the American people.

In the words of America's poet, Walt Whitman, we note this deep sense of the land:

"Land of the pastoral plains, the grassfield of the world, land of those sweet-air'd interminable plateaus!
Land of the herd, the garden, the healthy house of Adobie!
Lands where the Northwest Columbia winds, and where the Southwest Colorado winds!
Land of the Eastern Chesapeake! land of the Delaware!
Land of Ontario, Erie, Huron, Michigan!
Land of the Old Thirteen! Massachusetts Land!
Land of Vermont and Connecticut!
Land of the ocean shores! land of Sierras and peaks!
Land of boatmen and sailors! fishermen's land!"

This preoccupation with the land records itself in the catalogue of the Colonists' grievances against George III. It has always been reflected in the highest moments of our patriotism for, throughout the years, in the early days here at home and in recent years abroad, Americans have been ever ready to defend this native land.

From the birth of the Nation to the present day, from the heights of Dorchester to the broad meadows of Virginia, from Bunker Hill to the batteries of Saratoga, from Bergen's Neck where Wayne and Maylan's troops achieved such martial wonders, to Yorktown where Britain's troops surrendered, Americans have heroically embraced the soldier's alternative of victory or the grave. American patriotism was shown at the Halls of Montezuma. It was shown with Meade at Gettysburg, with Sheridan at Winchester, with Phil Carney at Fairoaks, with Longstreet in the Wilderness, and it was shown by the flower of the Virginia Army when Pickett charged at Gettysburg. It was shown by Captain Rowan who plunged into the jungles of Cuba and delivered the famous message to Garcia, symbol now of tenacity and determination. It was shown by the 5th and 6th Marines at Belleau Woods—by the Yankee division at Verdun, by Captain Leahy whose last order as he lay dying was, "The command is forward." And in recent years, it was shown by those who stood at Bataan with Wainwright; by those who fought at Wake Island with Devereaux; who flew in the air with Don Gentile. It was shown by those who jumped with Gavin; by those who stormed the bloody beaches at Salerno with Commando Kelley; it was shown by the First Division at Omaha Beach; by the Second Ranger Battalion as it crossed Purple Heart Valley; by the 101st as it stood at Bastogne; it was shown at the Bulge; at the Rhine and at Victory.

Wherever freedom has been in danger Americans with a deep sense of patriotism have ever been willing to stand at Armageddon and strike a blow for liberty and the Lord.

Individualism

The American character has been not only religious, idealistic and patriotic, but because of these, it has been essentially individual.

The right of the individual against the State has ever been one of our most cherished political principles.

The American Constitution has set down for all men to see the essentially Christian and American principle that there are certain rights held by every man which no government and no majority, however powerful, can deny.

Conceived in Grecian thought, strengthened by Christian morality, and stamped indelibly into American political philosophy, the right of the individual against the state is the keystone of our Constitution. Each man is free.

He is free in thought.
He is free in expression.
He is free in worship.

To us, who have been reared in the American tradition, these rights have become part of our very being. They have become so much a part of our being that most of us are prone to feel that they are rights universally recognized and universally exercised. But the sad fact is, that this is not true. They were dearly won for us only a few short decades ago and they were dearly preserved for us in the days just past. And there are large sections of the world today where these rights are denied as a matter of philosophy and as a matter of government.

We cannot assume that the struggle is ended. It is never-ending.

Eternal vigilance is the price of liberty. It was the price yesterday. It is the price today and it will ever be the price.

The characteristics of the American people have ever been a deep sense of religion, a deep sense of idealism, a deep sense of patriotism and a deep sense of individualism.

Let us not blink the fact that the days which lie ahead of us are bitter ones.

May God grant that, at some distant date, on this day, and on this platform, the orator may be able to say that these are still the great qualities of the American chnracter and that they have prevailed.

Reconstructing Forces Promoting International Commerce

(Continued from page 205)

to sound monies and restore their international commerce as rapidly as possible. The large countries may be more deliberate about the restoration of sound currencies, but the processes will be the same and there may readily be doubt as to whether delay and deliberate steps to sound money are more costly than immediate steps which would quickly restore confidence and freer trade with its employment and wealth producing processes. The International Fund can not add or take away a single principle or management practice not required of any country anyhow that would restore sound money for itself and gain the benefits of the fullest possible international commerce. Of course loans may help if used for the restoration of sound money, but loans in themselves will not restore either sound money or sound economic conditions or practices.

The International Gold Standard

Gold has been the international money so long that historians do not know when this service began. No country will accept another country's inconvertible paper currency. Balances must be settled in gold or the equivalent. At the present time most countries of the world are on an inconvertible currency for domestic purposes. In most countries the currency and the bank credit are greatly inflated, and as a result fear and distrust of these currencies restrain all trade-credit transactions. Under these conditions the outlook for foreign trade and its wealth producing exchanges of goods and service will not prosper. The outlook can be improved on a permanent basis only by taking the necessary steps to restore sound money systems. Without confidence in the Government and the money the wealth producing power of foreign trade is largely a closed door to most countries.

Loans to Foreign Countries

Loans to countries that are hard pressed and who with good intentions need funds to restore sound currencies and buy the necessary tools and machinery to get started into production and trade again should benefit both lender and borrower and the whole world. But loans to countries who use the money for purposes other than restoring sound economic conditions and engaging in production are not justified. The idea that one government should loan to another government in peace time should be examined. The only source of the capital to loan a foreign government is the savings of the people. Should one government tax away the savings of its people and make loans to a foreign government under circumstances which the people themselves or private investors would not take the risks? If a foreign government wants to borrow capital in this country in peace time it is not asking too much to say to that foreign government that it must establish its credit and confidence with the people from which it wishes to borrow so that the private lenders will take the risks of the loan.

Loans in peace time are or should be entirely separated from war finances. If loans are a part of unpaid war debts or undercover charity it is far better to call them what they are. Defaulted and unpaid loans by foreign countries justly destroy confidence. If the government taxes the people and makes loans to foreign governments as a bribe to encourage such countries to return to sound and energetic policies of order, production and trade with honesty it is highly improbable that such a purchase will last.

The currencies and finances of many countries have been strained as a result of war financing. To help these countries restore sound financial conditions is good business for everyone. But each country is first obligated to take steps to put its own house in order and proceed with sound economic policies that will enable the borrower to repay the loan. Each of the small countries that has taken such steps will find no difficulty in borrowing from the people of lending countries. Sound money and dependable economic and financial practices are the same whether under a democratic government or any other form of government.

If the peoples of the various countries could understand the wealth creating forces of sound money, honest production and trade in a free world and the speed with which present poverty and hardship could be reduced, if not erased, they would demand that statesmen and politicians quit quibbling over subsidies, tariffs and other restricting forces which are holding the recovery in restraint, and get about the business of restoring sound economic policies and practices in matters such as money, and freedom of trade. But the masses of people do not understand these elementary forces and the statesmen and politicians cater to the mobs of pressure groups while starvation and poverty with the forces and controls that create them spread.

Under these conditions loans to many foreign countries are only aiding the destructive forces with probably a temporary respite. If foreign loans were made strictly on a sound business basis a great deal more good would probably be done, the borrower would benefit more from the use of the funds and the lender would stand a better chance of getting paid.

The strange idea that we will benefit from foreign loans of the taxpayers' money by the government whether we ever get paid or not just so the borrower spends part of the loan here is too shallow for argument. If the loan is not paid we have lost the money or the goods sold. If the loan is paid with goods that would have cost us more to produce than the loan, then we have gained. If a loan will aid a country to restore sound money, regain the confidence of its people and foreign peoples, and increase its production there will be no difficulty in paying such a useful loan if free markets are maintained by the lending countries.

Inconvertible Currencies, Inflated Bank Deposits, Excessive Debts and Maladjusted Prices

To bring about an equilibrium in the monetary and price relationships between the different countries will take time. How can the excess currencies be deflated and stabilized? At what price in terms of gold should each currency be stabilized? Should the currencies of the many countries be tied to the "key" currencies, such as the dollar, the pound and the ruble? Can the wages, costs, prices and different efficiencies of production be harmonized, or must they be allowed to work out their own competitive relationships? Each country and each community, like the people, differ in productivity and efficiency. Uniformity is obviously impossible. During past history these differences have been harmonized through the uniform gold standard, with each country maintaining a unit that served its needs. These comparative relationships will be restored under free competition. World managed artificial uniformity that does not fit the economic conditions of the different countries will be shortlived. The theory of the sterling bloc currency system enables each country to have its own currency unit and uniform exchange with the other currencies in the system. The war has interrupted this freedom of exchange because of excess sterling held by some countries. The solution of this problem may be through some funding arrangement. It will be most unfortunate for trade and commerce if the dollar and the pound are not stabilized with complete freedom of exchange. Restricted exchange relations between the dollar and sterling will restrict trade, production and employment in both areas. Difficulties in stabilizing the two currencies and maintaining free markets are complicated by many different factors such as widely divergent money, credit, and banking policies; tariffs; subsidies; price levels; cost of production; debt management and the regimentation of enterprise and production.

At the present time both production and international trade are restricted by these many economic and political barriers, and uncertainties that deter forward business activities and risk taking. Can the removal of these deterrants to production and trade be speeded up? Unless they are speeded up both trade and production are in danger of bogging down and repeating the experiences of 1919-22.

A statement in "The Northern Miner" of Canada June 13th is a sample illustration of what is happening to foreign trade in every country in the world. The statement read: "Canadian export trade in the first four months of 1946 shows a very large decline compared with the corresponding period of 1945. It is true that in that part of last year, exports from Canada included large quantities of munitions or war supplies. Yet the fact remains that the country is losing revenue heavily and such revenue affects directly employment in the Dominion."

The needs of international trade are multilateral freedom and dependable money and credit. Unless these needs are provided almost immediately the losses causing declining production and employment in every country of the world are going to be large. Regimented and subsidized production and trade, bilateral restrictions, and undependable money and credit restrict the wealth producing processes of trade.

Interior Appropriation Bill Signed

It was made known on July 1 that President Truman had signed the compromise Interior Department appropriation bill, drafted by a joint conference committee of the House and Senate, and which received House approval June 25 and passed the Senate the day following. The bill sent to the President and signed by him, provides $247,167,036 for the Interior Department during the fiscal year started July 1. The original House and Senate versions, providing $179,426,000 and $329,337,000 respectively, were almost evenly balanced by the compromise measure. The final bill represents a sharp cut from the $350,357,000 asked for by Secretary of Interior J. A. Krug. Reporting the action of the Conference Committee, Associated Press Washington advices of June 25 also said:

Representative Jed Johnson (D.-Okla.), Chairman of the Department of Interior House Appropriations subcommittee, told reporters that the final draft of the bill constituted the greatest percentage cut in any department's budget made during his 20 years in Congress, but promised "It wont hurt any one."

