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The Administration's Economic Cannibalism

By CARROLL REECE*

Chairman Republican National Committee

Mr. Reece accuses Truman Administration of engaging in a political shell-game with patter of trick phrases to distract the public. Declares "Red-Fascists" are trying to lead us down the road to a one-party system and a police state. Warns that deliberate confusion of language is resulting in confusion of economic thought, including public complacency about currency debasement.

The desperate condition of the world today furnishes dramatic examples of civilized man's oldest problem—namely how to secure for himself government strong enough to protect him without being strong enough to destroy him.

Carroll Reece

Self - government is exactly what it says, and to make it work the individual citizen must work at it.

America has bad government today because for 14 years we have been appointing bureaus to govern us as a device to escape the responsibilities of self-government.

And there is no compromise between self-government and bad government because God never created the man with the wisdom and restraint to wisely and kindly rule the lives of others.

*An address by Mr. Reece before National Republican Club, New York, July 16, 1946.

As was so effectively set forth by Karl Marx, an important part of the science of bad government

For an earlier address by Mr. Reece, bearing the title "Democratic Party's Red-Fascist Trend," see page 351.

is the art of confusing the public with words that have pleasant meanings.

This art of confusion has been practiced upon the American people ever since 1932 when the Democrats campaigned, and were elected, on a platform embodying sound Republican principles and then ran up the flag of false liberalism and proceeded to administer the 1932 platform of the Socialist Party upon which they could never have been elected to office.

We have had this self-styled liberal party for fourteen years, and it's high time that someone examined this so-called liberalism in the light of public interest.

The trick of waving the liberal flag in politics is as old as politics itself, and always appeals to the unsuspecting voter.

Technique of the False Liberal

The technique of the false liberal, as stated by Benjamin Disraeli, is to attack the institutions of the country under the name of

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Full Employment Illusions

By F. A. HAYEK

London School of Economics

Author "The Road to Serfdom," etc.

Noted economist asserts "full employment" has become a popular catchword for a highly technical concept, which is affirmatively injurious, because resulting illusion that we can achieve this desired aim through unworkable nostrums, leads to complete neglect of those sound measures which really could secure a high level of employment and a free, stable economy. Denies efficacy of purchasing power expansion, stating problem does not arise from total volume of expenditure, but from its distribution, and from wages and prices at which goods and services are offered. Describes as illusory expectation of investment demand being revived by maintenance of final consumption demand; stating in boom times converse is true.

It is a favorite trick of radical reformers to appropriate for a pet theory of their own some good word describing an attractive state of affairs, and then to accuse every one who is not prepared to swallow their proposals of callously disregarding the social good at which they aim. At the moment the most dangerous of these catchwords which seems to describe merely a desirable state of affairs, but in fact conceals a particular theory about the manner and extent to which it can be achieved, is, of course, "full employment." There is reason to believe that even many of those who originally gave currency to this phrase are becoming apprehensive about the way it is being used. In the writings of the learned men who first systematically used the phrase, it did not mean what it was bound to come to mean in popular discussion: a guarantee to everyone of the kind of work and pay

Friedrich A. Hayek

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Full Employment in Sweden

By ARNE BJORNBERG

Assistant to Gunnar Myrdal, Minister of Commerce

Political Scientist states while his country now enjoys a labor market of over-full employment with rationed workers, promotion of permanent full employment remains primary long-term aim of Sweden's Labor Government. Dr. Bjornberg lists contemplated compensatory measures, as: cutting down imports when exports decline; creating Investment Council for voluntarily coordinating private investing with public investment policy; localizing industries to conform with labor exigencies; stimulating consumers' purchasing power at times of employment slack—suggested by Myrdal Commission—by giving rebates to families buying furniture and clothing, reducing taxes in lower brackets, and subsidizing large-scale housing by public measures.

Arne Bjornberg

Full employment has become a keyword for political postwar program in practically all countries. When we look back upon the years following the first World War we all feel the same fear of sliding back again to the old conditions, including unemployment, poverty and complete lack of security for the majority of the people. Governments in many countries have in more or less elaborate form proclaimed a program for full employment and social and economic security, likewise the government in Sweden.

At the outset perhaps I had better briefly sketch the political situation in our country. During the 20s we had quite a number of

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UN's Future Will Follow Paris Meetings

By A. WILFRED MAY

Diplomatic proceedings on both sides of Atlantic simultaneously demonstrate universality of Moscow's intractable attitude, and climactic widening of the East-West rift. Paris action on Trieste, Germany, and Italy, harbors portentous potentialities regarding fate of United Nations Organization.

The fate of the United Nations Organization is inextricably (even more than with the atom) bound up with the continuing peace-making struggles in Paris. In the apt Bastille Day words of Mr. Churchill: "We must have faith in the United Nations Organization, which is supported by the United States; but without a united Europe, the great world organization is futile and only a diplomatic simile. Our first hope is to be good Europeans."

A. Wilfred May

The close *functional* relationship between UN and the proceedings of the Big Four Foreign Ministers' meetings is evidenced by several of the decisions taken at the latest Paris session. For example, disposition of Libya and the other Italian colonies will be made according to the UN Charter and under the aegis of the majority rule of the General Assembly. Again, the Trieste arrangement will be administered by UN (possibly causing its eventual downfall). Also, the future of political refugees and other displaced persons, slated as a major peacemaking problem by the Big Four ministers, is being closely worked on by a UN committee. And the Veto technique, hitherto UN's own "hot potato," will not only be vigorously activated during this fall's General Assembly session, but in principle it is going to be challenged by Dr. Evatt of Australia at the forthcoming Peace Conference deliberations. This challenge will be made at Paris—not legalistically perhaps—

(Continued on page 384)

Businessmen Examine Trade Expansion Proposals

By HERBERT M. BRATTER

Mr. Bratter, in calling attention to recent appointment by President Truman of a committee of businessmen to work with National Advisory Council in financing of foreign trade, discusses history of movement on part of this country to bring about international cooperation in expansion of world trade and in removing international trade barriers. Notes work of recently revived International Chamber of Commerce and the Economic and Social Council of the UN as preparation for meeting to be held in 1947 to establish an International Trade Organization. Points out difficulties in removal of trade controls and problems arising in converting U. S. from an excess-export to an excess-import nation.

The recent announcements from the White House concerning the appointment by the President of the Committee for Financing Foreign Trade, a committee of six bankers and six industrialists, draws attention to the growing channels of co-operation between the Administration and private capital and to the opportunities which are being afforded business leaders to have a voice in the formulaton of government economic and financial foreign policies. Chairman of the Committee just mentioned is Mr. Winthrop W. Aldrich of the Chase National Bank of New York.

Herbert M. Bratter

Mr. Aldrich has been very active in international trade and financial matters. He has participated in the work of the International Chamber of Commerce, through the United States Associates, and both last year and this attended meetings of the International Chamber Council abroad. He is active also in the work of the American Bankers Association on international matters, and of course in foreign loan activities of his bank.

The Committee for Financing Foreign Trade will work closely with the National Advisory Council, the President has announced. One of the Committee's objects is to promote the development and maintenance of foreign trade, both export and import, on a high and expanding level.

The whole foreign financial and economic program of the Administration during recent years has been directed to the same end. Accomplishments to date, such as the establishment of the Fund and Bank, have been but stepping stones to the greater trade objective. The preparations of the past several years are soon to lead to the holding of a series of intergovernmental trade and employment conferences. The first of hese takes place in October. In the present article we shall trace the genesis of the coming meetings, their objectives, and the views of businessmen's committees which have studied the official proposals.

The October Meeting in London

The October meeting in London is preparatory. It will be attended by the United States and 18 other countries. Representatives of the same countries will meet again in the spring of 1947, and if the work of those two gatherings is fruitful, there will be held in the fall of 1947 the long-contemplated general International Conference on Trade and Employment at which, it is hoped, the International Trade Organization (ITO) will be created as another important member of the constellation of United Nations organizations in the economic sphere.

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Burying "Inflation Bugaboo"

By A. M. SAKOLSKI

Dr. Sakolski reviews changing attitudes toward inflation dangers, expressed by various official and other commentators since President Truman vetoed the OPA bill. Says their previous exaggerations of need for price controls has caused confusion, fears, and loss of confidence in our economic stability. Points out "inflation" is not a simple concept and like term "disease" has a variety of causes and manifestations. Holds nation was not seriously threatened with drastic inflation, such as has taken place in war devastated countries, though, as in case of all previous major wars, there have been some unavoidable price increases.

I

Af er almost four years of ballyhoo, propaganda and misinformation, the public at long last is gradually being enlightened on the true aspect of inflation. Probably not in a century has any topic of economic or monetary science undergone so much discussion accompanied by wild theories and distorted information as has been put forth by government officials, the press, professional economists and political commentators in the last four years. It has produced not only a fear complex among the people but, in addition, has disturbed public confidence in our economy and produced confused thinking. Everybody talked about inflation, but no one really did much to inform themselves about it. The situation resembled that which was produced by the Einstein Theory of Relativity. Everybody talked about it, very few understood it, and still fewer were capable of explaining it.

A. M. Sakolski

One has merely to glance back to the pages of the "Chronicle" over the last year to get an idea of the gross exaggerations of the need of overall price controls to avoid drastic inflat'on with its accompanying "suffering," "chaos" and "disaster." Perhaps, Alf L. Landon was right when he stated in a recent address: "The observant citizen is aware of an overdrawn

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More Fallacies About Wages and Social Welfare

By FREDERIC EDWARD LEE

Professor of Economics, University of Illinois

Prof. Lee scores present method of collective bargaining whereby unions fix wages before negotiations begin and are upheld by a one-sided administration of Wagner Relations Act. Attacks principle of wage rigidity under all conditions as economically unsound and says "Forgotten Man" is now the industrious and honest laborer, who seeks to be self-supporting and who must pay through taxes the social security royalties and other taxes that benefit unions. Says there is fallacy in trying to abolish poverty by these methods.

Almost as common as the "make-work" fallacies which plague the student of money and exchange, are the fallacies about prices and wages, wages and social welfare, price controls and production controls, etc., which "groups of government economis s" have been trying to put across as economic truths in recent months. Some of these were described by this author in the "Commercial and Financial Chronicle" of Dec. 20, 1945 in an article entitled "Living Wage Standards Fallacies." In that article the fallacy hat the State or society should provide a standard of living for its citizens, mainly for those who had neglected or refused to provide an adequate standard for themselves, was exploded.

Dr. Frederic E. Lee

In tne same connection the fallacies of a "Noble Sentiment" misused and misconstrued, and of emphasis upon high nominal wages rather than upon high real wages were dealt with in considerable de ail. In the meantime one after another labor leader, apparently with full government or administration support, has been trying to

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An Analysis of the Federal Reserve Board Report

By AUBREY G. LANSTON

Vice-President, The First Boston Corporation

Mr. Lanston holds some statements and conclusions of Federal Reserve Board rest on debatable assumptions or premises. Attacks Board's rejection of measures that would permit higher short-term interest rates, and maintains that Treasury financing considerations, which Board offers as one reason for continuing low rates, appear to be illogical and inaccurate, and that less rigidity in rates would not affect Treasury costs. Says Treasury could afford to see short-term rates rise to 1½%, and that the alternative measures urged by Board should be tried only in event change in interest rate pattern proves inadequate.

The Importance of the Report

The Annual Report of the Federal Reserve Board for 1945 is an important document because it presumably presents the views of the Governors on the broad problems confronting the country in the fields of monetary and credit responsibilities. It outlines some "alternative measures" for Congressional consideration which, if approved, would materially increase the powers of the Board over detailed operations of the commercial banking system. These measures are provocative. The problems to which they are directed are likely to be continuing ones unless present controls and policies are changed. At this time it is not generally believed that Congress would approve the suggestions outlined. Eventually, however, the pressure to find some "al'ernative measures" may increase. Consequently,

A. G. Lanston

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Control of Spreads Highlighted By Herrick, Waddell Case

5% spread interpretation confusing securities industry. District Business Conduct Committees of NASD in conflict. Reach opposite conclusions on same facts in Herrick, Waddell case. Intermediate motion to open record denied. Review on merits still pending. Rift in NASD on "5% policy." Paternalism has no place in business.

The recent release by the Securities and Exchange Commission of its order denying the application of Herrick, Waddell & Co., Inc., for the opening of the record in disciplinary proceedings pending against it, serves to emphasize the vices inherent in all attempts to control profits and spreads in the securities field.

The case arose in the following way.

Based on reported returns to the 1944 questionnaire, and on the identical facts contained therein, both the New York District Business Conduct Committee and the Washington District Business Conduct Committee of the National Association of Securities Dealers, filed complaints against Herrick, Waddell & Co., urging that the respondent in effect, had taken improper spreads in various transactions.

Specifically, the respondent was charged with violating

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The Chinese Market During Industrialization

By Y. L. WU

Member Chinese Delegation, UN Economic and Social Council

Chinese Government official predicts that in immediate future United States will supplant Great Britain as exporter to China, because of our greater capacity to make necessary loans and investments. Such investments will govern China's foreign trade control policy, and hence will determine both the nature and volume of our exports.

What will be the effects of China's industrialization on the pattern of Chinese imports in the next five to ten years? The present article is an attempt to answer this question. The period under consideration covers, of course, only the initial stages of an industrialization process which is bound to extend over a few decades at least. But while we are not concerned here with the long-run pattern of imports of an already industrialized China, our analysis may nevertheless throw some useful light on the long-term trend. For in order to discover the latter, we have to recognize the short-run tendencies first. That these short-run tendencies are both interesting and important will, we believe, become quite clear as we proceed.

Y. L. Wu

The following table is the summary of a detailed analysis of the import data of the Maritime Customs of China in 1935-37, excluding, however imports into the Northeastern Provinces of China or Manchuria. All the imports are divided into three groups; namely (I) capital goods, (II) "intermediate goods," and (III) consumers' goods. The items included in the category of capital goods are electrical machinery, textile machinery, hand and machine tools, boilers, steam and gas engines, food processing machinery, pumping and agricultural machinery, iron and steel, non-ferrous metals, railway construction materials and equipment, etc. The group of "intermediate goods" consists mainly, though by no means exclusively, of raw materials, which can be utilized either as factors of production in a roundabout manner or more or less directly for the purpose of consumption—for instance, after a little processing. Roughly speaking, these commodities may also be designated as "producers' goods," as distinct from "capital goods." Commodities falling under this category are timber and other building materials, petroleum, rubber, coal, dyes, chemicals, cotton, wool, flax, scientific instruments, cars, planes, ships, etc. An important characteristic of this group of "intermediate goods" is that their import is likely to fluctuate less with industrialization as they can be put to different uses in the sense described above almost equally well. Finally, there is a third group of consumers' goods

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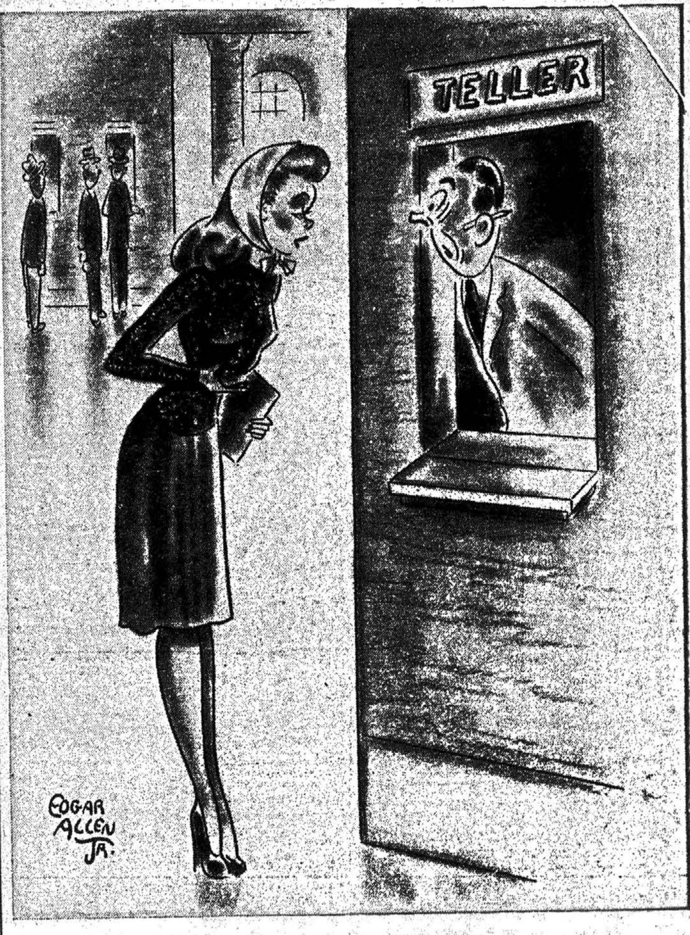
BUSINESS BUZZ



"If I withdraw my account can I still come in for my regular interest?"

Owen D. Young Heads Commission of N. Y. State

The appointment by Governor Dewey of Owen D. Young as Chairman of the 30-member commission of New York State which is to determine whether a university is desirable for the State was made known in press accounts from Albany on July 14. Mr. Young, retired industrialist and former member of the Board of Regents, is a Democrat; he was formerly Chairman of the Board of General Electric Co. and a decade ago he headed an official committee which made an exhaustive study of the cost and character of education in the State.

The new commission, to be known as the State University Commission, was created by the 1946 Legislature, which voted a $100,000 appropriation. It will report to the Governor and the Legislature by Feb. 15, 1946.

In special advices from Albany on July 14 the New York "Times" reported as follows as to others who will serve on the committee:

The Governor also appointed Oliver Cromwell Carmichael of New York City, President of the Carnegie Foundation for the Advancement of Teaching, and former Chancellor of Vanderbilt University, as Vice-Chairman.

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Other Publications
Bank and Quotation Record—Mth. $25 yr.
Monthly Earnings Record—Mth. $25 yr.
NOTE—On account of the fluctuations in the rate of exchange, remittances for foreign subscriptions and advertisements must be made in New York funds.

A Layman's Approach to Our Post-War Tax Problems

By JOHN W. HANES*

Former Under-Secretary of Treasury; Member SEC

Urging all professional and business men to interest themselves in ever-present taxation problems, Mr. Hanes offers as a base for a constructive postwar program (1) stimulation of high production and employment; (2) encouragement of profit motive, necessary for flow of capital funds; (3) governmental fiscal and monetary stability; (4) a minimum basic tax rate of 20%; (5) moderation of higher bracket rates, in recognition of human behavior; (6) removal of double taxation of corporate dividends; (7) continuation of present capital gains technique; (8) much more generous treatment of earned income; (9) ending of progressive corporate taxation; (10) liberalization of depreciation allowances; (11) return of estate and gift taxes to States; (12) wide extension of excise tax.

The people of the United States are now being painfully and forcefully reminded of the serious economic consequences that inevitably follow great wars. Only a year has passed since V-E Day yet between America's current position and that of a year ago the contrast is striking indeed. When V-E Day arrived every American could join with President Truman in his earnest plea: "We must work to bind up the wounds of a suffering world—to build an abiding peace, a peace rooted in justice and law. We can build such a peace only by hard, toilsome, painstaking work."

John W. Hanes

How little has been really done, in the past year, to realize that pious hope! Instead of moving toward an "abiding peace" we have slipped back to a point where the world is shivering in dread of still another war. In America's haste to demobilize, an army of 10 million men has shrunk so rapidly that it can now perform only with difficulty the tasks assigned to it in occupied Germany and Japan.

Our industrial machine, geared to unprecendeted war output, is now struggling to get back into peacetime production. But governmental controls, plus an unending and unnecessary series of strikes have slowed business to almost a standstill. President Truman was called to occupy the

(Continued on page 380)

*An address by Mr. Hanes before the Bar Association of San Francisco, May 23, 1946.

Problems In International Trade Relations

By ARTHUR PAUL*

Director of Office of International Trade, U. S. Dep't of Commerce

In explaining background and workings of new office of International Trade set up in the Department of Commerce, Mr. Paul points out many and difficult problems arising out of war conditions. Cites import controls and state foreign trade monopolies as affecting our international trade, and need of export controls due to heavy demands for American products in face of domestic shortages. Estimates exports as exceeding $9 billions, and holds we must work to free our foreign trade from monopoly restrictions and find a formula against international economic blocs. Concludes our future economy will be closely linked to foreign trade expansion.

I am glad to have this opportunity to talk to you about the work of the Office of International Trade of the Department of Commerce. The significance of this work is well appreciated by you who are engaged in foreign trade. This significance, however, becomes doubly important in times that are troubled by political misunderstandings. It seems to us that it is then particularly necessary to foster and to keep intact the international contacts that grow out of commercial transactions. If we can focus attention on these economic and commercial relationships, it cannot but help to clear away some of the fog of political misunderstanding.

Arthur Paul

Before discussing our program of work in the Office of International Trade, I should like to say a word or two about its background. During the war, the economic activities and operations of the U. S. Government were at first very widely scattered among various agencies. The Department of State carried on some economic operations, the Lend-Lease Administration was formed for economic aid to our friends and allies, the Board of Economic Warfare was engaged in the purchase of strategic war materials and in economic warfare, the Reconstruction Finance Corporation, through its subsidiaries, was in the business of financing the production and use abroad of strategic materials. The Department of Agriculture was also involved in foreign economic activities. That alignment and cross-alignment of functions led to considerable confusion and many arguments. It was settled by putting practically all of these activities into the Foreign Economic Administration, and thus under the policy guidance of the Department of State, centralizing all the work in one place.

When the war came to an end, the FEA was dissolved. However,

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*An address by Mr. Paul before Export Managers Club, Chicago, Illinois, June 25, 1946.

Spiegelberg & Co. Formed in New York

Spiegelberg & Co. has been formed in New York City with offices at 30 Broad Street to engage in the securities business. Partners of the new firm are William I. Spiegelberg, a member of the New York Stock Exchange, Jess L. Geisman, and Harold M. Gottlieb. All were formerly partners in Friedman & Co.

Geo. G. Birkins in N. Y.

George G. Birkins is engaging in the securities business from offices at 107 Washington Street, New York City.

With Mason Bros.

(Special to THE FINANCIAL CHRONICLE)

OAKLAND, CALIF. — Clarence G. Andersen and Karl L. Brackett are with Mason Bros., Central Bank Bldg.

With Conrad, Bruce & Co.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, CALIF. — James P. Alles and John S. Middleton are affiliated with Conrad, Bruce & Co., Russ Building.

Join Bond & Goodwin

(Special to THE FINANCIAL CHRONICLE)

PORTLAND, MAINE—Brewster D. Doggett and Ernest L. Toner are with Bond & Goodwin, Inc., 120 Exchange Street.

Steelman Charts Price Control and Fiscal Policy

In quarterly report to President and Congress, entitled "At the Crossroads," he states workable price control is essential to avoid inflation and bring about orderly stabilization. Holds controls must not remove incentive to produce, and must be workable, fair and flexible. Offers as fiscal and monetary policy: (1) curtailment of public expenditures; (2) anti-inflationary tax and debt policies; and (3) strict control of private credit expansion.

On July 11, while the Senate was still debating the new Price Control Bill, President Truman released the Seventh Quarterly Report of the Director of War Mobzilization and Reconversion, a position held by John R. Steelman, who only recently succeeded John W. Snyder, now Secretary of the Treasury. Mr. Steelman has entiled his report, which covers the progress of reconversion up to July 1, "At the Crossroads." The document is divided into two sections, the first dealing with production and stabilization, and the second discussing special programs, such as famine relief, textiles, housing and veterans welfare. The first part of the first section discusses price control and fiscal and monetary policies in relation to stabilization. These matters are discussed in the report as follows:


John R. Steelman

In the year since the Nation began to reconvert from war to peace, two inseparable objectives have dominated the economy—production and stabilization. We have made good progress on both:

Total production of goods and services stands at the highest point in peacetime history. Production of over-the-counter consumer goods for the first half of 1946 was the highest in either peace or war.

Up to the time when the price control act expired, stabilization of the economy had been successful within the broad patterns laid down by national policy. Some ground had ben lost, but it was never considered possible or desirable to hold an inflexible line indefinitely against the upward pressure of prices and wages. Certainly, up to June 30, runaway inflation had been prevented.

These two all-important objectives have been pressed in the face of extreme difficulty. Labor-management disputes have tied up basic industries at crucial points in the development of the

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Business Man's Bookshelf

Inventors' Magna Charta, The—Edwin Hopkins—Basic rights of inventors and rehabilitation of the Patent System discussed—Edwin Hopkins, Publisher, 255 W. 43d Street, New York 18, N. Y.—paper—$3.00.

Joins Quail & Co.

(Special to THE FINANCIAL CHRONICLE)

DAVENPORT, IOWA — **Hartwick M. Sweet** has rejoined the staff of **Priester & Co.**, Davenport Bank Building, after serving in the U. S. Navy.

With Priester & Co.

(Special to THE FINANCIAL CHRONICLE)

DAVENPORT, IOWA—**Hugo C. Arp, Jr.** has become connected with **Quail & Co.**, Davenport Bank Building, after serving in the U. S. Army.

Reconversion Delays Unduly Stressed: Truman

President, in comment on optimistic report of Director of War Mobilization and Reconversion, states we have greater amount of employment, greater earnings and greater volume of purchases than ever before. Holds runaway inflation has been prevented and promises review of fiscal and monetary policies

In a statement commenting on the Seventh Report of the Director of War Mobilization and Reconversion, a position now occupied by John R. Steelman, who recently succeeded John W. Snyder, President Harry S. Truman issued on July 11, the following statement:


President Truman

It is a good thing, from time to time, for all of us to take stock of the progress we have made toward our peacetime domestic goal of sustained full production and full employment.

John R. Steelman's report on reconversion sets forth some facts and figures which a good many people have been inclined to overlook in the heat of debate. Up to June 30 the setbacks which we suffered had been disproportionately magnified.

The facts are that:

Production by mid-year reached the highest level ever attained in peacetime.

More people are working now than ever before—four-and-a-half million more than in 1941, our highest prewar year. Particularly gratifying is the fact that eight out of every ten returned veterans already have jobs; but we shall not be satisfied until the rest of our veterans have suitable employment opportunities. The number of people looking for

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NAM Lays Production Losses To OPA

Robert R. Wason estimates production from 21 to 73% behind 1946 schedules. Says Administration's wage and price policies helped to hamstring business.

With more than a hundred million man-days wasted in strikes since VJ-Day, largely as a result of the mistaken policies of OPA and Federal officials, the nation began the second half of 1946 with basic industries from 21 to 73% behind their 1946 production schedules, it was announced on July 15 by the National Association of Manufacturers.


Robert R. Wason

OPA's stubborn insistence that prices be held down in the face of demands for higher wages is primarily to blame for these production losses, according to Robert R. Wason, NAM President.

"If OPA had agreed before strikes were called, instead of after, to allow the price adjustments actually made later as a partial compensation to industry for wage rises, then disastrous walkouts in the automobile, steel, and copper industries might have been avoided," Mr. Wason declared. "First the Commerce Department incited union leaders to make wage demands by allowing 'news leaks' on a study purporting to show that industry could pay higher wages without raising prices. By the time Secretary Wallace had repudiated the study the damage had been done.

"President Truman's policy of

(Continued on page 355)

Our Loan to Ethiopia

Ethiopia has favorable balance of payments, and is operating domestically with budgetary surplus. But exchange restrictions necessitate borrowing to buy in American market.

The Export-Import Bank has officially announced the granting of a loan to Ethiopia in the amount of $3,000,000. Interest is at the rate of 3% and amortization payments, which begin on June 30, 1951, are to be made in 12 equal semi-annual instalments. The entire proceeds of the loan are to be used for the purchase of capital goods in the United States.

Ethiopia's present shortage of dollars is due both to the large demand for her products in the Middle East and to the difficulty of transporting goods to the U. S. A.

At present Ethiopia receives only Sterling Area currencies for her exports. This is true even of those products which are sold to the U. S. A. Ethiopia has no port and as a result all exports to the U. S. A. must be shipped from Aden. Before the exporter is granted space from that port he must surrender to the British Exchange Control for currencies of the Sterling Area the U. S. dollars paid by the U. S. A. importer. As a result, although Ethiopia enjoys a favorable balance of payments and has built up substantial balances of other currencies it is necessary for her to borrow dollars to be able to buy from the U. S. A.

Customs returns for the first quarter of the current year showed a favorable balance of Ethiopian dollars 5 million (U. S. $2,000,000). The balance of payments for the last fiscal year was as follows:

BALANCE OF PAYMENTS
Sept. 10, 1944 to Sept. 10, 1945

Imports	$35,757,170.74
Outward non-trade remittances	3,052,676.00
Exc. of exports over imports	8,524,955.91
Ethiopian	$47,334,802.65
Exports	$33,940,512.65
Inward non-trade remittances	2,315,440.00
Gold exports	8,934,730.00
Silver exports	2,144,120.00
Ethiopian	$47,334,802.65

It is estimated that Ethiopian exports to the United States have earned an average of U. S. $750,000 to $1,000,000 per year since 1941. This cannot be taken as a measure of future earnings as exports to the United States will undoubtedly increase.

No Ethiopian coffee has been coming to the United States because of shipping difficulties and low U. S. ceiling prices. Ethiopian shipments of beeswax have gone entirely to Great Britain as a war measure. There has been only a small market for civet musk because of the shortage of industrial alcohol for perfumes. Hide and skin shipments have been smaller than before the war because farmers are building up their herds and flocks and are reluctant to sell livestock. Given an increase in imports of textiles to bring out produce for export and an improvement in shipping space to the United States, Ethiopia's earnings of dollars should greatly increase in the next few years.

Ethiopia is primarily an agricultural country. Nearly two-thirds of her territory consists of a high plateau which has a temperate climate with a mean temperature of about 75 degrees. This area is several times the size of Pennsylvania. The remaining third is lower and consists both of desert and dense tropical jungle.

(Continued on page 381)

OPA Removal and Stock Prices

By EDSON GOULD*
Member, Research Staff, Smith, Barney & Co.

Holding OPA, instead of holding down prices, interfered with production, Mr. Gould contends if we get more production, there need be no worry of runaway inflation. Says most stock prices have already risen to high levels and further advance is not likely to exceed 12% to 15% through remainder of year. Lists stocks which now offer above average values.

The outlook for business, industry and the market over the balance of this year will be largely determined by the outcome of the current clash between the Administration's desire to get stringent OPA legislation back on the books and the conviction of a group of Senators that the way to have a free economy is to set it free. Therein lies so complex an admixture of politics, economics and ideology that a dogmatic prophecy of the result would be, to say the least, rather hazardous.

Edson Gould

Nevertheless, at the moment we do have a free economy, at least freer economy than at any time in recent years, and every day that passes without formulation of OPA legislation, and without the kind of run-away commodity price advance the Administration has been predicting, the better the chance that price controls (except for rents) may be greatly modified or even eliminated, which would be the best possible development for the nation at large, for consumers, producers, workers and investors.

Inflation

The reason is that OPA has not held down prices, when consideration is given black markets and subsidy costs, but most certainly has interfered with production, and production is the one need of the nation to prevent both inflation and deflation.

We may have a fairly sharp rise in commodity prices over the (Continued on page 379)

*The views and opinions expressed are those of Mr. Gould, and not necessarily those of Smith, Barney & Co.

Caution Needed in Consumer Lending

By WALTER B. FRENCH*
Deputy Manager, American Bankers Association

Bankers' Association official declares recent expressions from banking and Government leaders, as Secretary Wallace, and current modification of credit regulations, have confused the whole current credit field. Urging that bankers meet their individual responsibility in consumer installment lending, he warns that stimulation of scarce goods buying could create inflationary forces "more devastating than a war itself."

Within the last few months we have had leaders in banking and government express divergent views on how banks of the country are handling the credit problem of the day. Certain government leaders, spearheaded by the Secretary of Commerce, still think that the banks are not doing the job they could or should do. There's nothing new about that.

Walter B. French

Permit me to quote from Secretary Wallace's testimony before a congressional committee recently when he was asking for permission to set up a small business financial service within the Department of Commerce. For the present, the idea is to have the department furnish the small business man with all kinds of financial advice but not to make him a loan. The Secretary admonishes banks to be on the alert and to do a better lending job. Here is what he said:

"The Department of Commerce's plan would enable banks to get back into the character loan business but the proposed plan will succeed only if much more thought and attention is given to borrowers than has been customary in connection with commercial bank loans during the past 20 years."

Now to me that language meant just one thing—the Secretary was paving the way for the time when he could announce dramatically that the banks were not doing the job or even cooperating with the Department of Commerce. Then he could ask Congress for the right to make direct loans to business or, worse yet, guarantee the loans made by banks.

On the other hand, only a few weeks ago we read a speech made by President Sproul of the Federal Reserve Bank of New York, in which he advocated some regulations to *control* commercial loans. Mr. Sproul is one of a number of thinking men who agree that this kind of regulation is necessary. I don't know whether he thinks it is necessary *now*. It appears to me that at the moment we should encourage loans for any and all kinds of production purposes. The only thing that would take the pressure off the inflation bubble is more and more production of all kinds of consumer goods. Undoubtedly a large percentage of the money borrowed in the past six months has gone into conversion but that job has been about completed; and with labor finally arriving at a stage where its demands have been satisfied, goods in increasing volume should soon be flowing into the market.

It was a refreshing change not so long ago to have one official in Washington say that the banks deserved a pat on the back for the fine work they did in financing reconversion from war to peace. Reconversion was declared officially over by John W. Snyder, former reconversion director, some few weeks ago.

There is just a little inconsistent thinking, it seems to me, in the views that have been expressed. One authority thinks we are not doing a good lending job, another thinks commercial loans should now be subject to some kind of regulation, and a third thinks the banks have done an outstanding job. Need I say that I go along with Mr. Snyder? I think the banks met the task of financing war production in a very commendable way. True, about half of the outstandings were guaranteed under Regulation V. Since the close of the war the money advanced by banks for reconversion and supplying credit to business in order to get back into production has been largely on their own—no government guaranties. The increase in loans for production and commercial purposes is almost 25% since V-E Day. Loans in banks for these purposes are now well over 11 billion dollars.

What we need most are loans *now* for production. It is necessary for American industry to produce fast and in quantity if we are to avoid further inflationary inroads. The pent-up demand for consumer goods, plus plenty of money and credit, calls for production—and fast—not a new regulation. To give you two very homey illustrations of what happens despite regulations when demand is strong enough, I call your attention to the meat and butter market, not as it applies to any one city or state but to the whole country. It's all very well to (Continued on page 383)

*An address by Mr. French before 10th Carolina Bankers Conference, Chapel Hill, North Carolina, July 9, 1946.

Broker-Dealer Personnel Items

(Special to THE FINANCIAL CHRONICLE)
AKRON, OHIO — **Nathan L. Mercur** has joined the staff of **Nelson, Browning & Co.**, First Central Tower.

(Special to THE FINANCIAL CHRONICLE)
BOSTON, MASS.—**Paul F. Columbia, Alan B. Goldberg, Harold W. Mahar, James P. O'Neill** and **Fred S. Troy, Jr.** are with **Draper, Sears & Co.**, 53 State Street.

(Special to THE FINANCIAL CHRONICLE)
BOSTON, MASS.—**Jacob Stollin** has been added to the staff of **General Stock & Bond Corp.**, 10 Post Office Square.

(Special to THE FINANCIAL CHRONICLE)
BOSTON, MASS.—**Montgomery Farrington** has become associated with **J. H. Goddard & Co.**, 85 Devonshire Street.

(Special to THE FINANCIAL CHRONICLE)
BOSTON, MASS.—**John E. Andrews** is with **Gregg, Storer & Co., Inc.**, 35 Congress Street.

(Special to THE FINANCIAL CHRONICLE)
BOSTON, MASS. — **James E. Danahay** is with **R. H. Johnson & Co.**, 30 State Street.

(Special to THE FINANCIAL CHRONICLE)
BOSTON, MASS.— **Norman U. Cresswell** has become affiliated with **Edward E. Mathews Co.**, 53 State Street.

(Special to THE FINANCIAL CHRONICLE)
BOSTON, MASS.— **George A. Hodges** has become associated with **Vance, Sanders & Co.**, 111 Devonshire Street. In the past he was with H. C. Wainwright & Co. and Chace, Whiteside & Co.

(Special to THE FINANCIAL CHRONICLE)
BOSTON, MASS. — **Grosvenor Bemis** has become affiliated with **White, Weld & Co.**, 111 Devonshire Street.

(Special to THE FINANCIAL CHRONICLE)
BOSTON, MASS.—**Fred H. Harrison** and **Robert M. Mara** have become connected with **H. C. Wainwright & Co.**, 60 State Street.

(Special to THE FINANCIAL CHRONICLE)
CINCINNATI, OHIO — **Stanley R. Hansen** and **Victor R. Perry** have joined the staff of **Westheimer & Co.**, 326 Walnut Street.

(Special to THE FINANCIAL CHRONICLE)
CLEVELAND, OHIO — **Howard H. Davis** is now with **Wasson & Company of Ohio.**

(Special to THE FINANCIAL CHRONICLE)
DETROIT, MICH.—**William D. Crim** is now with **Bennett, Smith & Co.**, Penobscot Building.

(Special to THE FINANCIAL CHRONICLE)
BOSTON, MASS. — **Joseph S. Baker** has become connected with **F. L. Putnam & Co., Inc.**, 77 Franklin Street.

(Special to THE FINANCIAL CHRONICLE)
DETROIT, MICH. — **Lloyd W. W. Marshall** has been added to the staff of **Moreland & Co.**, Penobscot Building.

Ruger Associates, Inc.

Ruger Associates, Inc. has opened offices at 550 Fifth Avenue, New York City, to engage in the securities business.

William M. Watts In Auburn

AUBURN, N. Y. — William M. Watts is engaging in a securities business from offices at 19 Genesee Street.

A. W. McCready With Gross, Van Court Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—Albert W. McCready has become associated with Gross, Van Court & Co., 639 South Spring Street, members of the Los Angeles Stock Exchange. In the past he was with Conrad, Bruce & Co. in charge of the trading department in the Los Angeles office.

Morrow & Co. in Cleveland

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, O.—Frank W. Morrow has formed Morrow & Co. with offices in the Hanna Building to engage in the securities business.

John C. Foster in N. Y.

John C. Foster is engaging in the securities business from offices at 80 Broad Street, New York City.

Our New and Revolutionary Problems

By ALF M. LANDON*
Former Governor of Kansas

Onetime Presidential candidate of Republican Party, after predicting a Republican victory in November, blames New Deal fiscal policies for initiating and intensifying inflationary pressures. Says OPA was more interested in making America over than in price control, and attacks its propaganda as instilling fear in minds of people. Favors relinquishment of many wartime controls, but would restrain rents. Urges Republicans to deal with fundamentals of inflation by favoring government economies and higher Federal taxes. Sees need of restoring confidence in American industry and freedom from minority pressure groups.