The conference committee's draft of the bill allowed the following sums for departmental activities:

Bureau of Reclamation, $113,610,803; Secretary's office, $4,274,294; fine arts, $10,000; Bonneville Power Administration, $12,470,000; grazing service, $802,500; general land office, $3,179,726; Indian Bureau, $40,705,879; geological survey, $9,708,772; Bureau of Mines, $16,000,515; park service, $25,285,455; fish and wild life service, $9,223,502; Government in territories, $4,322,590, and Southwestern Power Administration, $7,600,000.

The appropriation of $113,610,000 in the reclamation program is intended, it is said, to provide farm homes for many war veterans.

Although most reclamation projects were cut well below original budget estimates, Rep. Johnson said, according to Associated Press, that in cases where projects could be finished within one year and made ready for veterans' settlement, all necessary funds were provided.

Educational Course In Mortgage Banking

The first educational course in mortgage banking and real estate finance ever offered for younger men will be established this year by the Mortgage Bankers Association of America in cooperation with the Graduate School of Business Administration of New York University, Byron V. Kanaley, Chicago, Association President, announced at Chicago.

May Class I RR. Gross Earnings $290,014,886 Below 1945—Net Income $100,649,000 Lower

The Class I railroads of the United States in May, 1946, had an estimated deficit, after interest and rentals, of $36,000,000 compared with a net income of $64,648,791 in May, 1945, according to reports filed by the carriers with the Bureau of Railway Economics of the Association of American Railroads and made public on July 3. Operating results in May were affected by the coal and railroad strikes.

Net railway operating deficit, before interest and rentals of $4,779,574 compares with a net railway operating income of $103,633,697 in May, 1945. The Association further reported as follows:

In the first five months of 1946, these roads, which represent a total of 227,785 miles, had an estimated deficit, after interest and rentals of $40,000,000 compared with a net income of $261,414,342 in the corresponding period of 1945. Net railway operating income, before interest and rentals totaled $114,603,468 compared with $448,579,005 in the first five months of 1945.

In the 12 months ended May 31, 1946, the rate of return on property investment averaged 1.88% compared with a rate of return of 3.95% for the 12 months ended May 31, 1945.

The earnings reported above as net railway operating income, represent the amount left after the payment of operating expenses and taxes, but before interest, rentals and other fixed charges are paid. Property investment is the value of road and equipment as shown by the books of the railways including materials, supplies and cash.

Total operating revenues in the first five months of 1946 totaled $2,965,368,250 compared with $3,877,377,074 in the same period of 1945, or a decrease of 23.5%. Operating expenses in the first five months of 1946, amounted to $2,568,469,201 compared with $2,653,033,611 in the corresponding period of 1945, or a decrease of 3.2%.

Sixty-nine Class I railroads failed to earn interest and rentals in the first five months of 1946, of which 30 were in the Eastern District, 12 in the Southern Region, and 27 in the Western District.

Eastern District

Class I railroads in the Eastern District in the first five months of 1946 had an estimated deficit, after interest and rentals of $57,000,000 compared with a net income of $107,013,002 in the same period of 1945. For the month of May alone, their estimated deficit, after interest and rentals, was $26,000,000, compared with a net income of $26,812,973 in May, 1945.

The same roads in the first five months of 1946 had a net railway operating income, before interest and rentals, of $8,920,733 compared with $191,886,679 in the same period of 1945. Their net railway operating deficit before interest and rentals, in May amounted to $12,345,928 compared with a net railway operating income of $45,858,954 in May, 1945.

Operating revenues of the Class I railroads in the Eastern District in the first five months of 1946 totaled $1,290,931,711, a decrease of 22.2% compared with the same period of 1945, while operating expenses totaled $1,167,848,613, or a decrease of 4.3% below 1945.

Southern Region

Class I railroads in the Southern Region in the first five months of 1946, had an estimated net income, after interest and rentals of $1,500,000 compared with a net income of $41,399,284 in the same period of 1945. For the month of May alone, they had an estimated deficit, after interest and rentals of $5,000,000 compared with a net income of $7,824,218 in May, 1945.

Those same roads in the first five months of 1946 had a net railway operating income, before interest and rentals, of $27,884,743 compared with $68,475,445 in the same period of 1945. Their net railway operating income before interest and rentals, in May, amounted to $167,305 compared with a net railway operating income of $13,196,514 in May, 1945.

Operating revenues of the Class I railroads in the Southern Region in the first five months of 1946, totaled $437,854,979, a decrease of 22.4% compared with the same period of 1945, while operating expenses totaled $365,314,775, or an increase of 1.6% above 1945.

Western District

Class I railroads in the Western District in the first five months of 1946 had an estimated net income, after interest and rentals of $15,500,000 compared with $113,002,056 in the same period of 1945. For the month of May alone they had an estimated deficit, after interest and rentals, of $5,000,000 compared with a net income of $30,011,600 in May, 1945.

Those same roads in the first five months of 1946 had a net railway operating income, before interest and rentals, of $77,797,992 compared with $188,216,881 in the same period of 1945. Their net railway operating income, before interest and rentals, in May, amounted to $7,399,049 compared with a net railway operating income of $44,578,229 in May, 1945.

Operating revenues of the Class I railroads in the Western District in the first five months of 1946 totaled $1,236,581,560, a decrease of 25.2% compared with the same period of 1945, while operating expenses totaled $1,035,305,813, a decrease of 3.5% below 1945.

CLASS I RAILROADS—UNITED STATES

Period Ended May 31—	1946—Month	1945	1946—5 Mos.	1945
Total operating revenues	$532,553,368	$822,568,254	$2,965,368,250	$3,877,377,074
Total operating expenses	492,201,417	547,453,879	2,568,469,201	2,653,033,611
Operating ratio	92.42%	66.55%	86.62%	68.42%
Taxes	32,878,604	154,357,168	223,092,606	700,167,990
Net railway oper. income (before chages)	*4,779,574	103,633,697	114,603,468	448,579,005
Net inc. aft. chgs. (est.)	*$36,000,000	$64,648,791	*$40,000,000	$261,414,342

*Deficit.

Cotton Spinning for May

The Bureau of the Census announced on June 20, that, according to preliminary figures, 23,843,324 cotton spinning spindles were in place in the United States on May 31, 1946, of which 21,958,496 were operated at some time during the month, compared with 21,972,784 in April, 21,957,254 in March 21,628,796 in February, 21,629,882 in January, 21,551,960 in December, 21,605,060 in November, 21,721,792 in October, 21,911,746 in September, 22,170,180 in August, and 22,167,678 in May, 1945. The aggregate number of active spindle hours reported for the month was 9,557,571,101 an average of 401 per spindle in place, compared with 9,133,173,246, an average of 383 per spindle in place, for last month and 9,636,595,324 an average of 416 per spindle in place, for May 1945. Based on an activity of 80 hours per week, cotton spindles in the United States were operated during May 1946 at 110.5% capacity. The per cent, on the same activity basis, was 109.7 for April, 101.7 for March, 113.1 for February, 110.7 for January, 101.5 for December, 104.6 for November, 105.0 for October, 111.8 for September, 100.5 for August, and 114.8 for May 1945.

New Directors of San Francisco Home Loan Bank

The appointment of four public interest directors and the election of eight directors for the Federal Home Loan Bank of San Francisco were announced at Washington on July 5 by Harold Lee, Governor of the Federal Home Loan Bank System. The public interest directors named for terms beginning August 1 are:

Ben A. Perham, President, Perham Fruit Co., Yakima, Wash.; C. W. Leaphart, Dean of the Law School, Montana State University, Missoula, Mont.; L. H. Hoffman, President, Hoffman Construction Co., Portland, Ore., and William A. Davis, President, First Federal Savings and Loan Association, Oakland, Calif.

The eight elected members of the board of the San Francisco Bank are: Guy E. Jaques, President, Portland Federal Savings and Loan Association, Portland, Ore.; R. J. Fremou, Secretary-Manager, Western Montana Building and Loan Association, Missoula, Mont., Directors-at-Large; Roy E. Hegg, President, San Diego Federal Savings and Loan Association, San Diego, Calif.; Fred J. Bradshaw, President, American Savings and Loan Association, Salt Lake City, Utah, class A directors; Douglas H. Driggs, President, Western Savings and Loan Association, Phoenix, Ariz.; L. C. Wetzel, Secretary-Manager, First Federal Savings and Loan Association, Walla Walla, Wash., class B directors; Worth D. Wright, Secretary-Manager, First Federal Savings and Loan Association, Idaho Falls, Idaho, and I. W. Dinsmore, Executive Vice-President, Rawlins Federal Savings and Loan Association, Rawlins, Wyoming, class C directors, all elected for terms beginning August 1.

Ben A. Perham was selected to serve as Chairman and William A. Davis as Vice-Chairman of the new board. It is noted that the Federal Home Loan Bank of San Francisco with assets of over $55,000,000 is the largest of the 11 district banks of the Federal Home Loan Bank System. Its membership consists of 298 institutions with combined resources in excess of $1,000,000,000.

Credit Lyonnais Holds Last Meeting As Private Enterprise

From its Paris bureau, the "Wall Street Journal" of July 5 reported the following:

Credit Lyonnais, France's foremost bank, has held its last meeting as a private enterprise.

The final report prior to absorption of the bank by the Government revealed 1¼ billion francs in cash and foreign securities, which were revalued recently.

The bank owns more than 500 buildings throughout France which are carried at 35 million francs, but they are now really worth more than four billion francs, it was revealed.

During more than 80 years of operation and three wars, the bank has never appealed for assistance owing to its high degree of liquidity, according to the report, and has never missed the payment of dividends.

The bank's capital was raised from 250 million to 400 million in 1929 and again to one billion in 1943, with reserves totaling one billion francs.

Tomorrow's Markets Walter Whyte Says—

By WALTER WHYTE

Uncertainty of Congressional action on price control keeps market jittery. Positive Washington action will guide future market.

The past few days I've spent around Danbury dropping in at a local brokerage office to look at the translux. What I saw there didn't impress me any more than would have been the case had I seen it in New York. The translux moved just as lackadaisically in the small Connecticut town as it did in Wall Street. The story it told was the same.

* * *

The boardroom watchers here seemed to know each other better and seemed more interested in discussing their personal lives than in talking about the latest market morsel. Perhaps the latter was due to the absence of a broad tape and its excited chatter.

* * *

Last week you saw the market make like the king's men who had marched up the hill and then turned around and marched down again. The hill in this case was the 210 in the industrials. You saw the averages rally from under 200 to about 210 and, at this writing, they are showing signs of finding the upper area a little too rare for the time being. It is apparent that there is something behind, or underneath the market, that is preventing it from showing any guts. It doesn't take any deep probing to know what that is. It is still OPA. It's apparently stronger in death than it was in life. For what the country, or rather its lawmakers, will do about price control, will determine what the market will do.