It is obvious that the Republican party will win the election this November. The swing is so marked that we can hardly be maladroit enough to lose in 1948. The normal trend in the direction of Republican success interrupted by war, plus the sins of the discordant Democratic administration coming home to roost, all make sweeping Republican victories inevitable.


Alf M. Landon

We Republicans, therefore, must now be studying the new and revolutionary problems confronting the country. The responsibility of a solution will soon be ours. Thirteen New Deal years have brought about three major changes in America the Republican party must deal with:

1. Increase of monopolistic power, which we must break up ruthlessly.

2. Increase of labor unions' power, which we must deal with understandingly and sympathetically, but firmly, in the best interests of labor and the public.

3. Increase of government power which has been administered so erratically and badly as to demoralize the economic life of the nation.

No wonder Socialists say, "Give us two more terms of the Democratic coalition and we will have Socialism along the lines of England." No wonder the Communists say, "Give us two more terms of the kind of administration we have had and the country will be ready for Communism." No wonder the genuine Liberal says, "Give us two more terms of a government like we have had for 13 years and we may have a totally un-American economic and political system, whether it be Communism, English Socialism or Fascism."

Inflation Pressures

President Truman was right, in

(Continued on page 358)

*An address by Mr. Landon before the Young Republicans of Kansas, Newton, Kansas, July 10, 1946.

Opportunities in Securities of Newly Formed Corporations

By S. FROHLICH, of L. D. Sherman & Co.

Potential Growth Through Infusion of New Capital. Management Factor of Paramount Importance.

The recent past has witnessed a large number of security offerings of all kinds and types. Equity financing, to refund existing obligations, needs no comment as to utility. Issues of preferred and common shares in units, offering the investor a priority dividend status combined with an option on potential earning power, have attracted considerable investment interest.


Siegfried Frohlich

The largest volume, however, and, we believe, the most significant financing was reflected by the issuance of common shares of newly formed corporations at a low per-share price. These offerings proved of wide public appeal and were generally well oversubscribed, regardless of merit. The greatest opportunities as well as the largest risk lies in this field. Extensive data on the respective corporations is contained in the prospectus, yet the average layman is hardly qualified to interpret this information. He is not a trained analyst or economist. No pro-forma income or balance sheet figures are published nor is any opinion expressed regarding future operations. The available information covers the past, not the future. Because many of these enterprises were operated as a partnership or closely held corporation prior to the new financing, no clear cut conclusion is possible as to the probable benefits accruing from the infusion of the additional capital. The purposes of the financing are clearly stated in the prospectus. They might include the development of patents or processes, the construction or acquisition of additional manufacturing facilities, the expansion of plant and equipment, the acquisition of other companies, the segregation of an operating company from a holding company, the liquidation of existing commitments or an increase in working capital. The important question, however, is will the new capital actually bring increased net earnings to the corporation and possibly an early dividend distribution to stockholders. Nor is this answer readily obtainable, as the importance of adequate financial resources is no greater than that of aggressive and capable management.

At the present time, management is beset with particularly vexing problems. While the unwieldy inventory positions, so prevalent after World War I, are generally moderate today, there are other difficulties, such as maladjustments in the flow of raw materials, labor stoppages in certain "parts" production and a par-

(Continued on page 346)

The Future of Economic Liberalism

By WENDELL BERGE*

Assistant Attorney General of the United States

Anti-Trust Federal Prosecutor, asserting that our generation is groping toward an economic bill of rights, and preservation of private enterprise against planned and controlled economy must be decided by the United States, urges intensification of anti-monopoly drive to preserve "dignity of the individual." Cites recent trends toward monopoly in both production and in techniques, which he ascribes to war developments, and points out adverse effects on small business. Says real significance will come when reconversion is completed and depression threatens. Calls for vigorous enforcement of anti-trust laws.

I know that I am speaking tonight to men and women who believe that liberalism in political and economic conviction is not incompatible with devotion to the law. Liberalism is difficult to define and limit because it is a continuing attitude toward problems of government, rather than a fixed code of principles. But one fixed and unalterable purpose of liberals is the support of democracy, not as a mere form of government, but as an underlying philosophy with deep spiritual meaning. Thomas Mann, who has had an ample experience with other forms of government, warns us that every definition of democracy is insufficient, but proceeds to give us one of the best working definitions as follows:

Wendell Berge

"We must define democracy as that form of government and of society which is inspired above every other with the feeling and consciousness of the dignity of man."

In 1910 Woodrow Wilson pointed out to the bar that Americans had reconstructed political society and that the liberal movement of the future would concern itself with the evils in our economic society. If we look understandingly at the liberal movement of the present we see, as Wilson predicted, that it is concerning itself more and more with economic rights and privileges than with political rights and privileges. Our generation is groping toward an economic bill of rights that will protect our people from irresponsible exercise of economic power, just as past generations worked toward the constitutional bill of rights which has long restrained the irresponsible exercise of political power.

In this liberal movement Woodrow Wilson set the task of lawyers in these words:

"In every deliberate struggle for law, we ought to be the guides, not too critical and unwilling, not too tenancious of the familiar technicalities in which we have

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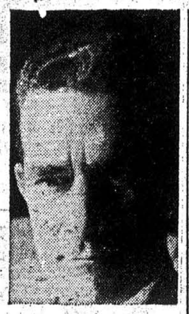
*An address by Mr. Berge before the Annual Meeting of the National Lawyers Guild, Cleveland, O., July 6, 1946.

Canada Restores Dollar Parity

By FRANK CIST

Economist, in stressing full import of Canada restoring parity between U. S. and Canadian dollars, points out effects as (1) acceleration of U. S. inflationary pressure through lower Canadian imports and increased American exports; (2) increase of British exports to Canada; and (3) reduced Canadian exports with deflationary effect on Canadian prices. Holds action has shown courage and leadership in Canada, since it was taken with great political risk to present Canadian Administration.

The surprise action of Canada on July 5, in upping the exchange value of her dollar by 10% to parity with the U. S. dollar seems a statesmanlike action at a critical time in world history and the full import of it deserves study. Such study can conveniently—in spite of some overlapping—be made from three viewpoints in succession, that of the United States, that of Great Britain, and that of Canada herself.



Frank Cist

Seen from here the action seems likely to accelerate our inflationary price rise. By giving us less dollars for our money Canada raises the price to us of Canadian goods. By getting Canadians more of our dollars for their money she cheapens our goods to them. All this means more exports from us to her and less imports from her and hence less goods on both accounts and higher prices here. We, having more exports and fewer imports will have more immediate employment and more purchasing power and higher prices. Our tourists will get less Canadian dollars for their dollars and hence more likely to keep their money at home. Our citizens owning property on which they get income in Canadian money will get income and more buying power here for U. S. goods. In all these ways inflationary pressures will be added to here. None of them are violent ways, none of them are spectacular, but in sum total they are not negligible. And higher prices here, relative to those abroad, are necessary to world economic health.

Effect on Britain

Looked at from the British Isles a price rise in Canada—or in the United States—would normally be warmly welcomed, expected to cut British imports, increase exports, and put her exchange in fine position. Recent reports from London (Paul Einzig in "The Commercial and Financial Chronicle" of July 11, and Lewis L. Nettleton in The New York "Times" of July 8), on the subject of the loan to England, have deprecated such a price rise, however, insisting that it would not help British exports, because she can sell all she can produce without needing higher prices, and will not deter British imports, because she cannot get along with less—food and raw materials and tools for modernization and repair of war damage

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Chattanooga Sec. Corp.

CHATTANOOGA, TENN.—Chattanooga Securities Corporation has been organized to continue the securities business of Chattanooga Securities Company, James Building. Officers are James P. McMahon, President; Julius M. Underwood, Vice-President, and Dorothy C. Aylward, Secretary and Treasurer. All were associated with the predecessor company.

The Taxation of Small Business

By HOWARD R. BOWEN*

Economist, Irving Trust Company, New York

Mr. Bowen bases claims of small business for preferential taxation on (1) small business suffers more from depression and gains more from prosperity; (2) they are largely dependent upon earnings reinvestment for expansion; (3) income taxation by increasing risks, discourages small business; (4) small business operates under more intense competition; and (5) high taxes prevent small business from enjoying corporate organization. Recommends (1) graduated tax rate for corporate incomes; (2) elimination of "notch provision" which taxes income bracket between $25,000 and $50,000 at 53%; and (3) granting small corporations option to be taxed as partnerships. Also favors a longer carry-forward period for losses and accelerated depreciation.

It has been my experience that when the phrase "small business" is spoken, someone invariably asks: "What do you mean by small business?" So I am going to begin by defining that term in the way in which I expect to use it.

Howard R. Bowen

My definition is simply this: A small business is one which has capital of less than about a million dollars.

At the outset, I think we can all agree that the primary interest of business—big business as well as small—is to achieve an economy of stable high-level production. Only in a prosperous economy can business also be prosperous. It has been amply demonstrated, however, that small business suffers even more than big business from depression, and gains more from prosperity.† Small business therefore has an overwhelming interest in the maintenance of prosperity, and in the development of a tax system which is conducive to prosperity. The gain to be realized by small business from a tax system which promotes high-level production far surpasses any advantage to be derived from special tax adjustments designed specifically in the interests of small business.

Nevertheless, there may be an important need for a differtiation between big and little businesses for purposes of taxation. It is not self-evident that the corner grocery store and the great industrial

(Continued on page 360)

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

† W. L. Crum, *Corporate Size and Earning Power*, Harvard University Press, 1939, p. 55; J. L. McConnell, "Corporate Earnings by Size of Firm," *Survey of Current Business*, May 1945; "1942 Corporate Profits by Size of Firm," *Survey of Current Business*, Jan. 1946.

Dealer-Broker Investment Recommendations and Literature

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

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

Ideas for Dealers—With special analyses of **Honolulu Oil Corporation, Canadian Western Lumber Co., Marchant Calculating Machine Co.,** and **American States Utilities Corp.**—Kaiser & Co., Russ Building, San Francisco 4, Calif.

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.

Preferred Stock Guide—Current issue giving quotations on unlisted public utility preferred and common stocks—G. A. Saxton & Co., Inc., 70 Pine Street, New York 5, N. Y.

Rail Securities—Comment on **Boston & Maine; Kansas City, St. Louis & Chicago;** and **Duluth, South Shore & Atlantic** in the current issue of **"Railroad and Other Quotations"**—B. W. Pizzini & Co., Inc., 25 Broad Street, New York 4, 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.

Argo Oil Corporation—Survey of crude oil producer emphasizing growth possibilities and attraction of petroleum industry as an inflation hedge—Seligman, Lubetkin & Co., Inc., 41 Broad Street, New York 4, N. Y.

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

Art Craft Briar Pipe Corporation—Memorandum—B. G. Cantor & Co., 61 Broadway, New York 6, N. Y.

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

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

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

Chicago Corporation—A new analysis of the company, which is now listed on the N. Y. Stock Exchange, with special reference to the Oil and Gas Division—Hicks & Price, 231 South La Salle Street, Chicago 4, Ill.

Columbia Gas & Electric Corporation—Detailed analysis—H. Hentz & Co., 60 Beaver Street, New York 4, N. Y.

Also available is the **Fortnightly Investment Letter** with data on several situations, and a detailed circular on **Mullins Manufacturing Corp.**

C. H. Dutton Company—Analysis for dealers only on 66-year old company with interesting prospects—Moreland & Co., Penobscot Building, Detroit 26, Mich.

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

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

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

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

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

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

Higgins, Inc.—Analysis of the situation and prospects for appreciation—J. F. Reilly & Co., Inc., 40 Exchange Place, New York 5, N. Y.

Iowa Public Service—Analysis—Josephthal & Co., 120 Broadway, New York 5, N. Y.

Kendall Co.—Circular—Adams & Peck, 63 Wall Street, New York 5, N. Y. Also available are circulars on **Central Paper** and **Textile, Ind.**

Lipe Rollway Corp.—Circular—Herrick, Waddell & Co., Inc., 55 Liberty Street, New York 5, N. Y.

Magor Car Corporation—Detailed circular on growth possibilities of railroad equipment equity—Magor Circular CC on request to investment dealers—Blair F. Claybaugh & Co., 52 Wall Street, New York 5, N. Y.

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

Maryland Casualty Company—Outlook and analysis—Sills, Minton & Co., Inc., 209 South La Salle Street, Chicago 4, Ill.

Midland Utilities—Circular—Doyle, O'Connor & Co., Inc., 135 South La Salle Street, Chicago 3, Ill.

Also available are circulars on **Midland Realization** and **Chicago South Shore & South Bend.**

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.

National By-Products Inc.—Analysis—Brailsford & Co., 208 South La Salle Street, Chicago 4, Ill.

National Gas & Electric Corp—Late memorandum on a stock offering combination of improving utility income, together with excellent speculative possibilities from oil developments—Fred W. Fairman & Co., 208 South La Salle Street, Chicago 4, Ill.

New 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.

Pennsylvania Power & Light Company—Analysis—Seasongood & Haas, 63 Wall Street, New York 5, N. Y.

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

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.

Stromberg-Carlson Co.—Statistical data—White & Co., Mississippi Valley Trust Building, St. Louis 1, Mo. Also available is information on **Mid Continent Airlines, Ampco Metal, Inc.,** and **Pickering Lumber Corp.**

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

Union Gas Company of Canada, Ltd.—Analytical memorandum—Hirsch & Co., 25 Broad Street, New York City.

Also available is a circular on **Chicago, Rock Island & Pacific.**

Cleveland Bond Club Elects Carleton Pres.

CLEVELAND, O.—The following new officers have been elected by the Board of Governors of the Bond Club of Cleveland:

President: Walter B. Carleton, vice-president of Fahey, Clark & Co.

Vice-President: Jay L. Quigley, Quigley & Co.

Treasurer: Byron R. Mitchell, resident manager for C. F. Childs & Co.

Secretary: Orin E. Koeser, resident manager for Blyth & Co., Inc.

Mr. Carleton succeeds Paul J. Eakin, partner of Hornblower & Weeks, as president of the Club.

Rome Cable Stock Offered to Public

Carl M. Loeb, Rhoades & Co. on July 12 offered 38,535 shares of 4% cumulative convertible preferred stock at $30 per share. This represents shares not taken by stockholders who received rights to buy 63,276 shares at the rate of one share of preferred for each three shares of common held. Each share of preferred is convertible into seven-eighths of a share of common until July 1, 1951, and into three-quarters of a share thereafter. Proceeds from the financing will be used to erect a new factory and increase working capital. With this financing, the company's capital setup will consist of 189,830 shares of $5 par value common stock and $1,125,000 of 2¼% serial notes, besides the new preferred stock.

Chicago Personnels

(Special to THE FINANCIAL CHRONICLE)
CHICAGO, ILL. — **Edward R. Geagan** has rejoined the staff of **Barcus, Kindred & Co.**, 231 South La Salle Street, after serving in the U. S. Navy.

(Special to THE FINANCIAL CHRONICLE)
CHICAGO, ILL. — **Sidney W. Ballis** has become connected with **Bear, Stearns & Co.**, 135 South La Salle Street, after serving in the U. S. Army.

(Special to THE FINANCIAL CHRONICLE)
CHICAGO, ILL. — **John M. Rainsford** has been added to the staff of **A. G. Becker & Co., Inc.**, 120 South La Salle Street. He has recently been serving in the U. S. Army.

(Special to THE FINANCIAL CHRONICLE)
CHICAGO, ILL.—**Carroll Radford Van Ness** is with **James E. Bennett & Co.**, 141 West Jackson Boulevard. He has been serving in the U. S. Army.

(Special to THE FINANCIAL CHRONICLE)
CHICAGO, ILL. — **Henry J. Jensen** has rejoined **Blair & Co., Inc.**, 135 South La Salle Street, after serving in the U. S. Navy.

(Special to THE FINANCIAL CHRONICLE)
CHICAGO, ILL. — **Burt Whitehead Marx, Jr.**, recently serving in the U. S. Naval Reserve, is now with **Clement, Curtis & Co.**, Board of Trade Building.

(Special to THE FINANCIAL CHRONICLE)
CHICAGO, ILL. — **Potter H Carroll** and **Stuart B. Lasher** are connected with **Farwell, Chapman & Co.**, 208 South La Salle Street after serving in the armed forces

(Special to THE FINANCIAL CHRONICLE)
CHICAGO, ILL. — **Colby A. Cogswell** and **Foster S. Randle** are with **The First Boston Corp.**, 231 South La Salle Street, after serving in the U. S. Army.

(Special to THE FINANCIAL CHRONICLE)
CHICAGO, ILL.—**Roy E. Campbell** has joined the staff of **First Securities Company of Chicago** 134 South La Salle Street, after serving in the U. S. Army.

(Special to THE FINANCIAL CHRONICLE)
CHICAGO, ILL.—**Alvin H. Ulrich** has become associated with **Goldman, Sachs & Co.**, 208 South La Salle Street. In the past he was with J. S. Bache & Co.

(Special to THE FINANCIAL CHRONICLE)
CHICAGO, ILL.—**James E. Mahoney** has become affiliated with **Halsey, Stuart & Co., Inc.**, 123 South La Salle Street, after serving in the U. S. Army.

(Special to THE FINANCIAL CHRONICLE)
CHICAGO, ILL.—**Carl W. Jackson** is rejoining **Harris, Hall & Company**, after serving in the U. S. Naval Reserve.

(Special to THE FINANCIAL CHRONICLE)
CHICAGO, ILL. — **Gerald V. Hollins, Jr.** is with **Harris, Upham & Co.**, 135 South La Salle Street. He was previously in the U. S. Navy.

(Special to THE FINANCIAL CHRONICLE)
CHICAGO, ILL. — **Alfredo H. Brill** has become affiliated with H. Hentz & Co., 120 South La Salle Street, after serving in the U. S. Army.

(Special to THE FINANCIAL CHRONICLE)
CHICAGO, ILL. — **Harold Paul Smith** has become associated with **Hicks & Price**, 231 South La Salle Street. He was formerly with Continental Illinois National Bank & Trust Company.

(Special to THE FINANCIAL CHRONICLE)
CHICAGO, ILL. — **Willis L. Roberts** has become connected with **Kidder, Peabody & Co.**, 135 South La Salle Street. He has recently been serving in the U. S. Navy and prior thereto was with Halsey, Stuart & Co.

(Special to THE FINANCIAL CHRONICLE)
CHICAGO, ILL. — **Edward H. Ashdown** has become associated with **Lazard Freres & Co.**, 23 South La Salle Street. He has recently been in the U. S. Naval Reserve.

(Special to THE FINANCIAL CHRONICLE)
CHICAGO, ILL.—**Neven J. Russell, Jr.**, is now with **Mason, Moran & Co.**, 135 South La Salle Street. He was previously in the U. S. Navy.

(Special to THE FINANCIAL CHRONICLE)
CHICAGO, ILL. — **Arthur W. Jacobson** is with **Norman Mesirow**, 135 South La Salle Street, after serving in the U. S. Army.

(Special to THE FINANCIAL CHRONICLE)
CHICAGO, ILL.—**Chauncey K. Hutchins** is with **Mitchell, Hutchins & Co.**, 231 South La Salle Street, after serving in the U. S. Army.

(Special to THE FINANCIAL CHRONICLE)
CHICAGO, ILL. — **William A Grigsby** has rejoined the staff of **John Nuveen & Co.**, 135 South La Salle Street, after serving in the armed forces.

(Special to THE FINANCIAL CHRONICLE)
CHICAGO, ILL. — **Marjorie D. Letts, Edward W. Liphardt, John C. O'Leary, Peter V. Esce,** and **Richard U. Strasser** are now connected with **Alfred O'Gara & Co.** 134 South La Salle Street. Mrs Letts was previously with Carson Pirie Scott & Co.; the others were in the armed forces.

(Special to THE FINANCIAL CHRONICLE)
CHICAGO, ILL. — **Leonard P. Eager, Jr.** has become associated with **Otis & Co.**, Field Building, after serving in the U. S. Army.

(Special to THE FINANCIAL CHRONICLE)
CHICAGO, ILL. — **Thomsa M Davy** has joined the staff of **Rogers & Tracy**, 120 South La Salle Street, after serving in the U. S. Army.

(Special to THE FINANCIAL CHRONICLE)
CHICAGO, ILL.—**Jules A. Rupiper**, formerly in the U. S. Army, is now with **E. H. Rollins & Sons, Inc.**, 135 South La Salle Street.

(Special to THE FINANCIAL CHRONICLE)
CHICAGO, ILL. — **William S. Everett** is with **Ross, Browne & Fleming**, 919 North Michigan Avenue, after serving in the armed forces.

(Special to THE FINANCIAL CHRONICLE)
CHICAGO, ILL. — **Elmer J. Pearson**, formerly in the U. S. Army, and **Clarence A. Reihmer** are now with Shields & Co., 135 South La Salle Street.

(Special to THE FINANCIAL CHRONICLE)
CHICAGO, ILL. — **Roger S. Cummings, Taylor D. Ferguson, Roy Iverson, Jr.,** and **Charles J. McCoy** have joined the staff of **Sills, Minton & Co., Inc.**, 209 South La Salle Street.

(Special to THE FINANCIAL CHRONICLE)
CHICAGO, ILL. — **George J. Recht**, formerly in the U. S. Navy, is now associated with **Stone & Webster Securities Corp.**, 33 South Clark Street.

(Special to THE FINANCIAL CHRONICLE)
CHICAGO, ILL. — **Henry D. Freedman** and **Albert H. Klee** are with **Straus & Blosser**, 135 South La Salle Street, after serving in the armed forces.

CHICAGO, ILL. — **James W. Greene, Dale C. Long, Gerald L. Purcell, G. Milton Ryan,** and **Earl W. Stanfield** are with **Slayton & Co., Inc.**, 135 South La Salle Street.

(Special to THE FINANCIAL CHRONICLE)
CHICAGO, ILL. — **George W. Gartman, Jr.** has become affiliated with **Swift, Henke & Co.**, 135 South La Salle Street. He was previously in the U. S. Coast Guard.

NSTA Notes

NSTA ADVERTISING NOTES

It is needless to repeat the enormous amount of work your Advertising Committee has accomplished in the preparation of our Picture Year Book. It is now imperative that each member give us his cooperation and if his photograph is not already in the hands of the "Commercial and Financial Chronicle," he should immediately forward a picture or snapshot of himself with his name and firm affiliation on the reverse side to Mr. Herbert D. Seibert, 25 Park Place, New York 7, New York, Editor of the "Chronicle."

We are most anxious to have our Picture Roster of the entire membership complete when published and the deadline is August 1 for pictures. Will you not take this matter seriously and prove your interest to both the Editor and Publisher of the "Commercial and Financial Chronicle" and to your National Advertising Committee?

HAROLD B. SMITH, Chairman
National Advertising Committee,
Collin, Norton & Co., N. Y., N. Y.
A. W. TRYDER, Vice-Chairman
National Advertising Committee,
W. H. Newbold's Son & Co., Phila.

P. S.—Advertising in hand for yearbook exceeds $22,000.

NSTA NOMINATING COMMITTEE

Announcement is made by Thomas Graham, President, of appointment of Nominating Committee for the National Security Traders Association to make nominations for officers to hold office during the calendar year 1947:


Wm. Perry Brown


C. E. de Willers


Joseph Gannon


Oliver Goshia


Howard Morton

William Perry Brown, Chairman, Newman, Brown & Co., New Orleans.
Chester E. de Willers, C. E. de Willers & Co., New York City.
Joseph Gannon, May & Gannon, Inc., Boston.
Oliver Goshia, Goshia & Co., Toledo.
Howard C. Morton, McMaster Hutchinson & Co., Chicago.

Nominations will be made by Aug. 15 and voted on at the annual convention in Seattle in September. Additional nominations may be made by seven members of the National Committee of the NSTA.

Michigan Brevities

A $5,000,000 bond issue to enlarge the Wayne County Airport has been approved unanimously by the Ways and Means Committee of Wayne County Board of Supervisors. The bond proposal will be submitted to voters in November. It is said that the $5 millions, plus $5 millions in Federal aid, would be sufficient to construct a serviceable field near Detroit.

* * *

L. P. Hicks, President of Koppitz-Melchers, Inc., local brewery, announced the firm will soon offer 128,697 shares of common at $1 per share. Holders of record June 27 will be entitled to buy three shares for each 25 held.

Local stock exchange activity scored another advance in June. In the first six months sales were 3,127,111, having a market value of $38,545,728, as against 2,606,529, valued at $26,862,246, in the comparable 1945 period. June volume was 368,587.

* * *

Industrial Brownhoist Co. of Bay City has registered with the SEC 309,716 shares of $1 par value common. The statement said that 137,515 would be offered to the public and the balance to holders of the 1st preferred shares, exchangeable share for share. Proceeds will be used to call 2nd preferred and shares of 1st preferred not converted into common stock.

* * *

Stockholders of Hydraulic Machinery, Inc., of Dearborn, have voted to acquire 85% of the privately-held stock of Duro Co., of Dayton, Ohio, according to Harry L. Wise, President. The transaction was arranged by Lytle & Co., investment bankers, Detroit.

* * *

Continental Motors Corporation of Muskegon has registered a statement with the SEC covering 250,000 shares of $50 par 4½% series A convertible preferred stock for public offering by a group of underwriters. Proceeds will be used for expansion purposes.

* * *

Decker Mfg. Co., of Albion, has declared a dividend of 3¾ cents, payable July 18, to stockholders of record June 29. Walter A. Konkle, President announced the election of H. R. P. Lytle to the Board of Directors. Lytle is head of an investment banking firm in Detroit.

* * *

The Detroit Stock Exchange has approved an application to list 200,000 shares of Lansing Stamping Co., common stock. Trading is expected to start around Aug. 10. The exchange also commenced dealings in the $1 per value common stock of Davidson Bros., Inc., large department store.

* * *

Frank D. Boynton, President of Pioneer Finance Company, has disclosed that the company is offering its holders 43,389 shares of common at $2 per share. Holders of $10 par 6% cumulative convertible preferred stock will be entitled to purchase 1⅔ share for each share held. Holders of $1 par common will be entitled to acquire 27 7/10 shares for each 100 held.

Officials of Fund and Bank

(Thirteenth of a Series)

G. W. J. BRUINS

Executive Director of the Fund

Elected as executive director of the Fund at Savannah with the votes of his native Netherlands and the Union of South Africa, Dr. Bruins controls 4,250 votes, or 5.13% of the Fund's total. At Savannah Dr. Bruins was one of the advisors to the Netherlands delegation.

G. W. J. Bruins

Born in Zutphen, Netherlands, in 1883, Bruins obtained his Doctor of Laws degree at the University of Leiden in 1908. He is the author of a study, "The Judicial Basis for Indemnity." Prior to 1913 Bruins worked in the South Holland Finance Department. From 1913 to 1924 he was professor at the Netherlands School of Commerce, Rotterdam. Then for six years he served as international commissioner of the German Reichsbank, under the Dawes Plan. Meanwhile, in 1926, he became Royal Commissioner of the Netherlands Bank, a post held until this year, excepting for two years following his discharge by the Germans. In 1933 he became a member of the Netherlands Board of Economics.

Since 1934 Bruins has also been president and director of the Netherlands Clearing Institute. In 1938 he was made president of the preparatory commission at the Hague to establish an international association of financial and fiscal law.

Bruins also has served as advisor to the Austrian National Bank, and as Netherlands representative on the subcommittee of the European Union, an organization for the study of means to reconstruct central and eastern European countries.

Van Strum & Towne Elect Vice-Presidents

Van Strum & Towne, Inc. announce the election of Charles W. Partridge and Alfred D. Hendrickson as vice presidents.

Mr. Partridge has been associated with the firm since 1941 as manager of the Los Angeles office and will continue in charge of that office. Before joining the firm he practiced law in Los Angeles, specializing in estates management.

Mr. Hendrickson joined the firm in 1940 as manager of its San Francisco office and will continue to direct that office. He was formerly associated with the California Packing Company on the Pacific Coast and is a former member of the San Francisco Stock Exchange.

Our Sterile Policy Toward The Conquered Pacific Islands

By RICHARD H. WELS

Mr. Wels urges need of definite American policy to take advantage of the great economic and social potentialities of newly-acquired Pacific islands. Cites the exploitation of the islands under Japanese mandate after First World War.

Representative Robert A. Grant of Indiana, a member of the House Naval Affairs Committee, on Tuesday, July 16 introduced into the House H.R. 7044, a bill creating the Territory of Guam, establishing a streamlined government with a civilian Governor appointed by the President and a legislature elected by the islanders, and conferring citizenship upon the Guamanians. Since it was ceded to the United States by Spain in 1898, after having been captured by the USS Charleston, Guam has been maintained solely as a naval station, and has been administered by the Navy Dept. Congressman Grant's bill also provides for the establishment of a Marianas Islands Commission, charged with responsibility for planning the economic development of all islands, atolls, and areas formerly mandated to Japan by the League of Nations and now administered by the United States. The bill declares it to be the policy of Congress to provide for the ultimate inclusion of such islands, atolls, and areas in the Territory of Guam, and directs the Commission to submit recommendations to Congress with respect to the economic development and settlement of these islands. The Grant bill has been referred to the House Committee on Territories, of which Congressman Hugh Peterson of Georgia is Chairman, and it is anticipated that hearings will be held in the fall.

Richard H. Wels

Editor's Note—Richard H. Wels, as a Lieutenant in the USNR, spent a year on the staff of Secretary of the Navy James V. Forrestal, and 10 months in Guam on the staff of Vice-Admiral George D. Murray, Commander Marianas. Now practising law in New York, Mr. Wels has just drafted an organic bill to make Guam a territory and give it representative government incorporating in the bill the citizenship program sponsored by Delegate Joseph R. Farrington of Hawaii.

The Grant bill, and other legislation recently introduced in the House, have for the first time focused Congressional attention on the non-military phases of the islands in the Pacific which we have wrested from Japan.

General MacArthur's headquarters have authorized the Japanese to return to Anguar Island in the Palaus to mine phos-

(Continued on page 395)

London's Reaction To Loan Ratification

By PAUL EINZIG

London Observer pictures resentment of many Britishers to the prolonged and acrimonious debate in Congress over British Loan. Says unpopularity of loan in Britain has been enhanced by action of Canada in raising its dollar to parity, resulting in 10% cost increase of Canadian grain imports. Sees opposition to increased American imports, but this is tempered by benefits of larger supplies of needed American commodities.

LONDON, ENG.—The House of Representatives debate on the Loan Agreement was followed in Britain with much keener interest than any of the previous phases of the prolonged efforts to secure its ratification. Even the popular newspapers carry prominent headlines on the front pages day after day, indicating the trend of the debate and the prospects of a majority in favor of the loan. And the subject was widely discussed in trains, restaurants and all sorts of places where people can spare a few mintues to exchange views on it.

Paul Einzig

During the week that preceded the debate it was widely believed that the House of Representatives would reject the loan. The prospects of its rejection were viewed with mixed feelings. Supporters of the government were worried about the possible effect on public opinion of the new austerity measures that a rejection of the loan would entail. Many of them were inclined to think, however, that a rejection would cut both ways, as it might induce the country to rally round the government in face of emergeney. However, the insult that would have been implied by the rejection after seven months' delay would itself be sufficient to remind many people that they are British in the first instance and Conservative or Socialist in the second instance only.

National pride has indeed been hurt to the utmost by the unending torrents of abuse showered on Britain by American opponents of the loan ever since the conclusion of the agreement. The Government has carefully avoided answering the attacks, for fear of antagonizing American opinion. There is a widespread feeling over here that this display of weakness was a mistake, and that outspoken replies to the charges would have improved rather than worsened the prospects of ratification, since they would have earned the respect of American opinion. As it is, the meek submission to one-sided blows was considered a most humiliating experience which is likely to be remembered long after the loan has been granted and the proceeds spent. Indeed, there are some people who are convinced that the effects of a re-

(Continued on page 384)

Connecticut Brevities

For the month of May, 1946, the Southern New England Telephone Company reported an increase of approximately 30.5% in long distance and toll calls. Total telephone revenues of $3,131,869 for the month were 15.6% ahead of the month of May last year, while net profit of $264,990 compared with $202,839 in May, 1945.

For the first five months of this year, long distance and toll calls totalled 24,910,119 which represents an increase of 25.5% over the corresponding period last year. Total revenue through May 1946 of $14,917,791 was up 13.2% over $13,192,783 in the like period last year.

Net profit for the first five months of 1946 totalled $1,384,760 or $3.46 a share compared with $1,035,053 or $2.59 a share for the corresponding period in 1945.

* * *

The Housing Authority of the City of Middletown recently sold to Salomon Bros. & Hutzler $930,000 temporary loan notes dated July 30, 1946 and due August 5, 1947, at .75%.

* * *

On July 3, 1946, the New Haven Clock & Watch Co. 4½% preferred stock was listed on the New York Curb Exchange.

* * *

At the end of the second quarter of 1946, the Hartford National Bank & Trust Company had total deposits of $145,284,555 which compares with $153,151,971 at the year end.

Loans and discounts at $20,443,343 were up $559,015 over Dec. 31, 1945.

Book value of $24.80 compares with $24.26 at the end of last year.

* * *

As of June 28, 1946, the Phoenix State Bank & Trust Company showed loans and discounts of $8,555,219 which compares with $8,054,268 at the end of 1945. There was litle change in the cash and due from banks but U. S. Government securities of $48,966,819 was $7,813,187 less than in December 1945.

Surplus in the six months was increased $800,000 bringing the total to $2,400,000. Deposits of $74,270,422 were off from $81,467,587 at the end of 1945. Book value per share increased $25.35 to $322.47.

* * *

The Sikorsky Division of United Aircraft has purchased from the Crane Co. the factory property on South Avenue in Bridgeport which it had occupied under lease since May 1943.

* * *

Terms for the merger of West Hartford Trust Company with the Hartford-Connecticut Trust Company have been agreed upon subject to approval of the stockholders. Under the plan of merger, holders of the capital stock of the West Hartford Trust Company will receive eight $25 par shares of Hartford - Connecticut Trust Company for each share held. The transaction will result in a $400,000 increase in capital of Hartford - Connecticut Trust Company, bringing the total to $4,400,000.

At the present time the West Hartford Trust Company has total resources of $13,500,000, capital consisting of 2,000 shares of $100 par stock, surplus of $300,000 and undivided profits of $105,000.

The Hartford - Connecticut Trust Company has total resources in excess of $126,000,000, capital of $4,000,000, surplus of $4,000,000, undivided profits of $852,000 and reserves of $1,061,000.

* * *

J. B. Stetson Co. is currently negotiating for the acquisition of Mallory Hat Co. of Danbury. Stetson Co. now owns 1,250 shares of the latter company and is contemplating a $2,500,000 long-term loan to finance this purchase and for other purposes in the company's expansion program.

* * *

The income account of the New York, New Haven & Hartford Railroad Company for the five months ended May 31, 1946, as reported to the I. C. C., showed freight revenue of $29,823,767 against $38,438,474 for the corresponding period last year. In these same periods, passenger revenue was $25,121,375 and $30,013,242 respectively. Freight revenue suffered a decline of approximately 22.7%, while passenger revenues were about 16.3% less.

The amount available for fixed charges was $232,335 or .05 times against $10,122,640 or 2.01 times for the first five months of last year; and a deficit of $4,691,196 compares with net income of $5,087,114 for the corresponding period in 1945.

Missouri Power & Lt. Stock Publicly Offered

An investment banking group headed by Glore, Forgan & Co., on July 12 offered to the public 40,000 shares of 3.90% cumulative preferred stock of Missouri Power & Light Co. The stock is priced at $104 per share.

Associated with Glore, Forgan & Co. in the offering are: Coffin & Burr, Inc., Drexel & Co., F. S. Moseley & Co., Salomon Bros. & Hutzler, Alex. Brown & Sons, Central Republic Co. (Inc.), Hornblower & Weeks, Stern Brothers & Co., Dean Witter & Co., Starkweather & Co., Hayden, Miller & Co., Cooley & Co., Cruttenden & Co., Reinholdt & Gardner, I. M. Simon & Co., A. G. Edwards and Sons and Stix & Co.

Missouri Brevities

On July 12, a group of underwriters headed by White, Weld & Co.; Shields & Co.; Kidder, Peabody & Co., and W. C. Langley & Co., all of New York, offered to the public an issue of $7,500,000 Missouri Power & Light Co. first mortgage 2¾% bonds, due 1976, at 102.06% and interest, and on the same day another group, headed by Glore, Forgan & Co. of New York, and including, among others, Stern Brothers & Co. of Kansas City, and Reinholdt & Gardner, I. M. Simon & Co., A. G. Edwards and Sons and Stix & Co., all of St. Louis, offered to the public an issue of 40,000 shares of 3.90% cumulative preferred stock (par $100) of the same utilities company at $104 per share and dividends.

The proceeds from the sale of the bonds, together with treasury cash, will be used to redeem on or about Aug. 16, 1946, $9,000,000 of first mortgage 3¾% bonds due 1966 at 104¼ and interest, and the proceeds from the sale of the 3.90% preferred stock will be used to pay off a promissory note for $4,000,000 and any excess to reimburse the company in part for treasury funds used in connection with the redemption on July 1, 1946 of the 46,702 shares of outstanding $6 preferred stock at $105 per share.

* * *

Gleaner Harvester Corp., Independence, reports total sales of $3,380,315 for the nine months ended June 30, 1946, an increase of $277,845 over the corresponding nine months' period a year ago. Net income after income taxes was $558,832, equal to $1.86 per common share, as against $443,311, or $1.48 per common share in the preceding year. The net income for the full fiscal year ended Sept. 30, 1945 was equal to $1.50 per share. For the nine months ended June 30, 1946, income taxes totaled $492,211, or $93,734 above the same period last year.

* * *

Midwest Packaging Materials, St. Louis, has filed a registration statement with the Securities and Exchange Commission for 15,000 shares of $10 par value 5% convertible preferred stock; 85,000 shares of $1 par value common stock and common stock purchase warrants. A public offering will be made through a group of underwriters to be headed by Edward D. Jones & Co., of St. Louis, the preferred to be priced at par and the common at $4 per share. It was stated that of the total common issue, 20,000 shares would be reserved for issuance to warrant holders; 15,000 shares for issuance upon conversion of 5% preferred stock; and 10,000 shares for sale to three promoters of the company at $5 per share.

The net proceeds are to be used to acquire all of the outstanding capital stock of Midwest Waxed Paper Co., Fort Madison, Iowa.