* * *

If there is a Wherry or a Taft amendment incorporated in any new OPA then I can see more strength, maybe even vigorous strength, followed by a break that will make the 1929 crash look like a ripple.

* * *

Stocks are extremely volatile. They have to be to reflect the beliefs of millions of traders. Today these stocks are doing nothing, but underneath this lack of activity there is an electric something that seems to presage a sudden movement once the proper stimulus is applied. I believe this stimulus will come from a real price control measure. There are moments when the market shows signs that this will come suddenly. In fact I think certain stocks are beginning to point the way. After a few more days of backing and filling, the trend for the immediate future may be better defined. Until that comes the advice is still the same: keep liquid.

* * *

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.]

Irving Manney With Eisele & King Firm

Irving Manney, formerly with L. J. Schultz & Co., in their New York City office, and prior thereto a partner in Manney & Greene, has become associated with Eisele & King, Libaire, Stout & Co., 50 Broadway, New York City, members of the New York Stock Exchange, in their trading department. During World War II, Mr. Manney served in the U. S. Army, Third Infantry Division.

McNear & Hoelscher Adds A. J. Wilson & Kallick

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, CALIF.—Arthur J. Wilson and Stanley H. Kallick have become associated with McNear & Hoelscher, Russ Building. Both were formerly with Herman, Hampton & Co.

Securities Now in Registration

• INDICATES ADDITIONS SINCE PREVIOUS ISSUE

• Abbott Laboratories, North Chicago, Ill. (7/29)
July 9 filed 169,991 common shares (no par). **Underwriters**—A. G. Becker & Co., Inc.; F. S. Moseley & Co., and Shields & Co. **Offering**—Company is offering to common shareholders rights to subscribe for these shares on the basis of one share for each 10 common shares held. Price by amendment. **Proceeds**—To redeem in October the 30,000 shares of 4% cumulative preferred stock at $107 a share, requiring a total of $3,210,000 exclusive of unpaid dividends. Balance will be available for general corporate purposes. **Business**—The manufacture, distribution and sale of pharmaceutical, medicinal, chemical, biological and vitamin products.

Acme Electric Corp., Cuba, N. Y. (7/22-26)
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 the proceeds from the sale of 63,860 shares. Company also will receive proceeds from the sale of 20,000 warrants for common stock to underwriters at an aggregate price of $200. 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.

• Admiral Corp., of Canada, Ltd., Toronto (7/29)
July 8 filed 150,000 shares ($1 par) common stock. **Underwriters**—Dempsey & Co. **Offering**—Company will offer this stock initially to its common stockholders at $3 a share. **Proceeds**—$75,000 is earmarked for purchase of machinery and equipment, and tools, jigs, dies and fixtures; balance will be available for corporate purposes. **Business**—Company is engaged in the manufacture, assembly, and distributon in Canada of radios, electric phonographs, electric refrigerators, electric ranges and incidental home appliances.

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. (7/22-26)
June 27 filed 950,000 shares ($1 par) common stock. **Underwriter**—Dillon, Read & Co., Inc., New York. **Offering**—A maximum of 100,000 shares may be sold by 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**—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. Balance will be added to general funds.

• American Cladmetals Co., of Pittsburgh (7/29)
July 8 filed 196,500 units comprising 196,500 shares of voting common stock ($1 par) and 589,500 shares of non-voting common stock ($1 par), each unit consisting of 1 share of voting common and 3 shares of non-voting common. **Underwriters**—None—the company intends to distribute its common stock directly to the public. **Offering**—Price $6 per unit. **Proceeds**—Net proceeds estimated at $1,179,000 will be used to pay a mortgage on plant, pay accounts payable, purchase equipment, for building alterations and working capital. **Business**—Producing cladmetals, fabricate them into cooking utensils and sell both flat and rolled cladmetals and products fabricated from them.

American Home Products Corp., New York
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, etc.

American Research & Development Corp., Boston (7/29-31)
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**—For investment.

American Telephone and Telegraph Co. (7/16)
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. and Mellon Securities Corp. (jointly). **Proceeds**—To provide funds for additions and improvement to the company's plant and plants of its subsidiaries. **Bids Invited**—Company will receive bids at Room 2315, 195 Broadway, N. Y. City, up to 11:30 a.m. (EDST) July 16 for the sale of the debentures. The interest rate to be specified in the bid.

American Water Works Co., Inc., N. Y.
March 30 filed 2,343,105 shares of common (par $5) plus an additional number determinable only after the results of competitive bidding are known. **Underwriters**—To be filed by amendment. Probable bidders include Dillon, Read & Co. Inc., White Weld & Co., and Shields & Co. (jointly), and W. C. Langley & Co. and The First Boston Corp. (Jointly). **Offering**—Price to public by amendment. **Purpose**—The common stock, together with $15,000,000 10-year 3% collateral trust bonds (to be sold privately) are to be issued to acquire certain assets of American Water Works & Electric, liquidate two subsidiaries, Community Water Service Co. and Ohio Cities Water Corp., and provide cash working capital. Common stock is to be offered initially for cash to common stockholders of parent and to public holders of preferred stocks of Community and Ohio in exchange for their shares. Stock not subscribed or issued under exchange offers are to be sold for cash to underwriters. For details see issue of April 4.

Arkansas 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.

• Belden Mfg. Co., Chicago
July 3 (letter of notification) 26,530 shares ($10 par) common stock to be publicly offered at $10 a share. No underwriting. Offering will be made to present shareholders. **Proceeds**—Proceeds initially go to general funds and may be used to pay part of costs of construction of additions.

Black Hills Power and Light Co., Rapid City, S. D. (7/23)
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.

Brooklyn (N. Y.) Union Gas Co. (7/23)
May 3 filed 70,000 shares of cumulative preferred stock ($100 par). **Underwriters**—To be filed by amendment. Probable bidders include Harriman Ripley & Co., and Mellon Securities Corp. (jointly); The First Boston Corp.; Blyth & Co., Inc., F. S. Moseley & Co., and Otis & Co. **Bids Invited**—Bids will be received up to 11:30 a.m. (EDST) July 23, at company's office, 176 Remsen Street, Brooklyn, N. Y.; the dividend rate to be specified in the bid.

• Butler's, Inc., Atlanta, Ga. (7/29)
July 8 filed 30,000 shares of 4½% cumulative preferred stock ($25 par), with stock purchase warrants attached, and 75,000 shares ($1 par) common stock. Company is offering all of the preferred and 25,000 shares of common. The remaining 50,000 shares of common are being sold for the account of D. L. Slann, President; Benjamin A. Pollock, Vice-President, and Bernard Feldman, Secretary and Treasurer. **Underwriters**—R. S. Dickson & Co., Inc.; Courts & Co.; Johnson, Lane, Space & Co., Inc.; Clement A. Evans & Co., Inc., and Rauscher, Pierce & Co. **Offering** — Prices by amendment. **Proceeds** — Proceeds from the sale by the company of 30,000 shares of preferred and 25,000 shares of common will be used to retire the presently outstanding 6% cumulative preferred stock, modernization of existing units, opening of new units and additional working capital. **Business**—Operates chain of 47 medium-priced retail ladies' shoe stores, and accessories.

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 pu. 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.

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.

• Carscor Porcupine Gold Mines, Ltd., of Toronto, Ontario
June 24 filed 400,000 shares of common stock. **Underwriter**—Registrant will supply name of an American underwriter by post-effective amendment. **Offering**—To the public at $1 a share in Canadian funds. **Proceeds**—For a variety of purposes in connection with exploration, sinking of shafts, diamond drilling and working capital.

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 Mfg. Corp., Roanoke, Va.
July 3 (letter of notification) 3,000 shares ($100 par) 5% cumulative convertible class B preferred stock which will be publicly offered at $100 a share. No underwriters. **Proceeds**—To increase working capital, reduce or liquidate present debt and expand operations.

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.

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.
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 59,585⅓ 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
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.

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 $52.00 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 (7/22)
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.

● **Continental Motors Corp., Muskegon, Mich. (7/29)**
July 8 filed 250,000 shares 4¼% cumulative convertible preferred stock, Series A ($50 par). **Underwriters**—Van Alstyne, Noel & Co. **Offering**—Price by amendment. **Proceeds**—For rearrangement and expansion of the company's manufacturing plants, acquisition of additional tools and facilities, and for additional working capital requirements. **Business**—Designing, manufacturing and selling internal combustion engines, and the manufacture of automotive parts and subassemblies for other manufacturers.

● **Crooke's Laboratories, Inc., New York (7/12)**
July 3 (letter of notification) 55,452 shares of capital stock (par $1). Price to public, $2.50 per share. Not underwritten. **Proceeds**—In payment of indebtedness to Justin Haynes, President, and for working capital.

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 (7/17)
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. (7/11-12)
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.

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 (8/3)
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 of record July 16 at the rate of one share for each four shares held. Rights expire Aug. 2. **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.

● **Electric Power Equipment Corp., N. Y. (7/15)**
July 3 (letter of notification) 99,750 shares of common stock (par 10 cents). **Underwriters**—Buckley Brothers. **Offering**—To be offered at $3 per share. **Proceeds**—Working capital. **Business** — Manufactures, and sells high-voltage electrical switches for utilities, railroads and industrial companies; also air-conditioning and commercial refrigeration equipment.

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.

● **Family Finance Corp., of Wilmington, Del. (7/29)**
July 8 filed 90,000 shares of 4½% cumulative preference stock, Series A, (par $50)—convertible to and including Aug. 1, 1956, and 25,000 shares ($1 par) common stock. **Underwriters**—E. H. Rollins & Sons, Inc. **Offering**—Holders of the company's outstanding $1.50 cumulative preferred stock, Series B, (no par), are offered the opportunity to exchange such shares for 56,017 shares of the 4½% preferred. Unexchanged old shares will be called for redemption on Oct. 1. **Offering**—Prices by amendment. **Proceeds**—To retire the presently outstanding 87,035½ shares of $1.50 cumulative preferred stock, Series A, and 25,000 shares of the same stock, Series B, at $26.50 and $27.50 a share, respectively. The balance will be added to general funds. **Business**—A holding company, whose subsidiaries are engaged in small loan financing.

Field & Stream Publishing Co., N. Y. (7/17-19)
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 Public Utilities Co. (7/17-18)
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**—Approximately 50,000 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 (7/29-31)
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.

● **Fox Metal Products Corp., Denver, Colo.**
July 1 (letter of notification) 99,000 shares ($1 par) common stock and stock purchase warrants for purchase of 30,000 additional shares. Public offering price $3 a share. **Underwriter**—Frank C. Moore & Co., New York. **Proceeds**—Will be used to extent of $143,000 to liquidate present obligations, and remainder for general corporate purposes.