* * *

The stockholders of the Crown Drug Co., Kansas City, will vote Aug. 15 on approving a proposal to change the conversion rate of the outstanding preferred stock so that each may be exchanged for four common shares, instead of two, as as present. Tom L. Evans, President of the company, states: "If the plan is approved, the directors propose to issue immediately a call of the preferred stock at $25 per share. However, the preferred holders will be given an opportunity to convert before the date of the official call." He added that "arrangements have been made to borrow sufficient funds to pay off the preferred stock that is not converted."

Mr. Evans also disclosed that if all of the preferred is converted, the common dividend rate, which has been 10 cents per annum, will, at least, be doubled, "providing favorable business conditions continue." The plan has also been submitted to the SEC.

* * *

The common stockholders of Monsanto Chemical Co., St. Louis, will vote July 23 on increasing and changing the authorized common stock from 2,000,000 shares of $10 par value each to 6,000,000 shares of $5 par value each. It is proposed to issue three of the new shares in exchange for each present outstanding common share. It is expected that holders of the outstanding $10 per value common stock may on and after July 25 surrender their certificates for such shares to the Guaranty Trust Co., 140 Broadway, New York, N. Y., and receive in exchange therefor certificates for three times as many shares of the $5 par value common stock. If this change becomes effective, the conversion price will thereupon be reduced to $50 per share of common stock, which means that each share of cumulative preference stock, series A, will then be convertible into two shares of the new $5 value common stock.

* * *

The common stock of the Midwest Piping & Supply Co., St. Louis, on which a 100% stock dividend and a cash dividend of 50 cents per share were recently declared, payable July 15 to stockholders of record June 25 (at St. Louis), was "ex" both dividends on the New York Curb Exchange on July 15. The cash distribution applied to both the old shares and on the stock issued as a stock dividend. A cash payment of 50 cents per share was also made on April 15, last, and one of $1 per share on Jan. 15, this year.

* * *

The directors of Flour Mills of America, Inc., of Kansas City, have declared an initial dividend of 30 cents per share on the common stock and the regular 4% interest and an accumulation of 2% on the 4% convertible income notes, all payable Sept. 3 to holders of record Aug. 20. Payment was also authorized to be made to the Union National Bank of Kansas City of sufficient funds to retire $105,960 of outstanding certificates of indebtedness. A deposit of approximately $125,000 was made in the sinking fund for the retirement of 4% income notes through tender at prices not to exceed par and interest.

Real Estate Securities

Equitable Office Building Reorganization

The plan for the reorganization of the Equitable Office Building Corp. which has plagued investors, analysts and traders, alike, during the past year, has finally been ordered placed into effect immediately, following denial by Federal Judge Knox of an application, on July 11, to reopen the reorganization proceedings, by two stockholders, owning 2,200 shares of common stock, who presented a modified plan which contemplated the paying off of the outstanding debentures at par and accrued interest. The public announcement of this motion before the court, for several days played hob with the market in Equitable Office Building securities. The debentures, which were 245 bid in the over-the-counter market, dropped over-night to 140 bid, and the common stock, traded on the New York Stock Exchange, rose from 2⅝ to 5.

Following Judge Knox's decision, which is quoted below, the debentures recovered to their former high and the common stock was quoted 2¼-3¼.

This decision read:

"The deliberate and fully considered adjudication of a responsible court, made and entered without objection on the part of any person in interest, and after all parties were afforded ample opportunity to be heard on the merits of the issues involved, and when they and the public—as they had a right to do—confidently relied upon its integrity, should be something more stable than a weather vane on a blustery day in March. For this reason, my consummation order of July 8, 1946 will stand. It follows that the application to re-open the reorganization proceedings of the debtor will be denied."

The plan as consummated provides that the $16,024,123, first mortgage be undisturbed. Each $1,000 of the $4,754,000 subject debentures will be exchanged for $600 in 35-year second mortgage cumulative income 5% bonds, of which $2,852,400 will be outstanding, and 100 shares of common. There will be outstanding 561,610 shares of new common. Each $1.000 new second mortgage bond will be convertible for two years into 160 shares of common and for the next three years into 100 shares. Until total debt is reduced to $14,000,000 all excess earnings will be used for second mortgage sinking fund, thereafter one-half. Available earnings each six months will be the balance after first mortgage charges, $37,500 for improvements and alterations ordinarily chargeable to capital (total reserve never to exceed $250,000), deductions for working capital (latter not to exceed $225,000), but before depreciation. Until the first mortgage has been cut to $14,000,000, company may pay 2% on the seconds and balance in a special reserve (never to exceed $750,000) to be used for first mortgage charges and additional amortization, for taxes, and for interest and sinking fund on the seconds.

Opportunities in Securities of Newly Formed Corporations

(Continued from page 340)

ticularly involved price situation, aggravated, in our opinion, by the political tampering with the delicate organism of our body economic. We believe in the supremacy of the law of supply and demand. The sooner the free operation of this force is restored, the sooner a normal and satisfactory price basis will develop. In the meantime, there are bound to be difficulties in the making of forward commitments and management is put to the crucial test of chosing between the Scylla of depleted stock and the Charybdis of inventory acquired at too high a cost.

With regard to the management factor, we feel that the investor in comparatively small and low-priced new issues has an advantage. The underwriter has the opportunity of closer contact with management than would be possible in the case of large leading corporations. Contacts are more intimate, more personal and because the problems are less involved, a better conclusion can be reached by the underwriter as to the ability of the corporate management to avoid pitfalls on the stony road to success.

Last year we submitted in these columns our views on the advantages of low-priced securities during the then current inflationary trend. Advances up to 600% have substantiated our findings. In the belief that the long-term investor still has little cause for concern, we are today reiterating our opinion with particular reference to low-priced but carefully selected new security issues.

R. A. Keppler & Co. Opens

R. A. Keppler & Co., Inc. is engaging in a securities business from offices at 37 Wall Street, New York City.

Common Sense of the People Proof Against Price Control

By WILLIAM K. JACKSON*

President, Chamber of Commerce of U. S.

Business spokesman, noting that enterprise without OPA has greatest measure of freedom in five years, stresses common sense of average American citizen as inflationary preventative. Says price control was over before Congress voted its extension and before President's veto and denies businessmen were responsible for OPA demise. Points out balancing of supply and demand will prevent placing consumer at mercy of merchants, manufacturer or farmer. Concludes there will now be more competition in business, better goods on shelves, and more choice for purchasers.

For the first time in five years we as a nation have had opportunity to watch markets and business function without government price control.

William K. Jackson

The President's veto of the OPA extension bill restored—temporarily at least—the greatest measure of freedom the market place and business enterprise have known since the imposition of war-time regulations.

Now the natural forces are at work in the market places. These forces are operating to bring about the countless readjustments necessary to balance supply and demand, return trade to its usual channels, expand production and to counteract the inflationary trend.

The inflationary pressure for higher prices, it must be borne in mind, springs basically from the tremendous expenditures for war and Federal borrowing to finance the government's deficits. That is the root of the inflation problem. Under the wisest administration, OPA can operate only as a secondary control over prices. An end to Federal deficit spending and removal of obstacles to full production over the long run would be far more effective than OPA controls in stabilizing prices.

Whether or not Congress revives OPA, this period of freedom from price control is a valuable experience for every one of us. It gives us a chance to look at the facts and do our own thinking. For weeks, this country has been

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*Radio address of Mr. Jackson from Boston over American Broadcasting network, July 11, 1946.

The Stranglehold of Monopoly in America

By HON. GLEN H. TAYLOR*

U. S. Senator from Idaho

Democratic legislator, maintaining we are in an era of economic uncertainty, with "boom and bust" in prospect, lays blame to a stranglehold of monopoly. Cites National Manufacturers Association as "handmaiden of monopoly" and accuses it of wrecking OPA. Accuses other business organizations of wrecking legislation such as 1944 Kilgore Reconversion bill and 1945 Murray Full Employment bill, and Columbia Valley and Missouri Valley Reclamation Projects. Urges lawyers to advance legislative program to halt threat of monopoly and assure a stable economy.

Less than a year ago the people of America looked forward with confidence to an era of postwar prosperity. Having seen the magnificent capacity of the American economy to produce goods in abundance to meet the needs of war, they expected to see that capacity turned to meet the peacetime needs of America. Today that confidence is fading. In the place of an orderly transition to full peacetime production, the United States has found itself in an era of economic uncertainty. "Boom and bust" is the promise which is now held forth to the people of America: jazz age and depression—the same music we heard before, playing over again like a broken record. Everywhere the people are asking: what is wrong in America? Must we again see starvation in the midst of plenty? Cannot America's great industrial and agricultural capacity produce for peacetime consumption? Why can we not work together for peacetime abundance as we did for the war effort? Why can we not plan for happy living as we did for grim destruction?

Sen. Glen Taylor

The answer is becoming increasingly clear: the domestic prosperity of America—and with it the opportunity to build an enduring peace in the world—is being threatened by the tightening stranglehold of monopoly on America.

NAM, Handmaiden of Monopoly

And this can be seen nowhere as clearly as in Congress. We faced the postwar period with bright new hopes. We had worked together in our committees and we had produced a legislative program. We were aided by the experience and intelligence of that selfless, brilliant and honest group of men whom our late leader, Franklin D. Roosevelt, had attracted around himself. Our program was publicly known and widely discussed. And not a single disinterested economist objected to it. Yet in Congress, it bogged down and failed of passage. The lobbies of monopoly attacked it in the Capitol and the cocktail lounge; the press and radio of monopoly, disguised as friendly visitors, attacked it in the home of our constituents. This

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*An address read for Senator Taylor before the Convention of the National Lawyers Guild, Cleveland, O., July 6, 1946.

Looking Ahead Five Years

By ROGER W. BABSON

Mr. Babson predicts that in next five years interest rates will remain low; there will be no mass unemployment; real estate will be in continued demand and will be a prime investment; and inventories will be safer to hold than municipal bonds. Urges diversification of investments.

A book has been written by me and published by Harper & Brothers entitled, "Looking Ahead Fifty Years." In this book, I discuss various subjects, such as the future of investments, the development of new industries, the changes in farming, the outlook for small businesses and the possibility of labor rule.

Roger W. Babson

Numerous readers have written to me saying, "I will be dead and gone in fifty years. Tell me what you expect during the next five years." Of course, this is a more risky thing to do. I, too, will be dead before the end of fifty years, while I hope to be around for the next five years! But here is how I now feel about the immediate future.

Expect Low Interest Rates

I expect continued low interest rates. Hence, since money doubles in fifteen years at 5%, should you not seek 5% interest with reasonable safety rather than speculate even on the "long swings" of the stock market? Of course, you can't pick 5% investments off blueberry bushes. You must take time to hunt them up and find them. Certainly, you should not be satisfied with bonds that pay less than 4% interest unless they are either tax-exempt or convertible.

Days of Mass Unemployment Over

I expect continued employment among the masses or else government aid for them when unemployed. The upper middle-class people and the well-to-do will continue to have their ups-and-downs; executives will again have their salaries reduced and their dividends cut with corresponding declines in stock prices; but the days of mass unemployment are over for many years. The American people are not going to let labor leaders rule them; but the days when employers can be arbitrary are also over. Hence, if the Republicans hope to return to office they must realize that we are living in a new world, whether they like it or not.

No political party can survive another era of low wages. If private industry cannot continue present wages, the government will do so or else provide wage subsidies. Hence, in view of the above, are not the merchandise stocks, the food producers and similar concerns the safest investments? *Remember, high wages are to continue.*

Real Estate A Prime Investment

I expect a continued demand for properly-located real estate, especially for homes. Next to food and clothing, reasonably-priced homes should continue as a prime investment. Hence, I believe that your first investment should be in a home and enough fertile land for a "kitchen garden." Houses depreciate, but well-located land should appreciate.

Try to avoid large cities, especially on the coast. Unless a great spiritual awakening occurs, the chances are that World War III will come, when some of our large cities will be totally destroyed.

Inventories vs. Municipal Bonds

I expect that money invested in inventories, good stocks and homes will continue safe when many municipal bonds may be in default. This situation now exists in Mexico, which is our nearest neighbor, and in most of the Latin-American countries. England is destined to follow suit as well as other countries.

We have already seen many municipal bonds of Southern cities default and sell for 20 cents on the dollar, while the sales of the Chain Stores in these same cities held up. Hence, are government and municipal bonds a truly prime investment? May not certain merchandizing and other stocks be safer in an emergency?

Conclusion

Diversification is of great importance, but such should be applied *geographically* as well as *industrially*. Above all, should not our investments in coastal cities, subject to bombing, be very limited? This does not mean there will be another War in five years, but it does mean that within five years people will become war-conscious and begin to readjust and reallocate their securities and real estate holdings. This readjustment process could greatly affect prices. *Settle in a small interior city and buy securities with assets in such cities.*

Philadelphia Stock Exchange Publicity

PHILADELPHIA, PA.—A publicity and public relations committee has been organized by the Philadelphia Stock Exchange, in accordance with the recent authorization of the Exchange's board of governors, according to Frank E. Baker. The new committee will bring with it a change in the Stock Exchange custom, Mr. Baker stated, since persons not connected with Exchange member firms will be appointed to the group.

The newly formed committee will deal with questions concerning the backing of the Exchange by the Philadelphia business community and it will also assist in handling financial and business news in the Philadelphia area.

MacBoyle Lewis in S. F.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, CALIF.—MacBoyle Lewis has opened offices in the Russ Building to engage in the securities business.

Clokey & Miller Admits

Gerald Clokey has admitted James S. Brown to partnership in Clokey & Miller, 61 Broadway, New York City.

Whedon, Inc. in New York

Whedon, Inc. is engaging in a securities business from offices at 154 Nassau Street, New York City.

Hartmann in N. Y. C.

Henry Hartmann has opened offices at 15 Whitehall Street, New York City to engage in a securities business.

Let Free Enterprise Prove Its Worth!

By HON. ALEXANDER WILEY*

U. S. Senator from Wisconsin

Republican legislator scores President's OPA veto and praises American industry for restraining price increases. Pleads free enterprise should be given chance to prove its integrity, and asks for a test period during which States can demonstrate their adequacy to handle price situation. Objects to price control of dairy and livestock products.

I should like to submit a few points regarding the matter of price control now under consideration, and my position on it.

The situation has been so confused in recent days as as a result of the President's actions and as a result of the propagandizing of OPA bureaucrats, that it seems to me some straightening out is in order.

Alexander Wiley

The Previous OPA Extension Bill

1. I voted against the previous version of the OPA Extension Bill, which was later vetoed by the President. I know, of course, how long and how hard and continuously the members of the Senate and the House had worked on that measure.

One of its principal defects, I felt, was its failure to decontrol dairy and livestock products. I had many times pointed out the terrible and ruinous effects of OPA on the dairy industry, in particular on the production of butter, cheese, evaporated milk and other necessary dairy items, which are vitally needed in this famine-stricken world of today, but which, thanks to OPA blundering and ineptitude, have not been produced at anywhere near the quantities that they might have been under a free economy.

In spite of this major drawback, I did believe that the OPA Extension Bill, as it was sent to the President, did represent many valuable improvements over the previous price situation.

The President's Veto

2. I believe that the President's veto of the OPA Extension Bill was a grave dis-service to the American people. When he killed all price controls, all rental controls, as well as the one billion dollar food subsidy program, he gravely gambled with the public welfare simply in order to force Congress to do his exact bidding. The President ignored Congress's long and hard labor on the OPA Extension Bill.

The Present Situation

3. Since the President's veto and the death of OPA, the country has had an amazing demonstration of the fundamental soundness of the American system of free enterprise under the natural system of supply and demand.

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*The prepared text of an address in the Senate by Sen. Wiley, July 9, 1946.

Protests Subsidy to Silver Interests

Dr. Spahr, Executive Vice-President of Economists' National Committee on Monetary Policy, wires members of Congress that fixing of 90.3 cents per ounce for silver serves a small pressure group, but stands in way of public welfare.

On July 11, the following telegram was sent by Dr. Walter E. Spahr, Executive Vice-President of the Economists' National Committee on Monetary Policy to the members of Congress indicated further below:

Walter E. Spahr

"On May 10 66 monetary economists sent to members of Congress a statement urging an end to its fixing of subsidy prices for the silver interests and urging that Congress permit the price of silver to be determined in the open market of the world as it should be.

"It is reported that the Conference Committee on Silver has now agreed to fix its price at 90.3 cents per ounce, the buying price to be permanent at that level.

"A Congressman who endorses any such proposition as this cannot at the same time consistently state that he is a believer in the virtues of free markets. Nor can he take the position that he stands for the public welfare in preference to serving a small pressure group.

"Is it not reasonable to assume that these 66 monetary economists who are certainly objective students of this silver question, are advocating what is in the public interests?

"In the 1930's Congressional action such as you are engaging in now injured China and other silver-using countries, and now India is experiencing difficulties because of the silver bloc's tactics.

"Does it not disturb you to be a party to the continuation of what every disinterested student of silver knows is our disgraceful national silver scandal?"

The message was sent to the following:

Representatives: Joseph Martin, John W. McCormack, Louis Ludlow, Emmett O'Neil, Thomas D'Alesandro, Jr., Herman P. Kopplemann, Clarence Cannon, John Taber, Gordon Canfield, Frank B. Keefe.

Senators: Pat McCarran, Carl Hayden, Chan Gurney, Clyde M. Reed, Kenneth McKellar, Millard E. Tydings, Wallace H. White, Jr., Josiah W. Bailey.

Senate and House Clash on Silver

During the week, the House refused to accept the rider attached to the Post Office and Treas. Dept. Appropriation Bill by the Senate, which fixed the price at which the Secretary of Treasury is permitted to sell surplus silver to industries at 90.3 cents per ounce. The House had already passed a measure fixing the price at its present level, 77.1 cents per ounce. Although a conference committee has been set up, there is no immediate break in the deadlock, though to expedite the passage of the appropriation bill, the Senate removed the section fixing the silver price and reenacted it as a separate measure. In the meantime, industrial users of silver are short of supplies, and it is reported that some are melting down silver dollars and other coins to obtain the necessary raw material.

As passed by the Senate, the price of silver is to be raised after two years to its monetary value of $1.29 per ounce, which in effect permit again the free coinage of silver, a situation that has not existed since 1873. It is this provision of the Senate's version, that is objectionable not only to the industrial users of silver but to "sound money" advocates. As noted elsewhere in the "Chronicle," the Economists' Committee on Monetary Policy has protested against the passage of the Senate measure, as a favor to a special interest at the expense of public welfare. With the adjournment of Congress set for the latter part of July, there seems little indication as yet that a compromise bill on the price of silver will be passed at this Congressional session.

The naming of a joint conference committee from the Banking and Currency committees of both houses gives the line-up now as follows: Sens. Barkley (D., Ky.), Murdock (D., Utah), Taft (R., Ohio) and Millikin (R., Colo.) and Reps. Spence (D., Ky.), Brown (D., Ga.), Patman (D., Tex.), Wolcott (R., Mich.) and Crawford (R., Mich.).

One of the Senate conferees has announced there will be no recession by the Senate from its demand for a 90.5 cent purchase price.

Fox Metal Products Stock Publicly Offered

Public offering of 99,000 common shares of Fox Metal Products Corp. was made July 16 by Frank C. Moore & Co. The stock is priced at $3 per share. The corporation produces all-metal prefabricated houses and designs, manufactures and installs a wide variety of building construction metal products. It also galvanizes and retins metals and fabricates sheet metal products.

Part of the proceeds from the financing will be used by the company to liquidate current obligations. The balance will be available for general corporate purposes and devoted largely to purchase of materials for prefabricated houses.

A pro-forma balance sheet as of June 1, 1946, giving effect to the issuance of the new stock, showed 270,000 common shares, of $1 par value, and $102,750 long-term mortgage notes outstanding.

The corporation has a contract for 1,000 pre-fabricated houses. Fifty houses completed under the contract in June were made of steel. It is expected that aluminum will be the basic metal for the company's pre-fabricated houses in the future.

Plants are located in Denver and Littleton, Colo.; Ogden, Utah, and Spokane, Wash.

Public Utility Securities

Cities Service Company

Cities Service Company has had a complicated problem to conform with the requirements of the Utility Holding Company Act. System interests are about two-thirds oil and gas, and one-third utility, and the management decided some time ago to liquidate the utility properties (at least as far as necessary to conform to the Act) and thereby escape SEC regulation. In recent years the addition of the Lake Charles Refinery, devoted during the war to the production of high octane gasoline, has substantially improved Cities Service's position in the oil industry, and should remain a constructive factor in its future earning-power.

Innumerable details had to be settled before the utility interests could be disposed of. There were several sub-holding companies to be integrated, the most important being Cities Service Power & Light, and the latter in turn controlled the Federal Light & Traction system; a few gas subsidiaries were directly controlled by the top company. Federal had a good financial structure (it has paid dividends on its common stock since 1937) but its properties were somewhat scattered. A number of subsidiaries have now been disposed of and a final plan of liquidation has recently been announced. A proposal was recently submitted to the SEC to merge the four remaining subsidiaries, located in New Mexico. The new company will have 524,903 shares of common stock, all owned by Federal. Presumably stock of the new company will then be sold or passed along to the stockholders of Federal. The latter already has cash enough (including proceeds of sale of 147,000 shares of common stock of Tucson Gas Electric Light & Power Company) to retire its own preferred stock.

Cities Service P. & L. itself has made considerable progress toward final integration. Ohio Public Service, its principal operating subsidiary, has refinanced its bonds and preferred stock, paving the way for later sale of the common stock. This in turn should permit liquidation of Cities Service Power & Light's bank loans and facilitate transfer of its assets to Cities Service Co. Empire Gas & Fuel, subsidiary of Cities Service, recently redeemed $18,000,000 debenture bonds, and the parent company itself retired $35,000,000 debentures out of accumulated cash. The position of Arkansas Natural Gas Corp., which does both a wholesale and retail business through its subsidiaries, remains to be clarified.

Abraham & Company point out in a recent circular on the company that Cities Service Company in the past 15 years has reduced consolidated interest charges nearly one-half, the saving amounting to over $4 a share on the common stock. Bonds and preferred stocks held by the public have been reduced $217,000,000 and at the same time $426,000,000 has been invested in new construction and acquisitions. However, the parent company has accumulated preferred dividend arrears on its preferred stocks amounting to $47,911,250.

Abraham & Company estimate that Cities Service should ultimately obtain $70-$80,000,000 for its utility equities which with other available funds should then suffice to retire the remaining $100,000,000 parent company debt. This would save (along with the recent retirement of $35,000,000 bonds) about $6,750,000 interest charges which it is thought would largely offset the loss of utility earning power. It is suggested that preferred stockholders might then be offered a new 4% preferred in exchange for the old issues, in the amount of call prices plus arrears ($113,486,250).

For some years now Cities Service has been earning (on a consolidated basis) over $3 a share on its common stock. Last year Consolidated Federal income taxes amounted to $3,101,224 and excess profits taxes (including charges in lieu of taxes) aggregated about $3,586,287. Tax savings under the new law may be estimated at about 60c a share and would probably be considerably larger after adjustment for accelerated plant depreciation. While it is too early to appraise the company's earnings on the new issue, Abraham & Company's estimate of $3.25 a share seems conservative, considering the strong current position of the oil industry and favorable developments with respect to the Cities Service oil business over the past year or so.

Life Insurance and Inflation

By THOMAS I. PARKINSON*

President, The Equitable Life Assurance Society of the U. S.

Insurance executive asserts the most serious threat to life insurance is the low interest rate on investments. Holds it is unsound fiscal policy to maintain low interest rate in boom period.

"Life Insurance," said Chief Justice Hughes some years ago, "is the world's best bet." Certainly the man who at 30 pays $25 for a $1,000 ordinary life policy and dies within the first year has made a good deal for his beneficiary. He has in effect established an estate of $1,000 at a cost of a small fraction of that amount. For another $25 he can do almost as well for a second year and so on until even the tenth year when, having paid $250, it is still true that if he dies within that year the odds—represented by his payments against the company's payment—are still very favorable.

T. I. Parkinson

All of this means that life insurance is a hedge against inflation; for prices would have to increase 400% in 10 years to make the $1,000 of less purchasing value than the total premiums paid by the insured. Why then do prophets of ruin through inflation generally use life insurance as their illustration of inflationary effects on savings?

Inflation, decreasing the purchasing value of money, affects the future usefulness of all savings; but it is more detrimental in its effects to savings bank deposits and government or other bond investments than it is to life insurance. At least for the first 20 years a life insurance policyholder has paid less than the estate which the proceeds of his policy will provide for the benefit of his estate or dependents.

The most important threat to life insurance currently due to inflationary trends is the low interest rate which seriously impairs the earning power of life insurance investments. Perhaps the solvency of a life insurance company and certainly its dividends which determine the net cost of the insurance depend on a minimum interest earning of approximately 3%. It is difficult for life insurance managers to invest the large funds committed to their care in dependable investments at that rate. What life insurance men have been emphasizing now for some years is that the low interest rate from which life insurance policyholders are currently suffering is deliberately and artificially maintained by financial policies of the Federal government which have built up, are maintaining, and threaten to increase the supply of money in this country.

It is difficult to comprehend how responsible public officials fail to understand, or perhaps one should say conceal, their understanding of the fact that the modern method of increasing the money supply by simply printing paper money is wholly responsible for the current low interest rate. In days gone by when governments needed funds for current expenditures they printed money with disastrous and long-remembered results. Now governments in similar need of current funds do not need to resort to printing paper money. They have respectable means of doing the same thing through increasing bank credit in the form of bank deposits which the people use for money as freely and fully as they use money itself.

Like all savings, the proceeds of life insurance policies will buy less if prices continue to rise; and prices will continue to rise despite efforts at control if our money supply continues to rise. Our financial policies still favor an increase in the money supply through encouragement and assistance by the Federal Reserve System to current bank purchases on the market of government bonds and long term corporate bonds. A few days ago President Sproul of the New York Reserve Bank called for a halt in loans by the commercial banks to individuals to enable them to purchase government bonds. This, Mr. Sproul said, was contributing to the inflationary trend. Nevertheless the Federal Reserve authorities continue to make loans to their member banks to be used for the purpose of buying similar bonds, government and corporate, which result in a much more direct contribution to the inflationary trend.

It is these unsound financial policies which ought to be reserved for a period of depression instead of being used in a period of boom and inflation which maintain the low interest rate that bedevils the managers of life insurance funds and increases the net cost to the policyholder of his insurance. Rather than emphasizing the possibilities of future decreases in the purchasing value of the proceeds of his policy, life insurance policyholders should be, and I think now are, emphasizing the detriment which they are presently suffering from a low interest rate maintained and maintainable only by continuing increases in the money supply of the country.

*Statement released by Mr. Parkinson through the Continental Press Syndicate, Brightwaters, N. Y.

Loew Drug Co. Inc. Stocks Publicly Offered

Offering of 54,00 shares of 30 cent cumulative dividend preferred stock, par value $5 per share, and 54,000 shares of common stock, par value 10 cents per share of Loew Drug Co., Inc., was made July 15 by First Colony Corp., and Childs, Jeffries & Thorndike, Inc. The stock is being offered in units each consisting of one share of preferred and one share of common, and is priced at $5.50 per unit.

Net proceeds to be received by the company will be available for general corporate purposes. It is expected that these proceeds may be used for the acquisiiton of additional store units, creation of new departments or purchases of additional inventory.

Outstanding capitalization of the company, after giving effect to this financing, will consist of 54,000 shares of 30 cents cumulative dividend preferred stock and 225,000 shares of common stock.

The company was formed on June 6, 1946, as successor to a company originally organized in 1939, known as Loew Drug Co. It operates a chain of four retail drug stores in Texas. Two are located in Corpus Christi, one in San Antonio and one in Beaumont.

Andrew Hughes Dies

Andrew J. Hughes died at his home at the age of 49 after a long illness. Mr. Hughes was with Laird Bissell & Meeds; prior thereto he had been a partner in Hughes & Treat.

R. L. Norburn Opens Own Firm in Charleston

CHARLESTON, W. VA.—R. L. Norburn has formed R. L. Norburn & Co. with offices at 2527 Kanawha Boulevard, East, to engage in the securities business. Mr. Norburn has recently been District Manager for Investors Syndicate. Prior thereto he served in the U. S. Army. In the past he was with A. W. Benkert & Co. and Leach Bros., Inc.

Schwartz in Paterson

PATERSON, N. J.—Samuel N. Schwartz will engage in a securities business from offices at 64 Hamilton Street.

Now Siegel & Silver

The New York Stock Exchange firm of Siegel & Co., 39 Broadway, New York City, has changed its name to Siegel & Silver.

One-Third of Nation's Families to Buy Homes

One-third of the nation's families now renting or leasing have expressed the intention of buying or building a house, according to reports of a survey by field officers of the FHA. Ninety percent of these families expect to finance their homes by means of packaged mortgages or amortization plans payable over a term of years. The majority, it was shown, favor a mortgage maturity range from 10 to 14 years.

Packaged mortgages permit the borrower to pay into lending institutions one sum each month, which includes amortization of the principal, interest on the loan, taxes which are accruing during the year, and money to take care of insurance premiums when due.

Bankers, mortgage lenders and real estate men all realize that in the case of packaged mortgages brought to a maturity over a 10 or 15-year period, it is necessary to invest in a quality building. In this way repair and maintenance costs will have a much better opportunity to pay off their obligations. First cost may be a little higher but it will be a guarantee of mutual protection for both the owner and the mortgagee.

Simons, Linburn To Admit

Simons, Linburn & Co., 25 Broad Street, New York City, members of the New York Stock Exchange will admit Harry A. Schwartz to limited partnership in the firm on August 1st.

Canadian Securities

By WILLIAM McKAY

Interesting reactions to the revaluation of the Canadian dollar to parity with the United States dollar were observed in a number of developments in the financial and business circles of Canada during the last week.

Significantly perhaps, a rumor spread through Southwestern Ontario on Saturday that the United States dollar had dropped below par and merchants were reported not accepting it with their customary eagerness. Where possible, they made change in United States money, it was said, so as not to have too much of it on hand—just in case. Earlier in the week, Reuters News Agency of London carried a story from London contending that there was a run on American money and holding that "Canada's move in raising her dollar to parity with that of the United States is widely interpreted as depreciation of the United States dollar against the Canadian rather than as appreciation of the latter."

However, on the free market in New York, Canadian dollars sold at a discount of around 1½%.

Canadian manufacturers were inclined to feel that parity was the equivalent to the removal of a 10% tariff on American goods. This fear was counter-balanced, however, by the expectation that rising prices in the United States will tend to neutralize any price advantage which United States goods may seem to hold now on the Canadian markets.

Gold mining interests, adversely affected by parity, were vociferous for an open market in gold. Rodney Adamson, Progressive-Conservative member from York West urged at Ottawa a 6-point program calling, among other things, for establishment of a free market for gold in Canada with unrestricted sales and removal of import and export restrictions, provision for the purchase of gold for use as reserve by Canadian banks and corporations, free gold purchases or sales on the open market, exemption of all new mines from taxation for three years and abolition of the excess profit tax on all mining operations.

With gold reported selling for $110 an ounce in Greece and $67 in Bombay, producers thought there would be a large foreign market for Canadian gold. Canadian comment on the proposal to free gold dwelt on the difficulties that would exist to convert into Canadian — or American — dollars the foreign currencies that would be paid for the gold. Mrs. V. R. MacMillan of Toronto, President of the Prospectors' and Developers' Association, also took up the question of a free market for gold with Finance Minister Ilsley at Ottawa on Friday.

Because of parity, the proposed refunding of the Montreal $202 million debt will be delayed still further. City Council Chairman J. O. Asselin said that the question of time, markets and amounts to be floated will now have to be determined in the light of the new circumstances. He pointed out that original plans to issue $85.4 million in the New York market will now have to revised downward, probably to $65 million.

Newsprint Recovers

Stock prices on the Canadian exchanges have recovered somewhat from the sharp declines of last week. The most notable gains have been in newsprint which, with higher prices and the prospect of perhaps even higher prices for its products, has regained nearly all its losses.

Some observers are inclined to attribute some of the buoyancy shown by stocks to the steadiness of the bond market. Internal Dominion of Canada issues have remained firm in Canada and have leveled off in New York to about 2% below the Canadian price level. The external Canadian market has been featured by continued strength in Province of Alberta and Province of Saskatchewan bonds.

Foreign Exchange Control

The desirability of extending Canada's foreign exchange control which has applied chiefly to the United States to all the countries of the world was pointed out by Louis Rasminsky, chief of the Foreign Exchange Control Board to the House Banking and Commerce Committee at Ottawa. Rasminsky said such action should be taken because (1) the world was going through a period of uncertainty on monetary and economic policy, (2) Canada was heavily in debt, and (3) the sterling area would be operated under that system.

The Canadian government has sent prospecting parties into the Northwest Territories to search for uranium the material out of which atom bombs are made. The list of individuals and firms with whom Canadians were forbidden from trading during the war has been revoked.

Life Insurance Sales Up

New ordinary life insurance sales in Canada and Newfoundland in May totaled $105,535,000, almost 68% higher than in the same month of 1945. Gross earnings of the Canadian Pacific Railway Company for the year up to July 7 were $144,714,000, a 10.1% decrease compared with the figures for the same period in 1945. Savings deposits in Canada's chartered banks at May 31 amounted to $3,305,702,000 against $3,237,508,000 at April 30 and $2,562,943,000 at May 31, 1945. Call loans amounted to $124,511,000 compared with $151,820,000 on April 30 and $125,433,000 on the same date last year.

Canadian General Electric has bought 35 acres in London, Ontario, for construction of a new factory for the manufacture of electric appliances. The Dominion Bureau of Statistics reported a decline of 4.4% in manufacturing and distribution in May as compared with April.

Lindley Johnson & Co.

PHILADELPHIA, PA.—Lindley Johnson, Jr. has admitted James C. Webster to partnership in Lindley Johnson & Co., Commercial Trust Building. Mr. Webster has been with the firm for a number of years.

Effects of Canadian Dollar Revaluation

The Canadian dollar was restored to parity with the United States dollar with the announcement by the Canadian Government on July 5 of the adjustment, as reported from Ottawa by the Associated Press. The stated reason was to ease "the inflationary pressures which now are so strong," abandonment of price control in the United States being cited. Under the Government ruling banks and other authorized agents of the Exchange Control Board will purchase United States dollars at $1 in Canadian funds and sell at $1.00½. Similarly, it was reported, the buying rate of pounds sterling now will be $4.02 and the selling rate $4.04. Previously, American dollars were bought at $1.10 in Canadian funds and sold at $1.10½. The buying rate for pounds sterling was $4.43 and the selling rate $4.45.

Three other steps were taken by the Canadian Government at the same time, as announced to the House of Commons by Finance Minister J. L. Ilsley, to "implement this country's determination to maintain order, stability and independence of its economic and financial affairs." These additional actions, it was noted in Associated Press accounts from Ottawa July 6, were the establishment of a long list of goods and services that will remain subject to price control, including virtually all household articles; retention of the principles of price control on domestic products and more stringent price control on imported products; and the retention of subsidy payments.

Mr. Ilsley referred to the recent abandonment of price control in the United States and said Canada's new measures would "go a long way toward insulating Canada against unfavorable external conditions and easing the inflationary pressures which now are so strong."

The new program, he said, was aimed at preventing undue increases in the cost of living and production costs, improving the effectiveness of price control, encouraging importations of scarce goods and facilitating an orderly postwar adjustment of the Canadian economy, while protecting it from the major effects of "adverse developments outside our borders."

The Government's action in revaluating the dollar was reported, in advices in the "Wall Street Journal" on July 8, to have had an adverse effect on gold mining in the Dominion. Mines, which have been selling their gold at the United States Treasury price of $35 an ounce, which amounted to $38.50 in Canadian currency, will now receive only $35. It is predicted that this may force some mines to close down. Canada's pulp and paper industry it was said also faces a loss of income amounting to nearly $1,800,000 a month unless prices can be increased to offset at least a part of this.

A wireless dispatch to the "New York Times" from London on July 6 stated that the Canadian dollar revaluation had won approval in British financial circles as being indicative of the Dominion's economic strength, in spite of the fact that the effect on Britain will be an increase in the cost of imports from Canada. It was noted, the "Times" dispatch continued, that even before the collapse of price ceilings in the United States prices there had risen by 33% whereas those in Canada had gone up only 20%, and it was argued that Canada was wise in seeking to insulate herself against the effect of the removal of controls by her southern neighbor.

"If Canada succeeds in holding down her internal price level the cost in dollars of Canadian goods bought by Britain will be less than it otherwise might have been, in the opinion of authorities here, and this will operate as an offset to the increased cost of Canadian exchange."

W. A. Mandell Joins N. Y. Curb Staff

Winthrop A. Mandell

Winthrop A. Mandell, who has been active in Wall Street for much of the period since 1915 and who for the past three years has been associated with the Tax Foundation, Inc., in New York, has joined the staff of the New York Curb Exchange as an assistant to the President in charge of a new business department being organized by the Exchange, Edwin Posner, President, announced today.

Mr. Mandell's appointment represents an important step in a campaign outlined by the Curb Exchange to accelerate the flow of new issues to the list of securities accorded a public market on its trading floor, Mr. Posner stated in making the announcement.

Identified with the investment banking and security industry for more than 25 years, Mr. Mandell is not a stranger to the Curb Exchange, having been on its staff in a promotion and public relations capacity from 1939 to 1941. His experience also includes affiliations with a number of well known stock exchanges and over-the-counter firms both in and outside New York from 1915 to 1939 as salesman, sales manager, wholesaler, and head of purchasing and new business departments. During this period his articles and lectures on subjects relating to the security business were widely recognized.

Following his previous association with the Curb Exchange, Mr. Mandell was active in 1941 in the raising of funds for the New Jersey Committee for Constitutional Revision. While with the Tax Foundation he was associated with the Executive Director, rendering assistance to State taxpayer associations in many sections of the country in outlining their programs, building budgets and resolving their problems.

"Seller's Auto Market Will Fade"

D. U. Bathrick of General Motors tells New York Automobile Dealers they should not relax, but get ready to sell and maintain close and harmonious relations with customers.

In an address made before the New York State Automobile Dealers Association at Saratoga, N. Y., on July 11, D. U. Bathrick, General Sales Manager of the Pontiac Motor Division of General Motors Corporation, warned his audience that the present seller's market for automobiles "will fade," and he urged dealers to prepare for this situation by maintaining harmonious relationships with customers and buyers. Commenting on this topic, Mr. Bathrick stated "that sooner or later — perhaps sooner than any of us dare to think — the seller's market will fade." Continuing, Mr. Bathrick said: "And we had better be awake when it does. I don't mean that you are asleep now — or have been. I think automobile dealers have done more to provide facilities for an expanding market than has any other group. The dealers of one manufacturer alone have expanded their physical properties by more than 13,000,000 square feet—an increase of 80% over their 1941 facilities. To do so they increased their investment in buildings 75% over 1941. And never before have dealers become so adept at running an overall operation to make an elusive profit. You've found out what the back shop looks like and what an important part it plays—not only in your profit and loss position, but in your immediate relationships with a lot of people you will some day be begging to buy cars. You have come to recognize the profit-making possibility of a well run parts department. And the aggressive operation of your used car department has been the salvation of many of you. You have learned once again the scope and possibility of your business. You have worked hard and made money. But all this has been done under pressure—pressure which has been particularly irksome because you could do nothing about it and were forced by circumstances to stand and take it.