● **Fox Paper Co., Lockland, Cincinnati, Ohio**
July 1 (letter of notification) 3,440 shares (no par) common stock to be offered to the public at $25 a share. No underwriting. **Proceeds** — For additional working capital.

(Continued on page 244)

Securities Now in Registration

● INDICATES ADDITIONS SINCE PREVIOUS ISSUE

(Continued from page 243)

Frontier Refining Co., Denver, Colo.
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**—Working capital.

Gatineau Power Co., Ottawa, Ont. (7/15)
May 27 filed $45,000,000 series C and $10,000,000 series D first mortgage bonds, due 1970 and $9,500,000 of sinking fund debentures, due 1961. **Underwriters**—To be decided by competitive bidding. Possible bidders include The First Boston Corp.; Halsey Stuart & Co., Inc.; Blyth & Co., Inc., and Mellon Securities Corp. **Proceeds**—Refunding. **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 15, 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.

General Builders Supply Corp., N. Y. (7/11-12)
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.

● **Graupner (Robert H.), Inc., Harrisburg, Pa. (7/29)**
July 8 filed $350,000 4¾% sinking fund debentures, 33,000 shares 6% cumulative preferred stocks ($10 par) and $68,000 shares (50c par) common stock. **Underwriters**—E. H. Rollins & Sons, Inc., and Stroud & Co., Inc. **Offering**—The underwriters propose to make a public offering, without the intervention of a selling group, of the securities. **Offering price**—Debentures $1,000 per unit. The preferred and common will be publicly sold in units consisting of 1 share of preferred and 1½ shares of common at $12 per unit. **Proceeds**—To pay the balance of principal and accrued interest on the $673,000 note held by Fidelity-Philadelphia Trust Co., and fees and expenses connected with the issue. **Business**—Brewing and selling fermented malt beverages.

● **Great Eastern Mutual Life Insurance Co., of Denver, Colo.**
July 5 (letter of notification) 42,850 shares ($1 par) capital stock to be publicly offered at $2 a share. No underwriters. **Proceeds**—To make required deposit with Insurance Commissioner of Colorado to secure a license to do business as a life insurance company in that State, and for surplus and 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. 8/1)
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.

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.

● **Harbor Plywood Corp. of Hoquiam, Wash. (7/17)**
June 27 filed 131,235 shares of common stock (no par). **Underwriters**—First California Co. and 12 associates. **Offering**—Metropolitan Industries Co. owns 106,234½ of the shares which are issued and outstanding, and will receive entire proceeds from their sale. The remaining 25,000½ shares are authorized but unissued and are being sold by the company. Price by amendment. **Proceeds**—To be added to working capital. **Business**—Manufacture and sale of plywood and its products.

Hartfield Stores, Inc., Los Angeles (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.

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 will be added to general funds.

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**—Refunding.

Jack & Heintz Precision Industries, Inc., Maple Heights, Ohio (7/16)
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. (7/23)
June 18, filed 150,000 shares of cumulative preferred stock. **Underwriters**—Mellon Securities Corp. **Offering**—Holders of the 4¾% cumulative preferred stock of record July 12 may exchange their holdings for the new preferred on a share for share basis. Exchange privilege expires July 23. 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.

Kungsholm Baking Co., Inc., Chicago
June 27 filed 100,000 shares ($1 par) common stock. **Underwriter**—Ames, Emerich & Co., Chicago. **Offering**—To public at $9 a share. **Proceeds**—Acquisition, etc.

● **La Pointe-Plascomold Corp. of Unionville, Conn.**
July 8 (letter of notification) 50,164 shares ($5 par) common stock and 20,000 common stock purchase warrants. Offering price, $6 a share for the stock and 10 cents each for the warrants. **Underwriter** is Coburn & Middlebrook. **Proceeds**—Will be used to extent of $40,000 to purchase machinery equipment, $100,000 to pay remainder of issuer's debt to La Pointe Engineering Co., and the balance for working capital.

Lime Cola Co., Inc., Montgomery, Ala.
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**—Working capital.

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.

● **Livingston Mines, Inc., of Seattle**
July 3 (letter of notification) 250,000 shares of non-assessable common stock (par 5 cents) to be offered to the public at 20 cents a share. **Underwriters**—Lobe and Moore, Inc., and Alfred Lind, both of Seattle. **Proceeds**—For mine acquisition and development.

Loew Drug Co., Inc., Corpus Christi, Texas (7/15)
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.

● **Lowell and Grayson Mfg. Co., Monrovia, Calif.**
July 1 (letter of notification) 500 shares of common stock to be offered to the public at $100 a share. No underwriters. **Proceeds**—To acquire necessary machinery, tools and raw materials for production and working capital.

● **Luscombe Airplane Corp., Dallas, Texas**
July 5 (letter of notification) 5,000 shares of common stock offered by and for the benefit of Leopold H. P. Klotz, President. Offering price estimated at $3.25 a share. Shares will be offered to following New York houses and sold to highest bidder: Merrill Lynch, Pierce, Fenner & Beane; L. D. Sherman and Co.; Green & Co.; Batkin, Jacobs & Co.; Troster, Currie & Summers; and Edward A. Purcell & Co. **Proceeds**—To selling stockholder.

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.

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.

● **Mathews Conveyor Co. of Ellwood City, Pa. (7/29)**
July 10 filed 40,000 shares ($1 par) common stock. **Underwriter**—Singer, Deane & Scribner. **Offering**—$30,000 are authorized but unissued shares and will be sold for company's account; balance of 10,000 shares are being sold by certain stockholders who will receive the entire proceeds. Price by amendment. **Proceeds**—Company will use the proceeds from the sale of its

30,000 shares for increasing plant capacity. **Business**—Company and subsidiaries are engaged primarily in the design, manufacture and installation and sale of virtually all types of conveying equipment.

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 (7/13-19)

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.

● **Messenger Corp., Auburn, Ind.**

July 1 (letter of notification) $300,000 15-year serial debentures. To be publicly offered at $1,000 a unit. **Underwriter**—First Trust Co., of Lincoln, Neb. **Proceeds**—To retire outstanding debentures, betterments to plant and for additional machinery and equipment.

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 debentures, 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 (8/1-6)

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**—Purchase additional facilities, expansion, etc.

Missouri Power & Light Co. (7/12)

May 22 filed $7,500,000 first mortgage bonds, due 1976, and $4,000,000 ($100 par) cumulative preferred stock. **Underwriters**—White, Weld & Co. for the bonds and Glore, Forgan & Co. for the stock. **Proceeds**—Principally refunding. Awarded July 10, the bonds at 101.5611 for 2¾s and the preferred stock at 102.0719 for a 3.90% div. rate. Bonds will be offered at 102.06 and the preferred stock at $104 per share.

● **Modern Development Co., New York (7/15)**

July 8 (letter of notification) 1,500 shares cumulative convertible preferred stock (par $100); 150,000 shares class A non-voting common stock (par 1 cent) and 30,000 shares of class B voting common stock (par 1 cent). **Underwriters**—Robert H. Malcolm, Earl M. Turner and Frederick M. Harris, all of New York. **Offering**—To be offered in units of one share of preferred, 100 shares class A common and 20 shares of class B common at $101.20 per unit. **Proceeds**—Proceeds will be used to acquire leases and options upon mining properties of proven worth in California, Arizona and Nevada.

● **Montgomery Construction Co., Hatboro, Pa. (7/12)**

July 5 (letter of notification) 100,000 shares of class A stock (par $1). Securities will be offered through registered brokers and dealers in States of Delaware, Pennsylvania, New Jersey and New York. Price, $3 per share. **Proceeds**—For construction equipment, building materials and labor, purchase of additional ground and working capital.

Montgomery Ward & Co., Inc., Chicago

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. Rights expire Aug. 13. **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.

New Issue Calendar

(Showing probable date of offering)

July 11, 1946

Chadbourn Hosiery Mills Inc.—Pfd. and Common
Dazey Corp.—Preferred and Common
General Builders Supply Co.—Pfd. and Common
Prestole Corp.—Pfd. and Com.

July 12, 1946

Crooke's Laboratories—Capital Stock
Missouri Power & Lt. Co.—Bonds and Preferred
Montgomery Construction Co.—Class A Stock
Portland Gas & Coke Co.—Bonds
Rome Cable Corp.—Preferred
Trane Co.—Common

July 15, 1946

Arkansas West. Gas Co.—Common
Electric Power Equipment Corp.—Common
Gatineau Power Co.—Bonds and Debentures
Great Lakes Plating Co.—Common
Hoving Corp.—Common
Loew Drug Co.—Preferred and Common
Modern Development Co.—Preferred and Common
Rheem Manufacturing Co.—Common
Solar Manufacturing Corp.—Preferred
U. S. Spring & Bumper Co.—Pfd. and Common

July 16, 1946

American Telephone & Telegraph Co.—Debentures
Jack & Heintz Precision Industries Inc.—Preferred and Common
Seagram (Jos. E.) & Sons, Inc.—Debentures
Stratford Pen Corp.—Common

July 17, 1946

Chicago & Southern Air Lines Inc.—Common
Dana Corp.—Preference
Field & Stream Publishing Co.—Common
Florida Public Utilities Co.—Common
Forest City Mfg. Co.—Common
Harbor Plywood Corp.—Common
Holt (Henry) & Co. Inc.—Preferred and Common
Industrial Brownhoist Corp.—Common
Radio-Keith-Orpheum Corp.—Common
Reeves Bros. Inc.—Common

July 18, 1946

Meredith Publishing Co.—Common
Trailmobile Co.—Common

July 19, 1946

Consolidated Retail Stores Inc.—Preferred

July 22, 1946

Acme Electric Corp.—Common
American Broadcasting Co., Inc.—Common
Container Corp. of America—Capital Stock
Films, Inc.—Class A and Common
Liquid Conditioning Corp.—Common
Nugent's Nat'l Stores Inc.—Common
Oberman & Co.—Preferred and Common
Riverside & Dan River Cotton Mills—Preferred
State Street Exchange Corp.—Bonds
Sunray Drug Co.—Debentures
Virginia Dare Stores Corp.—Preferred

July 23, 1946

Black Hills Pwr. & Lt. Co.—Preferred and Common
Brooklyn Union Gas Co., 11:30 a.m. (EDST)—Pfd.
Koppers Co.—Preferred
Menasco Manufacturing Co.—Common
National Airlines Inc.—Common

July 24, 1946

Precision Parts Co.—Preferred

July 25, 1946

Sunray Oil Corp.—Debentures and Common

July 26, 1946

National Alfalfa Dehydrating & Milling Co.—Preferred and Common

July 27, 1946

Newport Electric Corp.—Preferred

July 29, 1946

Abbott Laboratories—Common
Admiral Corp. of Canada—Common
American Cladmetals Co.—Common
American Research & Developm't Corp.—Common
Butler's Inc.—Preferred and Common
Continental Motors Corp.—Preferred
Family Finance Corp.—Preferred and Common
Graupner (Robert H.) Inc.—Debs., Pref. & Com.
Hartfield Stores, Inc.—Common
Maryland Casualty Co.—Preferred
Matthews Conveyor Co.—Common
New Market Manufacturing Co.—Common
Pal Blade Co.—Capital Stock
Rich's Inc.—Preferred

July 31, 1946

Spiegel, Inc.—Common

August 1, 1946

Greens Ready Built Homes Inc.—Common
Michigan Steel Casting Co.—Common
Sardik Foods Products Corp.—Capital Stock

August 3, 1946

Electric Auto Lite Co.—Common

Murphy Chair Co., Owensboro, Ky.