D. U. Bathrick

"As a result, many dealers are frustrated, tired men with tired organizations at the very time the seller's market has begun to fade and you should be at the peak of your form.

"By next Spring there should be a full blossoming of the competitive market and salesmen and selling efforts will have to come to life before then or a lot of businesses are going to be trampled in the rush. Duplication of orders is beginning to show up now.

"In my opinion, you'll not deliver more than 50% of the orders now on your books because of duplications, the delivery of another automobile or the diversion of the customer's money to other more pressing needs. One instance from my personal knowledge: an acquaintance told me he had orders placed with eleven dealers. When one car is delivered to him 10 orders will fade like morning glories at sundown.

Get Ready to Sell

"I have been preaching this 'Get Ready to Sell' sermon for a long time now. I have tried to see that every dealer I have contact with will be ready when order-taking again becomes tough selling. I have tried to foster the long view, tried to show dealers that they should so conduct themselves so that in the business field they will be endurance runners rather than sprinters.

"The hour is late, but if I were a dealer I would honestly and ruthlessly appraise myself and my organization and do what I could to make it better. I would attend to all the physical things such as building expansion and return any stray capital to my business. I would work fast to weld an aggressive, professional sales team together and I would play ball with the factory on any training or reindoctrination program if it is sound as it applies to my business.

"I would set aside a definite percentage of my quota of cars for veterans. I would set as many as one car in five aside for veterans, not only for the value of their good will toward the future of my business but also to keep my selfrespect.

"These boys stepped to the front for us when the chips were down. I don't think it is asking a hell of a lot from any of us to sell a car to those who came back. They're good boys and deserving of the best treatment we can give them. Let's fall over backwards to show our appreciation—a lot of them fell forward for us.

"And some day in the not too distant future, the veteran will be running the town you live in. And they'll treat you then as you treat them now.

"I would govern my temper and tongue in dealing with customers, however great the provocation, and I would take time—at the expense of anything else—to take my customers into my confidence. I would tell them the truth and nothing but the truth and I would give them the impression that I was more sorry about the situation than they were. And I would be. Because a customer can always find a dealer. But there are times when a dealer cannot find a customer. And those times may be coming up fast.

"I would uphold all of my moral and business obligations no matter what the cost in money and inconvenience—despite economic and social pressure otherwise. I would be true to my ideals because I have to live with myself—and a cheater with money is a cheater none-the-less.

"And I would see, too, that no employee of mine ever dares to violate a customer's trust. I would treat such an employee as I would one I found rifling my cash register.

"And then when I had done those things and done them well, I would say a little prayer and I would be ready, confident in the knowledge that if ill luck befell me it would be through no fault of my own.

Greater Sales Outlook

"And your rewards will be great—for the gold is there. Make no mistake about that. I have tried to keep this talk free of figures, because I hate to see people sleeping in the daytime. But *these* figures should have you on the edges of your chairs—for they mean that men in this room are going to be rich before many months have passed. Today the automobile is as essential to an effective life as a home or decent clothing. No family is satisfied or can function completely unless it owns at least one. So—in 1940 there were 34,800,000 families in the United States. Today there are 40,000,000 families. There's your market. And what will they buy the cars with? Five years ago the national income was $70 billion. This year it is $160 billion.

"Remember 1929? There were two cars in every garage then instead of two families as we have now. It was a lush year and prosperity ran through the land like a forest fire. Late in October, however, the forest fire got put out. But the sales records of every industry date back to magical '29.

"In 1929 40% of U. S. families had an income of $2,000 or more. In 1946 66% receive $2,000 or more a year. Total income in 1929 was $83 billion. Total income this year will be approximately $160 billion.

"What a target for you to shoot at! Nearly $200 billion dollars and a pent up demand building up for the last five years! But just a minute. I have some more figures here. Somebody else is shooting at your target.

"The appliance people plan on merchandising 5,900,000 refrigerators. The radio people say they will sell 5,100,000 sets. There will be 5,800,000 washers made and offered for sale. That means that when full production is attained it will come with a rush. The public will be hip-deep in products, and you—as an automobile dealer—will be in the midst of the fastest moving competitive market in the civilized history of man.

"That means you must *sell! sell! sell!*

"It means that you must compete not only against other makes of cars, but you must participate in the overall competition of the automobile against other types of durable goods. Everyone will be shooting at the consumer's dollar. And don't underestimate your competition in other industries. Some of them are hungrier than you and will fight to stay in business. That is a tough type of competition if you haven't trained much in the last five years.

"You won't be alone in this fight because your future is the factory's future. When you prosper, we prosper. If you fail—we fail, too.

"We will get you the cars. The cars will come in a flood once the vast production capacities of our plants are unleashed. And they will be good cars—tailored to the public's specifications. And you must sell them or the chain of economic sequence will be broken and we all will be broken with it."

Democratic Party's Red-Fascist Trend

By CARROLL REECE*

Chairman, Republican National Committee

Republican Party spokesman pictures Democratic Party as enslaved by left wing elements that parade under cloak of liberalism. Holds, because of this, Democrats can no longer provide an administration in conformity with traditional American freedom. Says party has dickered and dealt with men wanting secret and dictatorial power and who have in view destruction of constitutional rights and our system of government. Warns unless there is a Republican victory in November elections, rights of individuals in ownership and use of results of their labors will be menaced.

I want to talk with you tonight about a very practical and very important problem. The problem is the preservation of the American form of government in the United States. I believe everyone will agree with me that is important.

On the practical side, the question is, what can we do to make sure that our system of government is not destroyed? The answer to that is very simple and very practical. We can elect a Republican Congress in November 1946. It will not be easy but it can and will be done. We have tremendous opposition to overcome, not only the Democrat party with its $3 million war chest and hordes of office holders but also the CIO-PAC in which is corralled the radical and subversive groups in America with its boasted $6 million war chest. But the people are aroused to the danger and are looking to the Republican party, through our institutons of free enterprise and private property to be saved.

I have found in recent trips to various parts of the nation that too many of our citizens are talking about the Presidential election of 1948 and to few of them are thinking about the Congressional election of 1946. Now, I am sure no one is more interested than I am in the election of a Republican President in 1948, but 1948 is two years away. 1946 is with us now. It is less than four months until Election Day—November 5.

We can not elect a Republican President this year because there is no Presidential election, but we can elect a Republican Congress this year and that includes the Senate as well as the House.

Incidentally, I would like to

(Continued on page 369)

*An address by Mr. Reece before the Republican Women's Regional Conference, Charleston, W. Va., July 11, 1946.

Hits Government Guarantee of Loans

R. M. Hanes, ABA official and President of Wachovia Bank and Trust Company of Winston-Salem, N. C., says operations of Reconstruction Finance Corporation threaten socialization of banking. Warns in a declining economy, RFC will undergo losses, "and the taxpayer will find he will have to pay the bill."

The blanket guarantee of bank loans to business now being offered to banks throughout the country by the Reconstruction Finance Corporation was characterized as "a sugar coating of the socialization of banking," by Robert M. Hanes, Chairman of the Small Business Credit Commission of the American Bankers Association, in an address to 200 bankers from North and South Carolina attending the annual Carolina Bankers Study Conference at the University of North Carolina on July 12. Mr. Hanes, who is an ex-President of the ABA and President of Wachovia Bank and Trust Company of Winston-Salem, N. C., warned that "if banks follow this plan extensively it can mean that eventually the government will take over all banking."


Copyrighted by Harris & Ewing
Robert M. Hanes

"There is now considerable argument taking place between Henry Wallace, Secretary of the Department of Commerce, and the Reconstruction Finance Corporation," he said, "as to which will do the lending job for small business, and each will probably try to outbid the other in attempting to take charge of this function. In the meantime, the RFC is offering to banks an automatic blanket guarantee up to 75% of the amount of loans made to business. This blanket guarantee arrangement is merely a sugar coating of the socialization of banking. If the banks follow this plan extensively, it can mean that eventually the government will take over all banking.

"We regret that we do have some riskless bankers who would avoid their responsibility of taking ordinary business risks and some who might wish to make more profit by carrying a larger loan with such guarantee than they could otherwise," Mr. Hanes acknowledged. "Such bankers, I believe, will let themselves in for another wave of criticism when our economy ceases its upward movement and starts on the downward trend again," he stated. "When that happens, it will be found that the RFC cannot indiscriminately continue to guarantee loans at a rate of ¾ of one per cent or less which it receives for its guarantee. Losses must follow in a declining economy, and the taxpayer will find that he will have to pay the bill."

Mr. Hanes pointed out that the allegation that banks are not performing their lending functions is not new and that they were subjected to this criticism during the depression of the nineteen thirties. He told how this charge was exploded by a survey made in 1940, the last full year of peace before the War, in which 5,000 banks participated. The survey showed, he said, that these 5,000 banks, approximately one-third of all the nation's banks, made 24 million loans totaling $39 billion, the average loan being for $1,600.

"In comparison with this tremendous total, all the lending of all the government agencies paled into insignificance," he said. "The critics found that the banks were meeting the credit needs of the country and were taking care of small business in a big way."

Stating that "We are determined that chartered banking will do the postwar credit job in the same creditable manner that it financed both the government and business during the War," Mr. Hanes told about the postwar credit plan for business which the American Bankers Association has been promoting among the banks for the past two years.

"For the past two years," he said, "the American Bankers Association has devised and promoted a plan whereby the banks may supplement their lending capacity without the necessity of government guarantee of loans.

"First, the plan encourages local banks to merchandise and sell their credit services," he continued. "It acquaints them with new types of credit services and suggests ways in which banks can increase their loan volume and thus enhance their income.

"The second phase of the program stimulates the relationship between local community banks and their city correspondents. If a loan is too large or the risk is too great for the local bank, it is encouraged to call on its city correspondent to participate with it in making the loan.

"The third phase of the program provides for the setting up of special trade area credit groups as additional sources of credit. If the local bank and the city correspondent feel that the credit is more than they wish to undertake, they can go to their trade area credit group for assistance. A total of 49 of these local trade area credit groups have been organized throughout the country and through them $675 million has been made available to take care of credit needs in addition to the facilities of the local banks and their city correspondents.

"We are determined that chartered banking will do the postwar credit job in the same creditable manner as it financed both the government and business during the War," he declared.

"For some time there has been an insistent demand on the part of certain leaders in government to establish in this country what is known as a controlled or managed economy," Mr. Hanes continued. "This means government operation of banks, insurance companies, and other financial institutions. If this is brought about, it will mean that government will also control all business, for business will then have to go to the government for its credit needs, and government will dictate how business is to operate.

"In the past, every time the socialization of a government has been accomplished, the first essential step was to get control of the financial institutions. It happened in Russia, in Germany, in Italy, and in Spain. Now England, with its socialist government, has embarked on the same course by taking over the Bank of England and threatening to take over the large banks in that country.

"Here in the United States we have been following this same pattern. We now have 36 government agencies making loans to farmers, businesses, and individuals. We must work to stop this socialization of our financial institutions."

Koppers Co. Makes Exch. Offer — Underwritten by Mellon Securities Corp.

Koppers Co., Inc., is offering to the holders of its presently outstanding cumulative preferred stock, 4¾% Series, the privilege of exchanging those shares for new cumulative preferred stock, 4% Series. The exchange offer, open until 3 P.M., EDST, July 24, 1946, is on a share-for-share basis.

Shares of the new stock not exchanged will be purchased for resale by Mellon Securities Corp. and associated underwriters. The offering price of any of the new preferred stock sold for cash by the underwriters during the period of the exchange offer is $107.75 plus accrued dividends.

Net proceeds from the offering of the remaining shares of new stock will be used to redeem the unexchanged shares of the present preferred stock at $107.50 a share plus accrued dividend to date of redemption.

The new preferred stock is redeemable at the option of the Company on not less than 30 nor more than 60 days' notice, at a graduated scale of prices beginning at $111.00 a share.

On completion of the exchange, the sale of unexchanged shares and the redemption of the present preferred stock, the outstanding capital stock of Koppers Co., Inc., will consist of the 150,000 shares of new preferred stock and 915,550 shares of common stock. Capitalization of the company includes funded debt consisting of $23,000,000 3% first mortgage bonds, due 1964, and $8,000,000 serial bank notes. In addition, the company recently announced that it had completed arrangements for a bank credit not to exceed $10,000,000 to be used for plant expansion in the chemical and other fields related to the Company's present business.

Koppers Co., Inc., is engaged in the manufacture and sale of crude and refined coal tar products and chemicals, treated and untreated forest products, coke and gas, machine shop and foundry products, piston rings, and the design and construction of byproduct coke plants, coke ovens, and chemical plants.

Donald Thompson V. P. Of Cleveland Reserve

CLEVELAND, OHIO — Donald S. Thompson has been appointed a Vice-President of the Federal Reserve Bank of Cleveland by the Board of Directors and will join the bank Aug. 16, 1946, President Ray M. Gidney announced.


Donald S. Thompson

Mr. Thompson will act as general economist at the Reserve Bank and his duties will include general responsibility for research and statistical work. He has been director since 1944 of the Urban Real Estate Finance Project of the National Bureau of Economic Research, New York City. For eight years previous to that he was Chief of the Division of Research and Statistics of the Federal Deposit Insurance Corporation at Washington, D. C.

Mr. Thompson was born in Kansas City, Mo., March 27, 1899. He majored in business administration and foreign trade at the University of California and received his B.S. degree with honors in 1923. He received his M.A. degree at the same university in 1928, specializing in economics, business cycles and measurement and statistics. His master's thesis was entitled, "An Index of Industrial Production in the Twelfth Federal Reserve District."

He taught business administration at the University of California during 1922-23; was research assistant, statistician and assistant manager of the Division of Analysis and Research, Federal Reserve Bank of San Francisco, from 1923 to 1929; associate editor and chief statistician, Silberling Research Corporation, 1929; research assistant, Board of Governors, Federal Reserve System, from 1930 to 1934, and senior research assistant, Federal Deposit Insurance Corporation, from 1934 until his elevation to Division Chief.

Mr. Thompson is the author and co-author of a number of articles, mostly of a statistical nature, which have appeared in business and professional journals. He is a former Vice-President of the American Statistical Association and a member of the American Economic Association and the Committee on Research in Finance of the National Bureau of Economic Research.

A veteran of the first World War, he plans to move as soon as possible from Mamaroneck, N. Y., to Cleveland, with his family.

Gordon Graves Incorporates

Gordon Graves & Co., 30 Broad Street, New York City, is now doing business as a corporation. Officers are Gordon R. Graves, President; Robert B. Stringfellow and Budd G. Moore, Vice-Presidents; Arnold J. Steele, Secretary, and Thomas J. Butler, Treasurer. All have been with the firm for some time. Mr. Moore has been in charge for the firm's Miami, Florida, office.

R. London & Co.

R. London & Co., Inc., will engage in the securities business from offices at 135 William Street, New York City. Officers are Robert R. London, President; Sol Karp, Vice-President, and Evelyn Eichhorn, Secretary-Treasurer.

Reports No Abrupt Rises in Steel Prices

"Iron Age" looks for straightening out of price structure without OPA, but no general across-the-board advances.

Tightness in the supply of scrap, pig iron and coke, basic products in steelmaking, has temporarily blocked any sustained thinking on the matter of steel price increases, according to a release of "The Iron Age," on July 10. While most steel firms have their ears cocked towards the price debate in Congress and their eyes glued to news dispatches looking for the trend which the price control question will take, there is practically no chance of any major steel price changes in the immediate future.

When the air is cleared and it becomes definite whether OPA price controls will be resurrected or whether the OPA will have a decent burial, then steel firms will begin to take serious action on straightening out the unbalanced price structure under which many steel products are not carrying their economic responsibilities. On the other hand it is almost certain that no general across-the-board advance in steel prices will be made until the latter part of this year if the entire price controls are permanently eliminated.

The steel industry and the scrap industry through their respective institutes engaged this week in a mild debate as to who was responsible for the present dearth of scrap. The accusation by an American Iron & Steel Institute official that some brokers and dealers were holding back scrap because higher prices might soon be effective was answered by the Institute of Scrap Iron & Steel which pointed out that the lack of small dealers who were a wartime casualty and the unrealistic attitude of the OPA in handling the scrap situation coupled with strikes at steel consumer plants were the major reasons for the present situation.

This public argument between the two groups is not a new story since the same general exchanges took place several times during the war. Steel producers have been insisting that new contracts on scrap should be written at the old OPA ceiling price while many scrap brokers have insisted that new contracts should carry a retroactive feature. The amount of scrap being held back because of the price confusion is probably not a very large share of the total scrap movement. Many brokers while not obtaining a retroactive clause from steelmakers have nevertheless agreed with their suppliers, the dealers, to accept such a clause.

More basic than these surface arguments over the scrap supply situation are the facts that: First, large reservoirs of scrap accumulated over the past decade were used up in the war effort; second, manufacturing concernings which furnish scrap as a byproduct have not attained full reconversion production levels; third, thousands of small dealers known as "scrappies" or "junkies" have left the scrap collection business for better paying jobs; fourth, war supplies sent abroad represented a definite loss in return scrap; and fifth, the confusion surrounding free markets which have not existed for several years is no different in the scrap and steel trades than it is in other industries.

Despite the shortage of scrap and some temporary labor difficulties, the steel industry this week was operating at 88.5% of rated capacity, up ½ point from last week's revised rate of 88%. The revision in last week's rate, which was originally estimated at 89% of capacity, was occasioned by a strike in the Buffalo district which substantially reduced operations there.

Since OPA was eliminated only one increase in prices has occurred in the iron and steel industry. A southern pig iron producer has raised the price of pig iron $3 a ton, while another southern maker upped his price $4 a ton, but the latter advance was approved by OPA before June 30. Still another iron producer continues to sell pig iron at the old OPA ceiling price and no price action has been taken as yet by northern pig iron producers. Because of the increase in the South "The Iron Age" composite price for pig iron has advanced this week from $26.12 a gross ton to $26.45 a ton.

Sweden Lowers Value of Dollar and Pound

National Bank lowers the value of the krona from 4.20 to 3.60 to the dollar. Similar action taken with reference to Sterling-krona rate.

On July 13, the "Riksbank," central bank of Sweden, announced that the exchange value of the Swedish krona which stood at 4.20 would have a value of 3.60 to the dollar, and, at same time, the British pound would be reduced in terms of krona from 16.92 to 14.50. The action, it is reported, is not directed especially against U. S. currency, but is due to efforts by the Swedish government to halt domestic price rises which are causing a demand for higher wages. It is, in a way, an indication of the depreciation of the dollar and Sterling, and is likely to be followed in other countries that adhere to a gold basis, or have export markets which will not be affected by a rise in the value of its currency. Following so closely on the raising of the Canadian dollar to parity with the United States dollar, the Swedish action has some relationship to the plan under the International Monetary Fund, whereby each member nation is to fix the exchange value of its currency in terms of other nationalities. As yet, Switzerland has taken no action to revalue its monetary unit, but it is expected that the Swiss franc will be lowered in gold value, due to the heavy holdings of gold in that country.