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.

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.

● **Mutual Steamship Corp., New York**

July 3 (letter of notification) 500 shares of cumulative 5% preferred, non-voting, non-convertible (par $100) and 5,500 shares of common stock (par $5). The 500 preferred shares and 500 common shares will be offered at $100 per unit of one share of each. The balance of the common (5,000) shares will be offered at $5 per share. Not underwritten. **Proceeds**—For hire, rent, lease or purchase of ships, etc.

National Airlines, Inc., Miami, Fla. (7/23)

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. (7/26)

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.

National Cellulose Corp., Syracuse, N. Y.

May 31 filed 200,000 shares of common stock (par $1) with warrants to purchase 20,000 shares of common. **Underwriters**—Floyd D. Cerf Co., Inc. **Offering**—Stock will be offered to public at $6 a share. The warrants will be sold on the basis of one warrant for each 10 shares of common purchased. **Proceeds**—Estimated net proceeds of $1,020,000 will be used to pay off $61,000 of loans, to purchase plant and equipment at an estimated cost of $751,620 and the balance as additional working capital.

National Dairy Products Corp., N. Y.

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. **Proceeds**—To be added to working capital.

Neville Island Glass Co., Inc., Pittsburgh

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.

● **Newmarket Manufacturing Co., Lowell, Mass. (7/29)**

July 8 filed 85,000 shares ($2.50 par) common stock. **Underwriters**—Lee Higginson Corp. **Offering**—Price by amendment. **Proceeds**—Estimated net receipts of $1,165,000 will be applied to the prepayment in full of the company's first mortgage note payable to Commercial Factors Corp., balance will be added to general corporate funds. **Business**—Manufacture and sale of wide variety of fabrics made from synthetic continuous filament yarns.

Newport (R. I.) Electric Corp. (7/27)

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.

Northern States Power Co., Minneapolis, Minn.

June 28 filed 275,000 shares of cumulative preferred stock. **Underwriters**—To be determined by competitive bidding. Probable bidders include Lehman Brothers,

(Continued on page 246)

Securities Now in Registration

● **INDICATES ADDITIONS SINCE PREVIOUS ISSUE**

(Continued from page 245)

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.

Northwestern Public Service Co., Huron, S. D.
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. **Proceeds**—Refunding.

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. (7/22-26)
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 (7/29-31)
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.

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.

● **Pettibone Mulliken Corp., Chicago**
July 2 (letter of notification) 12,000 shares ($20 par) capital stock. To be offered to the public at $25 a share. No underwriters. **Proceeds**—For improvements to buildings, machinery and fixtures and for additional inventories.

● **Pioneer Finance Co., Detroit**
July 1 (letter of notification) 43,389 shares ($1 par) common stock. Offering price $2 a share. No underwriting. **Proceeds**—For additional working capital.

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. (7/12)
June 11 filed $10,000,000 first mortgage 3⅛% bonds, series due 1976. **Underwriters**—Halsey, Stuart & Co., Inc. **Proceeds**—To retire long-term debt, etc. **Price**—101.46. Awarded June 10.

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.

● **Precision Parts Co. of Ann Arbor, Mich. (7/24)**
July 5 filed 75,000 shares 5% cumulative convertible preferred stock ($10 par). **Underwriter**—Van Alstyne, Noel & Co. and associates. Price by amendment. **Proceeds**—Of the net proceeds, $250,000 will be used to pay 3% notes held by National Bank of Detroit, $75,000 to reimburse treasury for sums spent in acquisition of the electrical division plant of the company, $30,000 for construction of space for executive offices in the economy baler plant, and the balance will be deposited with general funds. **Business**—Manufacture of industrial power baling presses and parts therefor and the manufacture of various parts for radio and electrical industries.

Prestole Corp., Toledo, Ohio (7/11)
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 (no par). Price, $100. Not underwritten. Proceeds will be used for salaries, rent, running expenses, sales promotion, etc.

Radio-Keith-Orpheum Corp., New York (7/17)
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.

● **Recordograph Corp., Wilmington, Del.**
July 3 (letter of notification) 40,000 shares of capital stock ($1 par), all owned by Katherine Kraft. No underwriter. The market on this stock recently ranged from "about $1.25 a share to $3.12½ and is now about $2.25 to $2.37½ a share," the registrant stated. **Proceeds**—To go to present owner.

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**—Working capital.

● **Rich's, Inc. (7/29)**
July 10 filed 35,000 shares of cumulative preferred stock. Dividend rate by amendment. **Underwriter**—Kidder, Peabody & Co. **Proceeds**—To finance increased inventories and accounts receivable. **Business**—Company operates a department store in Atlanta, Ga., and represents a business originally founded in 1867.

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.

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. (7/12)
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.

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.

Seagram (Joseph E.) & Sons, Inc., New York (7/16)
June 28, 1946 filed $50,000,000 20-year debentures, due 1966. **Underwriters**—Harriman Ripley & Co., Inc. **Offering**—Price by amendment. **Proceeds**—Refunding.

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.

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.

● **Southwest Merchandise Mart, Inc., Wichita, Kans.**
July 1 (letter of notification) 99,900 shares of common stock to be offered to the public at $3 a share. **Underwriters**—Clayton Securities Corp., Boston; Estes, Snyder Co., Inc., Topeka, Kans., and Sills, Minton & Co., Chicago. **Proceeds**—To rehabilitate buildings reconverted from war production, and for business expansion.

Spiegel, Inc., Chicago (7/31)
June 19 filed a maximum of 329,580 shares of common stock (par $2). **Underwriters**—Glore, Forgan & Co., Chicago. **Offering**—Common stockholders of record July 12 are given the right to subscribe to the new stock at the rate of ⅕th of a share for each share held. Rights expire July 30. **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% noncumulative 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. **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.

Steep Rock Iron Mines Ltd., Ontario, Can.
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. (7/16)
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.

● **Sun Ray Drug Co., Philadelphia (7/22)**
July 3 filed $2,000,000 of 15-year debentures. Coupon rate by amendment. **Underwriters**—Eastman, Dillon & Co. **Offering**—Underwriters propose to offer the debentures in part directly to the public and the balance to certain dealers (including the underwriters) at the public offering price. Price by amendment. **Proceeds**—To pay outstanding indebtedness; for additional working capital, and $358,000 to purchase the assets of Media Drug Stores, Inc., in Philadelphia, Norristown, Upper Darby, Lansdowne, Wayne, and Media, Pa. **Business**—Operates chain of 86 retail drug stores, principally in the Philadelphia area.

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.

● **Teaching Films Corp., New York (7/15)**
July 8 (letter of notification) 2,940 shares of 5% preferred stock (par $100) and 2,940 shares of common stock (par $1). To be offered in units of one share of each at $101 per unit. Not underwritten. **Proceeds**—For corporate purposes.

Trailmobile Co., Cincinnati, Ohio (7/18)
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.

Trane Co., La Crosse, Wis. (7/15)
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.

United Cigar-Whelan Stores Corp., N. Y.
May 14 filed 50,000 shares of convertible preferred stock. Cumulative dividend, $3.50 per annum (par $100). **Underwriters**—Allen & Co. **Offering**—Prior preferred stockholders 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 Dare Stores Corp., New York (7/22)**
July 3 filed 90,000 shares of 5% cumulative convertible preferred stock, ($10 par). **Underwriters**—Newburger & Hano; Kobbe, Gearhart & Co., Inc., and D. Gleich Co. **Offering**—Underwriters propose to offer the shares in part to the public and the balance to certain dealers, among whom any underwriter may be included, at the public offering price, less certain concessions. Price by amendment. **Proceeds**—It is presently anticipated that $437,500 will be used to acquire the capital stock of Williams Stores, Inc., and Levitt Millinery Co. The balance will be applied to general corporate purposes. **Business** — Operates chain of 12 retail stores selling women's apparel.

● **Virginia Hotel Co., Virginia, Minn.**
July 8 (letter of notification) 745 shares of common stock ($100 par) and 745 shares of $4 cumulative preferred stock. To be sold to the public in units of one share of each at $200 a unit without underwriting. **Proceeds**—To erect and maintain a hotel building in Virginia, Minn.

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.

● **Western States Minerals Co., Los Angeles**
July 8 (letter of notification) 125,000 shares of common stock to be offered to the public at $1 a share, and 125,000 shares of common stock to be issued to General Minerals Corp., as part of consideration for the assignment of leases on lands located in Grand County, Utah. No underwriting. **Proceeds**—To locate and drill a test well, and such additional wells as may be required to determine the existence of Carnallite or Sylvite, oil, gas or other substances.

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.
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.

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.
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**—Refunding.

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

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**
Aug. 6 shareholders will vote on a proposal to redeem $20,000,000 outstanding 7% preferred stock. The plan calls for issuance of $10,000,000 of prior preferred and $10,000,000 of convertible second preferred with an overall dividend rate not exceeding 4¼%. The plan would provide that each $100 par value share of convertible second preferred stock will be convertible into not more than 2 2/9 shares of common stock, or a total of not more than 222,223 shares of common stock. Probable underwriters include Union Securities Corp.; Blyth & Co., Inc.; Eastman, Dillon & Co., and The First Boston Corp.

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.

● **American Progressive Health Insur. Co., N. Y.**
July 10 (letter of notification) expected to be filed at early date for 60,000 shares of convertible preferred stock, with B. G. Cantor & Co. as underwriter.

(Continued on page 248)

Prospective Security Offerings

(NOT YET IN REGISTRATION)

● INDICATES ADDITIONS SINCE PREVIOUS ISSUE

(Continued from page 247)

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. 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. Kuhn, Loeb & Co., underwriters.

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 City Electric Co.
July 9 the offering of 1,150,000 shares of common stock (now owned by American Gas & Electric Co., parent) seems probable in the fall, in compliance with the Utility Holding Company Act. Probable bidders include Mellon Securities Corp.; The First Boston Corp.; Blyth & Co., Inc.; Harriman, Ripley & Co.

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.

● Bates Manufacturing Co.
July 9 sale of a new convertible preferred stock issue is expected shortly. Proceeds will be used to pay off a long-term bank loan arranged last year in connection with the purchase of the five textile mills. The First Boston Corp. will probably be underwriter.

Beam (James B.) Distilling Co.
June 30 reported company planning some new financing with F. S. Yantis & Co., Chicago as probable underwriter.

● Boston Store, Chicago
July 5 reported the sale of Netcher's Boston Store, located for more than 75 years on State Street, Chicago, is expected to be announced within a few weeks. An investment banking group is expected to underwrite securities for purchase of the store, with Paul H. Davis Co. taking the most active part. The deal is reported to involve more than $10,000,000.

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.

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.

● City Stores Co., Philadelphia
July 8 negotiations are under way for refunding the funded debt of the company ($5,984,000) on a long-term basis at a substantially lower interest rate, but no agreement has been made. Probable underwriter, if through public sale, Lehman Brothers.

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.

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.

● Crown Drug Co.
July 8 company is considering a plan to retire the 24,328 shares of 7% ($25 par) preferred stock.

Detroit Edison Co., Detroit, Mich.
March 19 committee of directors formed to consider refinancing of $65,000,000 3½s and 4s. Probable bidders include: Mellon Securities Corp., First Boston Corp., Dillon, Read & Co. Inc., Coffin & Burr, Halsey, Stuart & Co., Inc., and Spencer Trask & Co.

Empire District Electric Co., Joplin, Mo.
May 3 company filed application with the Arkansas P. S. Commission for authority to issue $2,000,000 2⅞% first mortgage bonds due in 1976. Proceeds would be used for additions and improvements to the company's properties in Missouri, Arkansas, Kansas and Oklahoma. Probable bidders include The First Boston Corp.; Halsey, Stuart & Co. Inc.; Shields & Co. and Lehman Brothers.

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.

● Federal Light & Traction Co.
An application proposing the merger of four New Mexico subsidiaries of Federal has been filed with the SEC. Under the plan, New Mexico Power Co., Las Vegas Light & Power Co. and Deming Ice & Electric Co., would be merged into Albuquerque Gas & Electric Co. Albuquerque's name would be changed to Public Service Co. of New Mexico. The merged company would have 524,903 shares ($7 par) common stock, all held by Federal, which now owns all the common stock of the subsidiaries. The number of common shares resulting from the merger equals the number of Federal common shares outstanding. Public offering of stock expected. Probable bidders include E. H. Rollins & Sons; Rauscher, Pierce & Co., Inc. Blyth & Co., Inc.; The First Boston Corp.; Otis & Co., and Harriman Ripley & Co.

Fidelity & Guaranty Fire Corp., Baltimore
July 26 stockholders will vote on increasing authorized capital stock from 100,000 shares to 200,000 shares (par $10). The new stock will be offered for subscription to stockholders pro rata at $40 per share. The U. S. Fidelity & Guaranty Co. (parent) has announced that it will exercise its right to subscribe to the stock to which it is entitled and has agreed to purchase at $40 per share any new stock not subscribed for by stockholders.

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 Power Co., Decatur, Ill.
July 2 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 City Power & Light Co.**
July 9 it was reported that company may in near future refund its outstanding $38,000,000 bonds and 40,000 shares of preferred stock, with securities carrying lower coupon and dividend rates. Probable bidders include Halsey, Stuart & Co. Inc. (bonds only); The First Boston Corp.; Mellon Securities Corp.; Harriman, Ripley & Co.

● **Koppitz-Melchers, Inc.**
July 5 reported company will shortly offer to its shareholders 128,697 common shares at $1 a share. Stockholders will have the right to purchase three shares for every 25 owned as of June 27.

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.).

● **Magma Copper Co.**
Aug. 29 stockholders will vote on increasing the authorized capital shares to 1,200,000 from 410,000. The additional 790,000 shares, if authorized, will be offered later at prices and amounts to be determined by directors. The purpose of the financing is to provide for development and equipment of the company's large low-grade San Manuel copper ore body in Arizona.

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-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.**
July 18 SEC will hold hearing on the proposal to change its authorized and outstanding common stock from a par value of $50 a share to $12 a share and increase the number of authorized common shares from 260,000 to 1,150,000 shares, and incidental transactions. The proposed transactions are steps in a general program of American Light & Traction Co., the parent company, to effect compliance with the Holding Company Act's provisions, which will ultimately result in the liquidation of that company and the distribution of its assets.

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).

Northern Indiana Public Service Co.
April 17 reported that company has under consideration the refunding of its $45,000,000 series C 3⅛s with issue of about same size carrying lower coupon rate. Probable bidders, Halsey, Stuart & Co. Inc., and Harriman, Ripley & Co.

Northern Pacific Ry., St. Paul, Minn.
It was reported April 10 that company has under consideration the refunding of $55,000,000 collateral trust 4½% bonds due 1975 and the issuance of a new series of collateral trust bonds. Prospective bidders, Morgan Stanley & Co., Halsey, Stuart & Co. Inc., and Kidder, Peabody & Co.

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.

● **Pacific Power & Light Co., Portland, Ore.**
June 27 the SEC received a joint application from American Power & Light Co. and two subsidiaries, Pacific Power & Light Co. and Northwestern Electric Co. for approval of a proposed merger of Northwestern into Pacific. American would make certain contributions to the subsidiaries to aid in the reorganization and Pacific would refund both its own and Northwestern's long-term debt. Pacific's capital stock after merger would consist of 100,000 shares ($100 par) preferred and 500,000 shares ($20 par) common. The preferred would be sold through competitive bidding. Probable bidders include Blyth & Co., Inc.; The First Boston Corp., and Harriman, Ripley & Co. Outstanding 7% and 6% preferred of Northwestern and 7% and $6 preferred of Pacific would be convertible into the new preferred on a share for share basis. Pacific's outstanding 1,000,000 shares (no par) common, all owned by American, would be converted into the 500,000 shares of new common.

● **Pacific Telephone & Telegraph Co.**
July 8 it was stated that to help finance its $400,000,000 postwar construction program, of which more than 25% will be expended this year, company plans to sell this fall a new issue of $75,000,000 debentures and to offer pro rata to preferred and common stockholders the right to purchase 328,125 shares of company's common stock at par ($100). Proxy statements have been sent to shareholders concerning the authorization of the additional common shares and the giving of preemptive rights to both preferred and common stockholders to subscribe for or purchase shares. The debentures will be sold through competitive bidding. The probable bidders are Morgan Stanley & Co.; Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.

● **Panhandle Eastern Pipe Line Co.**
Stockholders have approved amendments to the charter to ease financing by creating uniform provisions covering issuance of additional securities. The change is expected to obviate the necessity for calling special meetings to authorize specific issues.

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.

● **Portland General Electric Co.**
July 9 it was stated that the 236,819 shares of common stock (now owned by Portland Electric Power Co., parent) may be publicly offered later this year, in compliance with the Utility Holding Company Act. Probable bidders include Blyth & Co., Inc.

St. Louis (Mo.) Public Service Co.
April 19 the company petitioned the Missouri Public Service Commission to simplify its financial structure, including reduction in interest and sinking fund changes. Company proposes to retire current funded debt ($11,640,683) and to issue up to $10,000,000 new bonds, but limited originally to $6,000,000. Probable bidders include White, Weld & Co.; Blyth & Co., Inc., and First Boston Corp.

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.

● **Stetson (John B.) Co., Philadelphia**
July 5 company was reported negotiating for the purchase of Mallory Hat Co. This transaction and other phases of the company's expansion program will, it is said, necessitate a long-term loan of $2,500,000.

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.

(Continued from page 249)

(Continued on page 250)

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 2⅝% 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 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.

Agricultural Department General Crop Report As of June 1

The Department of Agriculture at Washington on June 10 issued its crop report as of June 1, 1946, which we give in part below:

Winter wheat prospects improved during May and, with a fairly large production of spring wheat coming along, the third consecutive billion-bushel wheat crop and the third largest total production of wheat on record is indicated. Now wheat is already moving to market from the southern areas. The progress of most other crops has been relatively slow, but as of June 1 prospects continued mostly satisfactory. Weather handicaps in May have done much to offset the good start obtained earlier but farmers apparently still will be able to plant the acreage they had planned, perhaps exceed it for certain crops. Spring plantings are at least up to the usual schedule, even for corn, though wet weather in the eastern Corn Belt and South during May was a handicap. The total volume of production is expected to rank well up with that of the past four years. Moisture supplies are adequate with few exceptions, and crops should respond generously to the usual warmth and sunshine of June.

Freezing temperatures in West North Central States about May 10 to 13 checked growing spring crops and damaged alfalfa and fruits. However, spring grains, for the most part, recovered from the freeze and little apparent effect other than some thinning of stands and a set-back that offset to a large degree the early start gained in April. Peach production in the Midwest was severely reduced, but the total national crop nevertheless will be near-record. Fields in the South from eastern Oklahoma and Texas to the Atlantic were water-logged by frequent and heavy rains, delaying soil preparation and the planting and cultivation of late crops. A threatened drought in the Pacific Northwest was broken by good rains the last week of May. Scattered rains in the Great Plains area were not all that was desired, but benefited winter wheat and spring sown crops. Dry weather persisted in much of the Southwest.

May was rather generally a cool, wet month. In North Atlantic States, the first half was favorable for progress of work, but in the latter half of May rains interfered with plowing, planting and cultivation of fields and with spraying schedules. May temperatures in North Central States ranged from below freezing to summer heat averaging several degrees below normal. In parts of Ohio, Indiana, Illinois and Missouri, rains were frequent, delaying planting of corn and soybeans. In most other States of the area, farm work progressed rapidly with little interference until the last week of May when heavy rainfall occurred. For the month rainfall was about normal. Wisconsin needed more rain, with adjacent areas somewhat dry. Frequent rains in South Atlantic and South Central States seriously hampered efforts to plant late crops, cultivate row crops and harvest grains. By June 1, a few fields were not even plowed. Pacific Coast temperatures were above normal. Rains late in May broke the drought in Idaho, Washington, Oregon, and northern California. In other western States temperatures averaged below normal. The drought persisted in New Mexico and Arizona, southern California and some adjacent areas, but northern parts of the West are now well supplied with moisture.

Progress of crops was as varied as the May weather. In the North Atlantic States winter grains were heading, spring grains and hay developed well, and most of the potatoes were planted. Some corn had been planted early, but the remainder of the planting was delayed by rains. In most of the South Atlantic and South Central States excessive rains resulted in rank growth of grains, hay and pastures, and in favorable development of fruits and some truck crops. On the other hand, some deterioration of grains and truck crops occurred in the Gulf States. Fields, were grassy and could not be cultivated, threatening stands of cotton and corn. Planting of some acreage for row crops, such as corn, cotton, soybeans, peanuts and sorghums had not been possible and planting of rice in Arkansas was delayed. In western Oklahoma and Texas, rains were much lighter and were beneficial.

The greatest variation in crop progress occurred in the North Central States. In southern parts of Ohio, Indiana and Illinois almost continuous rainy and cloudy weather delayed field work, especially planting of corn and soybeans. Although fields had been prepared well before usual dates, planting progress was no better than usual. Many cloved fields were severely affected by disease fostered by the wet weather. In most other parts of the region, corn was mostly planted and soybean planting was well advanced. In Wisconsin, dry weather permitted rapid progress of work, but hay and pastures were short and grains needed rain. In much of the West North Central area, freezing temperatures in the second week of May nipped many early-sown fields of flax and sugar beets necessitating some replanting. Most spring grains had been seeded well ahead of usual dates, but many fields were frozen back, so that upon recovery they were no further advanced than usual and some stands were thinned. Winter wheat apparently was affected only in small areas where heads were at the blooming stage at the time of the frost, but damage to rye was more widespread. The first cutting of alfalfa in the freeze area was light, especially in low spots in fields, but new growth will insure later cuttings. Potato growth was apparently only delayed. Therefore, the chief effect of the freeze thus far appears to have been to offset the advanced progress of crops in the area leaving them at about the usual stage of progress on June 1. Much the same effect resulted from freezing temperatures in Montana, Wyoming, Colorado and Utah. Crops were much improved in Pacific Coast States as the drought was broken there, though spring grains were short. Harvesting of grains and flax has begun in California, where the rain was too late to help much of the dry-land grain.

Milk production continued at near-record volume, as the heaviest production per cow for May nearly offset the decline in milk cow numbers from the high level of the war years. Favorable spring weather, early and lush feed from pastures and generous feeding of concentrates for the country as a whole contributed to the record flow of milk per cow. Egg production, similarly was at a high level. During May, hens laid at a record rate, though the total number of layers is smaller than last year. In the Pacific Northwest, heavy culling and complete liquidation of some commercial flocks has followed the difficulty in obtaining poultry feed. Range livestock were in good condition, except in the dry Southwest, where forced movement of cattle due to lack of range feed continues. Range calf and lamb crops are very good. Condition of range feed as a whole was below average, but some improvement is expected following rains in late May and early June. Farm pastures were furnishing abundant green feed generally, except in the Southwest, with pasture condition reported relatively high.

The total 1946 output still depends upon the outturn of several spring-sown crops for which it is too early to make specific estimates. Conditions now tend to favor relatively high yields for these crops, however, and apparently most of the intended acreages will be planted. The acreage of corn may exceed intentions in the high yielding Corn Belt, while intentions may not be realized in the South. Progress of corn planting was at least average in the Corn Belt and the country as a whole, and in the western Corn Belt cultivation was well under way. Tame hay condition is slightly below a year ago, but the tonnage is not expected to reach the level of recent years. The carry-over of old hay, however, is large. With a large acreage and an increased proportion of improved varieties, oats are likely to approach closely the production record set last year. Barley, planted on a comparatively small acreage, is expected to produce a relatively short crop. Frost damage to both oats and barley and to spring wheat is not regarded as serious, though some stands were thinned. Rye prospects declined during May.

Fruits came through the critical freeze period of May with much less damage than had been feared earlier when these crops were still vulnerable. Total fruit production other than citrus is expected to be slightly above average and probably 10% above last year. The crop of peaches will almost reach last year's record, with pears, grapes and prunes each below last year, but still above average. Cherries, plums, apricots, figs, avocadoes, olives, cranberries, and dates all are larger crops than either last year or average. Present conditions point to a commercial apple crop somewhat below average. In the Northeastern States, fruit prospects are more favorable than last year, despite frost damage. In the Central States conditions are extremely variable with fruit crops as a whole probably below average. In the West, prospects as a whole are very good, although some fruit areas of Colorado and Utah sustained heavy freeze or hail damage. Prospects for the 1946-47 citrus crops are uniformly favorable.

Harvest of the late spring potato crop was delayed by excessive rains which caused some deterioration in a few Southern States. However, the largest commercial early potato crop of record is indicated. Truck crops, particularly onions, tomatoes, melons and others in the South, were severely damaged by excessive rains during May, but the total tonnage of spring truck crops is still an eighth larger than the record set in 1945 and 40% above average. With about half of the summer truck crops now estimated, it appears that production of these crops will be a fifth larger than last year. Cantaloups, green peppers, onions, watermelons and celery show marked increases. In addition, vegetables for processing, such as green lima beans, sweet corn, cucumbers for pickles, green peas and tomatoes are being grown on larger acreages that last year, more than offsetting declines in snap beans, beets and kraut cabbage.

Corn

Planting of corn was delayed in many areas by frequent rains during the latter part of May. These areas, embracing about 45% of the 1946 intended corn acreage included all of the North Atlantic, South Atlantic and South Central States, most of Ohio, and the southern sections of Indiana, Illinois and Missouri. Earlier planted corn here is weedy, owing to wet soil conditions which kept cultivators out of the fields. Progress in planting is up to average in Iowa, in the principal corn areas in Illinois and Indiana, and in Michigan, Minnesota, the Dakotas and in Kansas.

By June 1, Iowa corn planting was about 95% completed, with stands average or better. Illinois plantings were about 75% completed, with rapid progress being made on the remainder. In Minnesota, South Dakota and Kansas planting was practically finished, with stands average or better, except in Minnesota where considerable replanting will be necessary. Planting was well advanced in northern Indiana but in the southern part some sections had as little as 5% of the intended acreage planted. About 80% of the Michigan corn acreage was planted and in Missouri 85% was finished by June 1. On that date last year, Missouri had only 25% of the planting done. Pennsylvania, New York and New Jersey enjoyed favorable planting weather around mid-May, but this was followed by heavy rains with floods in Pennsylvania and New York. In all of the States south of the Ohio and Potomac Rivers, a considerable acreage was still to be planted and early plantings were badly in need of cultivation. This was the situation also in Arkansas, Louisiana, Eastern Oklahoma, and Texas. Alabama reported serious leaching of fertilizer.

Progress of planting in the heart of the Corn Belt, gives some evidence that acreage may be increased over earlier intentions. The bulk of the seed is already in the ground in other areas. In the Middle Atlantic and Southern States the June 1 condition is generally higher than a year ago except in a group of 6 states extending from North Carolina to Louisiana. In south Texas, corn is nearing maturity and in southern Oklahoma it is in tassel.

Wheat

With harvesting of the 1946 crop now underway in Southern Areas, **winter wheat** production is estimated at 774,588,000 bushels. This is an increase of about 32 million bushels from production indicated a month ago. Although, at the level now indicated, 1946 winter wheat production would be about 5% below last year's crop of 823 million bushels, it still would be the third largest of record—the other larger crop being in 1931.

The moisture situation was, in general, more favorable for **winter wheat** by the end of May than it was a month earlier. Intermittent rains during early May benefited most portions of the Great Plains States. This relief did not come to the driest area—southwestern Kansas, the Texas-Oklahoma panhandle and New Mexico—until the middle of the month, with portions of northwestern Texas receiving little or no rainfall. In spite of the fact that the rains which occurred in the southwest during May were insufficient and came too late to be of the most benefit over much of the area, the yields indicated on June 1 are greatly improved over a month earlier. Below normal May temperatures and the absence of hot winds, permitted the development of well filled heads and grain of heavy test weight. Only light rainfall occurred in north central Kansas, south central and central Nebraska and prospective yields there are quite low.

Conditions are varied in the states east of the Great Plains. Late May rainfall was abundant in most of the area with no ill effects so far, excepting in Kentucky, Tennessee and the South Central States where wield prospects declined due to heavy rains. In the northeastern and Atlantic Coast States higher yields are indicated than on May 1. Locally serious Hessian fly injury has occurred in southern Illinois, portions of Kentucky and Missouri, and south-eastern Kansas. Otherwise a minimum of rust or insect damage is in evidence to date. The damage from frosts and freezing during early May is expected to be light. Winter wheat in Washington suffered from high temperatures and hot winds during May, but this situation was relieved by timely rains at the end of the month. Elsewhere in the northern Pacific Coast area late May rains relieved the earlier moisture shortage.

An **all spring wheat** production of 250,921,000 bushels is indicated by the March prospective acreage and June 1 conditions. Although this year's expected crop is substantially above the 10-year (1935-44) average, it is the smallest production since 1940. Last year the production of all spring wheat was 300 million bushels. Spring wheat was seeded under very favorable conditions this year. Seeding was completed earlier than usual, and moisture conditions were generally satisfactory for germination. This favorable early situation, however, was followed by unseasonable warmth and high winds in April which greatly reduced soil moisture, then came cold spells and a rather severe freeze in early May with continued insufficient moisture. Growth was retarded, stands thinned somewhat and plants browned where freezing temperatures occurred. The indicated yields are substantially lower than last year's high yields in nearly all states.

The indicated production of **all** wheat is 1,025,509,000 bushels, the third consecutive billion bushels crop, but lower than in either 1944 or 1945, when production was 1,072,177,000 bushels and 1,123,143,000 bushels, respectively. The 10-year (1935-44) average production is 844 million bushels.

Oats

The second largest oats crop of record is in prospect for this year. The June 1 forecast is 1,492,783,000 bushels. This would be over 3% below the record crop harvested in 1945, but 32% above the 1935-44 average of about 1,129 million bushels.

Most of the acreage was seeded unusually early this spring. Germination and early growth were generally satisfactory but dry conditions in April and early May retarded development and reduced stands in some areas. Freezing weather during the period May 9 to 13 resulted in some setbacks in several North Central and Western States. In these areas increased supplies of moisture and warmer temperatures during the remainder of May brought rapid recovery, however, and by June 1 yield prospects were very promising. In contrast, much of the South received excessive rain and some damage occurred in several areas where harvest of fall-sown oats was underway or soon to begin.

An increased acreage was sown this spring to varieties resistant to rust and disease. In the major oats producing states of the north central region over four-fifths of the acreage was sown with the improved varities, compared with nearly three-fourths last year. Significant increases in the use of the newer varities occurred in Ohio, Indiana, Illinois, South Dakota and Nebraska.

Barley

The indicated 1946 barley crop totals 230,559,000 bushels on the basis of June 1 conditions. This production would be the smallest since 1937. The indicated crop is about 13% less than the short crop of 264 million bushels produced in 1945 and 20% below the 10-year average of 290 million bushels. Despite adverse weather in many producing states, the indicated yield of 20 bushels per planted acre for the country as a whole is slightly above the 10-year average of 19.2 bushels, but well below the 23.1 bushels per acre produced in 1945. The spring season was generally favorable for planting spring barley and most farmers were able to plant their full intended acreage — slightly more than last year.

Barley shows a wide range of development. In the Northern States from Montana to Minnesota there was some reseeding as late as June 1, on account of damage caused by heavy freezes during early May. However, reseeding was necessary only in scattered areas. Above average yields are expected in all of the North Central States except Illinois. A large proportion of the crop in Illinois is winter barley and too much rain during May tended to reduce yield prospects, especially in the southern counties. North Dakota and South Dakota have good prospects, despite freezes in May that caused some damage to the early seeded crop. Yields here are expected to be above average but below the very high yields of last year. Harvesting is under way in the southern and southwestern states. In most of these states, yields are about average or above, but dry weather caused considerable damage in Oklahoma, Texas and New Mexico and yields are below average. In California, harvesting has started in the main producing areas and will soon be general. Yields are below both last year and below average because of dry weather this spring in dry-land barley areas.

Barley Stocks

Farm stocks of barley on June 1 totalled 45,594,000 bushels, the smallest for the date since 1938. This total is about one-fourth less than a year earlier and about one-eighth less than the 10-year June 1 average of 52,644,000 bushels. The current low farm stocks were to be expected, as April 1 farm stocks were at a low level. The low level of June 1 stocks results primarily from the relatively small production of the last two years and from the heavy demands for all food and feed grains.

Disappearance of barley since April 1 has not been unusually heavy, amounting to 24,715,000 bushels compared with 23,913,000 bushels during the corresponding period last year. Nearly two-thirds of current farm stocks are concentrated in the four states of North Dakota, South Dakota, Nebraska and Minnesota, with 14,515,000 bushels or 32% in North Dakota alone. About 23% of the June 1 stocks were in the western states, with Montana and Colorado having more than half of the regional total.

Rye

Rye production in 1946 is forecast at 20,759,000 bushels on the basis of June 1 crop prospects. This estimate is nearly 3% below the May 1 estimate of 21,373,000 bushels. This year's indicated crop is less than half the 1935-44 average production of 42,356,000 bushels and is 21% below last year's production of 26,354,000 bushels. The yield per harvested acre is now estimated at 11.7 bushels, compared with 12.0 bushels a month ago, 13.3 bushels last year and the 10-year average of 12.2 bushels. The indicated acreage for havest is the smallest in 65 years and if urrent yield prospects materialize, the 1946 crop will be the smallest since 1881, except in 1933 and 1934.

Prospects in the north central states remained unchanged from a month ago, except in Minnesota and North Dakota where freezing temperatures in early May caused some deterioration. Indicated production in the western states declined somewhat because of dryness in some areas and a combination of dryness and low temperatures in others. In the remaining rye areas, prospects improved somewhat but not enough to offset decreases in Minnesota, North Dakota and in most western states.

Rye Stocks

Stocks of rye on farms June 1 amounted to only 1,763,000 bushels, the lowest farm reserve for that date in the 13 years of record. On the same date last year 4,046,000 bushels were on farms, compared with the 10-year June 1 average of 11,292,000 bushels. For the Nation as a whole, less than 7% of the low 1945 production was on farms. In the important north central states, where nearly three-fourths of the 1945 total crop was produced, farm stocks totaled only 1¼ million bushels or about 71% of the June total.

Smallness of the June 1 farm stocks is attributable largely to the small 1945 production, together with strong domestic and export demand for food and feed grains and high prices for rye. Disappearance of rye from farms since April 1 this year was about 1.6 million bushels, compared with 2.5 million bushels in the same period last year.

Early Potatoes

June 1 condition of early potatoes in the early and intermediate potato states is reported at a record high of 86%. This condition compares with 80% reported a year ago and the June 1 average of 75%. Reported condition for Louisiana and for Alabama, is below the June 1, 1945 condition. Only in Louisiana is the condition below average.

Harvest of commercial early-spring potatoes, which are grown in Florida and the Lower Valley of Texas, was about complete on June 1, with yields slightly lower than indicated May 1. Movement of the commercial late-spring crop is active and the record large crop indicated on May 1 is being realized. During the past month excessive rains damaged the crop in Louisiana, Texas and Oklahoma, but the acreages in California, south Georgia and Arkansas promise higher yields than indicated a month ago.

Harvest of Kern County, California, crop is well advanced and fields harvested to date indicate a record high yield of early potatoes. In Louisiana, wet weather the last three weeks of May sharply reduced the crop. Fields have been too wet to dig and many potatoes rotted in the field. Harvest of the Texas late spring crop is expected to be completed shortly after the middle of June or about two weeks earlier than usual. The commercial acreage in Arkansas is being harvested, with excellent yields reported. Frequent rains in Alabama and Mississippi during May delayed harvest of the commercial crop. In south Georgia, South Carolina and North Carolina, the commercial acreages are producing the excellent yields indicated a month earlier. Most of the commercial crop in south Georgia and South Carolina had been harvested by June 1. Peak movement of the North Carolina crop is expected about mid-June. In Tennessee, harvest of the commercial crop was in progress June 1.

June 1 condition indicates a commercial crop for summer harvest slightly higher than the crop produced in 1945. Harvest of the Virginia crop is in progress and prospects point to good yields both in the Norfolk district and on the Eastern Shore. Condition of the early crop in Maryland and Delaware is unusually good. In Kentucky, potatoes are in excellent condition, but a continuation of the wet weather that prevailed during May could cause tubers to rot in fields. Harvest of the commercial crop in Missouri and Kansas is expected to begin about June 17. Yield prospects are unusually favorable in both states and no acreage has been drowned out. In the Texas Panhandle, current prospects indicate yields slightly lower than those produced in 1945. In this state, the crop is earlier than usual, with harvest expected to start in the Lubbeck area about June 15, in the Plainview are June 20, and the Hereford area the latter part of the month. In north Georgia, stands of commercial early potatoes are irregular and excessive rains have reduced yield prospects. In New Jersey, growing conditions to date have been favorable and a per acre yield equal to that of 1945 is in prospect.

Our Reporter's Report

Provided, of course, nothing happens to upset present schedules the current month gives promise of rolling up the largest total of new offerings recorded for July in many years.

Normally a period of summer dullness the pace this year is brisk to say the least what with equities competing strenuously with senior obligations for the funds of investors.

And although bonds and other forms of debt financing have been coming out in a steady stream the investment market has been decidly receptive for this type of security. Very little in the way of accumulation of unsold material is resting on dealers' shelves.

In the case of equities, however, the pace has been pretty stiff and, accordingly, it is not surprising to hear talk around relative to some "backing up" of new issues in this sector of the market. Thus far, however, the situation has not assumed proportions which tend to discourage the flow of additional material.

Recent talk of a buyers' strike appears to have subsided and with labor difficulties less in evidence, though still a factor to be reckoned with, the outlook for speeding up of the production machine is providing a substantial backdrop for new financing.

While senior obligations have been readily absorbed, there is an element of support for equities in the prospect of higher prices ahead and the search of investors for a more lucrative return on their money.

Gatineau Power Issues

Restoration of the Canadian dollar to parity with U. S. Currency brought a delay in marketing of Gatineau Power Co.'s $64,500,000 of new securities, scheduled for last Monday.

Presumably desiring to allow the markets to adjust themselves to the new currency relationship, officials called off the bidding and put the sale over until next Monday. This action, incidentally, gave the two banking syndicates which had been formed to bid for the securities, a chance to reappraise their ideas likewise.

The company will sell $45,000,000 of new series C. along with $10,000,000 new series D first mortgage bonds. and $9,500,000 of sinking fund debentures. Since the ending of the currency discount automatically raises the coverage in dollar interest requirements it will be interesting to watch the bidding here. Consensus had been that the new bonds would bring about a 2.90% basis, perhaps a little better.

American Telephone & Telegraph

Next week's turnover in the new issue field will receive a tremendous lift from the new capital operations of American Telephone & Telegraph Co., which is scheduled to sell $125,000,000 of 40-year debentures on Tuesday.

This will mark the first real entry of the company into the money market to finance the vast program of deferred expansion built up during the war. Since it will represent actual new money finance, rather than merely refunding of outstanding obligations, it should provide a real test of the market.

Primarily an institutional issue by reason of its quality and size, this operation is expected to bring three large banking aggregations into the bidding. Among them they probably will embrace virtually the entire underwriting fraternity.

Brooklyn Union Gas

Bids submitted by three different groups for the $34,000,000 new 30-year general mortgage bonds of Brooklyn Union Gas Co. revealed rather marked difference of ideas in banking circles.

The winning bid was 102.2839 for a 2 7/8% coupon. The next best tender was 101.6699 with the third and lowest bid 100.913 or about 1 3/8 points under the top.

The successful group reoffered the issue at a price of 103 to yield 2.93%, yesterday. A good reception was indicated at press time.

Three Stock Issues

Two large stock issues are being publicly offered. One banking group is marketing today 36,000 shares of $2 cumulative convertible preferred of North American Car Co.

Another offered yesterday 100,000 shares of $100 par value preferred of Philco Corp., to provide that company with funds for expansion in the refrigerator and home freeze fields.

A third undertaking involving 550,000 shares of $5 par common and 50,228 shares of $50 par, 4% cumulative preferred of Jack & Heintz Precision Industries Inc., is slated to make its appearance on July 16. All of the common, plus 30,228 shares of the preferred were for company account to provide new working capital. The balance of the preferred is being sold by shareholders.

INDEX

With Davies & Mejia

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SAN FRANCISCO, CALIF.—**John P. Steele** is with **Davies & Mejia**, Russ Building.

Raggio Reed Add Three

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SAN FRANCISCO, CALIF.—**George F. Carson, Russell G. Mahlmann** and **Al Merrill** are with **Raggio, Reed & Co.**, Russ Building.

Joins Heronymus & Co.

(Special to THE FINANCIAL CHRONICLE)

SHEBOYGAN, WIS.—**Joseph A. Finst** is now with **Heronymus & Co.**, Security National Bank Building.

Joins E. M. Adams & Co.

(Special to THE FINANCIAL CHRONICLE)

PORTLAND, ORE.—**C. Lynn Oliver** is associated with **E. M. Adams & Co.**, American Bank Building.

Guy H. Simpson Now With Cohu & Torrey

(Special to THE FINANCIAL CHRONICLE)

GREENSBORO, N. C.—Guy H. Simpson, Jr., O'Henry Hotel Building, has become associated with Cohu & Torrey. Mr. Simpson has been in business under the firm name of Guy H. Simpson & Co. and prior thereto was Vice-President of First Securities Corporation of Durham and was with Kirchofer & Arnold, Inc.