The rise in the Swedish krona value in relation to the dollar and to Sterling disturbed the export trade of that country. Swedish exporters are reported to have tried to cash their dollars, and Swedish banks were compelled to buy $17,000,000 in a few weeks.

According to a wireless dispatch to the New York "Times," the chairman of the Swedish exporters' organization, Baron von Heidenstam, condemned the State Bank's decision and forecast that the consequences will be severe for Swedish exporters. Many exporters, however, are not worrying, as they have vast market areas in South America, as well as in Southern and Eastern Europe.

Lewis Wheelock Dead

Lewis F. Wheelock, of the firm of Wheelock & Cummins, Inc., of Des Moines, Iowa, died of a heart ailment at his home on July 6. Mr. Wheelock had been inactive in the firm since 1938 because of ill health.

He entered the investment business in Iowa in 1919 with the George M. Bechtel Co., of Davenport, Ia., and opened in business for himself in 1920 in Des Moines.

Sees Possible Gold Price Rise to $100 per Ounce

Correspondent holds return of free market for metal under prevailing conditions would, by permitting higher prices, lead to opening up lower grade mines.

Editor, Commercial & Financial Chronicle:

The importance of gold increases as the world picture unfolds. Countries ruined by debt which their tax structures cannot support, see their currencies disappearing into thin air. The world over, gold speaks the universal langauge and is the most desired possession.

Martin Judge, Jr.

In terms of dollars in far away place in the universe, gold is at a heavy premium over the established prices of the leading nations. The adjustment cannot be far away as the issue is forced into the open and a free market would be desirable as the black market continues to grow.

The producing mines of the United States are dormant, labor and materials strangling resumption of operations. Canada will be hard put, under the parity ruling, to maintain production at its high-cost properties.

We see our own government continuing lavish expenditures, in foreign loans, veteran benefits, continued bureaus, so that today we are enmeshed in hundreds of billions of debt as our heritage of war and folly. Increased national wealth represented by hard money (gold and silver) can furnish an approach to bolster this weakened structure. This and full production of all our underground resources offers the only chance to ride the storm we have created. Iron, oil and gas, copper, lead, zinc, bauxite all find their way into productive industry and these earth products are the basis of our national economy. The politicians and pseudo statesmen seem to regard gold and silver as a thing apart, but a clear view of the world today and all the history of the past should waken them to the importance of the only medium of barter that commands full value to the far reaches of the earth. After the Civil War, the $600,000,000 in gold and silver furnished by the Comstock lode saved the near bankruptcy of the nation.

Under the prevailing conditions in all countries a free market for gold might carry the price to over $100 an ounce. The effect would be to open the lower-grade mines on all continents to a production point where perhaps the dream of One World could be realized. It cannot be born with fluttering paper.

MARTIN JUDGE, JR.

Lauterwasser & Co.,
145 Sutter Street,
San Francisco, Calif.,
July 12, 1946.

Sutro Bros. & Co. To Admit To Partnership

Sutro Bros. & Co., 120 Broadway, New York City, members of the New York Stock Exchange and other leading exchanges, will admit Walter D. Floersheimer, member of the Exchange, to partnership on August 1st. May Sutro Rothschild and Hermann Merkin will be admitted to limited partnership on July 29th.

Railroad Securities

Chicago & North Western equities have been among the poorest acting in the rail group in recent weeks. At last week's low the common was off 14½ points (just a third) from the 1946 high and more than 20 points below the peak reached in 1945. As a matter of fact, the stock last week sold within a fraction of where it was selling when first admitted to trading on a when-issued basis on the New York Stock Exchange in February 1944. In passing it is interesting to note that when the stock was initially listed not quite two and a half years ago the common stock of Southern Pacific was selling in the same general price range. Southern Pacific common is now selling at more than twice the price of the North Western common and even appreciably higher than the North Western preferred.

North Western's earnings so far this year have made very sorry reading. For the five months through May traffic held up fairly well. Car loadings were off only 5.7% from a year ago. Even gross revenues declined less than 10%. However, the road's transportation ratio soared to close to the 50% mark and the maintenance ratio also climbed appreciably. As a result, the road reported a net operating deficit of $831,927 in sharp contrast to net operating income of $9,059,331 realized in the first five months of 1945. Not since 1940 has North Western reported a net operating deficit in the first five months of the year and even in that year the deficit for the period was held to less than $100,000. Pessimists over the outlook for the company's equities have been pointing out that on a pro-forma basis earnings of North Western for the full year 1940 were not sufficient even to cover the full income bond interest.

Chicago & North Western is traditionally a low density property and also has about the shortest average haul of freight of any major carrier in the country. Axiomatically this makes for expensive operations under normal conditions. This weakness was more or less obvious under the heavy traffic conditions and distortions incident to railroad operations during the war years. With a return to more nearly normal general railroad conditions the weakness has begun to reappear. As has been pointed out repeatedly by a number of railroad analysts territorial and operating weaknesses are not corrected by the mere process of revision of the capital structure.

One of the most unfortunate aspects of the Chicago & North Western is its heavy labor costs, which is generally characteristic of low density mileage, particularly when aggravated by a short average haul. In relations to gross Chicago & North Western has consistently shown the highest wage bill among the major Class I carriers. As far back as 1941 wages allocated to operating costs absorbed more than 49 cents out of every dollar of North Western's gross. Even this does not tell the whole story of labor costs as it does not include the important item of payroll taxes. If these payroll taxes, which certainly constitute a direct labor cost, are included the total 1941 wage bill of North Western absorbed 52.1 cents out of every revenue dollar. This is just about six cents higher than the average for all Class I roads.

Even last year under the continuing highly favorable traffic conditions North Western's wage and payroll tax burden amounted to 48.7 cents out of each dollar of gross. It is quite obvious that the higher the basic wage bill is the greater the impact of successive percentage wage boosts must be. On the other side of the picture, North Western with its location and traffic composition stands to get relatively little benefits from the tempororay freight rate increases instituted on July 1. It is indicated that the wage increases granted this year may cost North Western close to $15,000,000 in 1946. In comparison, it is doubtful even with a well sustained freight volume if the rate increases will bring in as much as $3,000,000. On this basis rail men are estimating that there will be little, if anything, in the way of earnings this year for even the preferred shares.

Economic Development Committee Broadens Activities

Expanding research on state and community lines to avoid boom-and-bust cycles. Initiates a national information committee under Chairmanship of Walter D. Fuller.

Trustees of the Committee for Economic Development, meeting here on July 12, approved the appointment of a national CED Information Committee, with Walter D. Fuller, President of the Curtis Publishing Co. of Philadelphia as chairman.

Walter D. Fuller

At the meeting the trustees also approved a plan for the appointment of CED state and community chairmen throughout the nation, Paul G. Hoffman, Chairman, reported. Commenting on the work which will be done by the national Information Committee and the state and community chairmen he said:

"CED is now engaged in an intensified program of responsible research, designed to throw light on the nation's major economic problems. By such research we hope to suggest solutions for those problems which will assure the maintenance of high levels of production, distribution and employment.

"Business men should take the lead in the development of such policies. To assume this leadership they should have a better understanding of the problems which in the past have caused the boom and bust cycles from which this country has suffered acutely for many decades. The state chairmen will appoint as community chairmen those business men who will encourage study by their associates of the findings of our national Research and Policy Committee of which Ralph E. Flanders, Consultant to the Federal Reserve Board of Boston, is Chairman."

Mr. Hoffman said plans are being developed to permit business men and others to become associate members of or subscribers to CED and that the various community chairmen will announce these plans locally.

Members of the new Information Committee are:

J. C. Aspley, President, The Dartnell Corp., Chicago; G. Irving Bailey, Central Council of National Retail Ass'ns, Washington; Col. Willard T. Chevalier, Vice-President, McGraw-Hill Publishing Co., New York; J. M. Cleary, Roche, Williams & Cleary, Inc., Chicago; Russell G. Creviston, director public relations, Crane Co., Chicago.

Also, Alvin E. Dodd, President, American Management Ass'n, New York; Curtis H. Gager, Vice-President, General Foods Corp., New York; Dudley Harmon, Executive Vice-President, The New England Council, Boston; Henry H. Heimann, National Ass'n of Credit Men, New York; Arthur A. Hood, Director of Dealer Relations, Johns-Manville Sales Corp., New York; Pyke Johnson, President, Automotive Safety Foundation, Washington; A. M. Lederer, Morris and Van Wormer, New York; T. G. MacGowan, Manager, Marketing Research Department, Firestone Tire & Rubber Co., Akron.

Also, David Magowan, Vice-President, Western Newspaper Union, New York; John W. McPherrin, Editor, American Druggist, New York; Marian C. Manley, Business Librarian, Public Library of Newark, Newark; Arthur H. Motley, President and Publisher, Parade Publications, New York; G. A. Renard, Executive Secretary and Treasurer, National Ass'n of Purchasing Agents, New York; and C. A. Sienkiewicz, President, Federal Reserve Bank of Philadelphia.

Beatrice Foods Stock All Sold or Exchanged

Of the new issue of 59,862 shares of 3⅜% convertible preferred stock of Beatrice Foods Co., 55,911 shares, or 93⅓%, have been taken in exchange by holders of an equal number of shares of the old $4.25 preferred stock. The balance of 3,951 unexchanged shares of the new preferred have been sold to an underwriting group headed by Glore, Forgan & Co. The exchange offer expired at the close of business July 9, 1946. The shares of $4.25 preferred stock remaining outstanding will be called for redemption Aug. 15, 1946.

Upon completion of this financing the company's capitalization will consist solely of this new issue of convertible preferred and 750,000 shares of $25-par common stock, of which 511,792 shares are now outstanding.

The company, whose predecessor dates back to 1898, is one of the nation's largest distributors of dairy products, specialty foods and frozen foods. Manufacturing plants, cold storage plants and sales offices are operated in 23 states and the District of Columbia.

Robinson & Co. To Admit H. L. Harris

CHICAGO, ILL. — Robinson & Co., 231 South La Salle Street, members of the New York and Chicago Stock Exchanges, will admit Henry L. Harris, member of the New York Exchange to partnership as of July 18. Mr. Harris has been doing business on the floor of the New York Stock Exchange as an individual floor broker. In the past he was with Goldman, Sachs & Co.

June Insurance Sales 53% Above Year Ago

Increase Is in All Types, Including Ordinary, Industrial and Group

Life insurance purchased in the United States in June showed an increase of 53% over purchases in the corresponding month of last year and were nearly twice the aggregate reported for June in prewar 1941, it was reported today by the Life Insurance Agency Management Association of Hartford, Conn. Total purchases in June were $1,863,485,000, compared with $1,216,264,000 in June of last year and $947,027,000 in June, 1941.

Purchases of ordinary life insurance in June were $1,340,743,000, up 63% over June a year ago and well over twice the total in June, 1941.

Industrial life insurance purchased in June amounted to $338,999,000, an increase of 31% over the corresponding month last year and 24% over June, 1941.

Group life insurance purchases were $183,743,000 in June, an increase of 35% over June a year ago but two and one-third times the figure for June, 1941. These purchases represent new groups set up and do not include additions of insured personnel under group insurance contracts already in force.

In the first six months of the year total life insurance purchases were $10,475,563,000, an increase of 47% over the first six months of 1945 and 90% over the corresponding period of 1941. Purchases of ordinary life insurance accounted for $7,759,824,000 of the six months' aggregate, an increase of 59% over last year and well over double the 1941 total. Industrial life insurance purchases represented $1,996,104,000 of the current year's total, an increase of 23% as compared with last year, while group life insurance purchases amounted to $719,635,000, an increase of 16% as compared with the first six months of last year.

Monthly purchases of life insurance for June and the first six months in each of the last three years were reported by the Association as follows:

June Purchases

	1944	1945	1946	Increase 1946 Over 1945
		(000 Omitted)		
Ordinary	$771,832	$821,029	$1,340,743	63%
Industrial	270,719	258,971	338,999	31%
Group	172,850	136,264	183,743	35%
Total	$1,215,401	$1,216,264	$1,863,485	53%

First Six Months' Purchases

	1944	1945	1946	Increase 1946 Over 1945
		(000 Omitted)		
Ordinary	$4,237,094	$4,883,744	$7,759,824	59%
Industrial	1,656,555	1,620,668	1,996,104	23%
Group	860,226	620,637	719,635	16%
Total	$6,753,875	$7,125,049	$10,475,563	47%

"Time" Magazine Now 20c

Advanced on July 11 from 15 cents on newsstands. Yearly subscription raised from $5.00 to to $6.50. "Newsweek" also contemplates some increase at end of year.

It was announced on July 11 by "Time," the weekly news magazine that the price on July 15 and thereafter of a single copy purchased at newsstands would be 20 cents, instead of 15 cents. The action was taken reluctantly, the announcement states, but was necessary because of greatly increased costs. During the war years, the periodical clung to its original price of 15 cents. Yearly subscriptions which were held at $5, will now be raised to $6.50. Another news weekly, "Newsweek", which also sells for 15 cents per copy, is reported to have in contemplation a similar increase at the end of the current year when annual subscriptions will be at the rate of $6.50 instead of $5 as at present. "Life" magazine, which is published under the same auspices as "Time," has also recently advanced its selling price from 10 to 15 cents.

Reeves Bros. Inc. Com. Offered at $26½ a Sh.

An underwriting group headed jointly by Lehman Brothers and Commercial Investment Trust Inc., on July 16 offered to the public 383,819 shares of Reeves Brothers, Inc. common stock at $26.50 per share. The company is a prominent manufacturer of cotton textiles and the offering marks the first public distribution of its shares.

Of the offering 328,819 shares are being sold for the account of a group of selling stockholders. Proceeds from the sale of the remaining 55,000 shares together with the proceeds from an additional 15,000 shares which the company is offering for purchase to certain officers and employees will initially become part of its general funds. It is anticipated, according to the prospectus, that such net proceeds will be used, together with other funds, for the purchase of new machinery and equipment at an estimated cost of approximately $2,200,000.

The group of selling stockholders are Reeves family interests who after the sale for their account of the 328,819 shares will retain holdings in the company amounting to more than 550,000 shares of common stock.

Reeves Brothers, Inc. was organized in 1922 as the successor to a business founded by M. R. Reeves in 1919. The company and its subsidiaries constitute a vertically integrated cotton textile business, the operations of which extend from the purchase of the fiber to the production and sale of finished cloth. Products include special fabrics made from better quality cotton, used in the manufacture of work clothing, sports wear, rain and foul weather wear, shirting and dress goods and airplane cloth. The products of the company sold under advertised brand names include Byrd Cloth, Reeves Army Twill, Reeveking Gabardine, Marine Herringbone, Glengarrie Poplin, Mountain Cloth, Warrior Twill, Air Wing Fabrics and Pima King Broadcloth.

Gerard Smith in New York

Gerard S. Smith is engaging in the securities business from offices at 1 Wall Street, New York City. In the past he was with Jenks, Gwynne & Co.

Glore, Forgan Place North Amer. Car Stock

Public offering was made July 11 of 36,000 shares of $2 cumulative convertible preferred stock (without par value) of North American Car Corp. by an underwriting group headed by Glore, Forgan & Co. The preferred shares are priced at $51.50 per share plus accrued dividends, and are initially convertible into 1½ shares of common for each share of preferred.

Proceeds from the sale of the preferred shares, together with the proceeds from $3,600,000 of serial notes, will be used for the acquisition of North Western Refrigerator Line Co., redemption of certain equipment trust certificates originally issued by North Western Refrigeration Lines and for additional working capital.

The company, including its new subsidiary, is primarily engaged in the business of operating and leasing tank and refrigerator cars on a rental and mileage basis. On June 1, 1946, the company and its new subsidiary operated a fleet of 10,666 cars, of which 4,614 were tank cars and 6,052 refrigerator cars.

Upon completion of this financing, outstanding capitalization will consist of $2,812,500 of 2½% serial notes due 1946 to 1953; $3,600,000 North Western Refrigerator Line Co. 2¾-3% serial notes, due Oct. 1, 1946 to July 1, 1956 to be secured by a pledge of $3,600,000 North Western Refrigerator Line Co. equipment trust certificates; 36,000 shares of $2 cumulative convertible preferred stock, with a stated value of $50 per share, and $150,381 common shares, $20 par value.

Georgeson Admits Crocco

Edward A. Crocco has been admitted to partnership in Georgeson & Co., 52 Wall Street, New York City. He has been with the firm for several years. Mrs. Dorothy V. Seitz has withdrawn from partnership in the firm.

NAM Lays Production Losses To OPA

(Continued from page 338)

raising wages at least 18½ cents per hour without regard to increased production of goods has helped to hamstring business, but OPA could have averted much of the mischief by telling businessmen how much they could raise prices while pre-strike negotiations were still in progress."

The principal 1946 production losses tabulated by NAM purposely omit the reconversion losses of last year, and are as follows:

	Anticipated Production or Practical Capacity	Actual 1946 Production	Production Loss
Cars and trucks (6 mos.)	3,343,000	918,000	2,425,000
Steel ingots (5 mos., 1945)	36,302,560	21,705,341	14,597,219
Soft Coal (6 mos., 1945)	*297,425,000	*234,540,000	*62,885,000
Refined copper (5 mos., 1945)	*374,826	*178,610	*196,216

*Tons.

"The automobile industry, faced with the greatest market of its history, has been hardest hit by the strikes," Mr. Wason said. "Figures released by George W. Romney, President of the Automobile Manufacturers Association, showed that the industry had failed by 2,425,000 cars and trucks to reach its schedule for the first six months of 1946. Output was more than 73% behind schedule.

"General Motors Corp. announced July 10 that production was still hampered by 58 separate and distinct supplier strikes affecting production in nearly all divisions. In the highly integrated automobile manufacturing business, even one supplier strike can have a crippling effect on production.

"The tabulations showed that production of refined copper, upon which the entire electrical industry is dependent, was 52% behind 1945. The monthly report of the Civilian Production Administration for April said brass mill production had been reduced to 15% of capacity, copper wire mills to 25% of capacity, and copper rod mills to about 40% of capacity.

"Steel production has lagged more than 40% behind practical capacity. Inventories throughout this field were reduced to the vanishing point during June.

"Coal was 21% behind 1945 production, and the most recent report of the Civilian Production Administration said the American economy would 'bear the scars of the coal strike for a great many months to come.' The report added that 'the production of durable goods, including automobiles, has been set back at least three months by the coal strike, combined with other strikes.'

"The tragedy of all these production losses lies in the fact that most of them could have been prevented if our economy had been free. But caught in a vise between wage demands and stubborn government controls, unable to find out in advance what price adjustments could and would be made, management was forced to reject union demands and shut down production at a time when production is the only means of preventing a runaway inflation."

Paul R. Soule Joins Staff of A. R. Hughes

CHICAGO, ILL.—Paul R. Soule, recently discharged from the Navy with rank of lieutenant commander, has joined the organization of A. R. Hughes and Company, 120 South La Salle Street, middle-western representatives for the Lord-Abbett Group of Investing Companies. He will be active in wholesale work.

More Fallacies About Wages and Social Welfare

(Continued from page 335)

outdo one another in getting this or that fund set up or this or that provision approved which, allegedly, is for "social welfare" of his particular union or group. It is time, therefore, that some of the other wage and social welfare fallacies which confront the country be considered in the light of basic principles and real facts.

Fallacy of Inflated Wage Scales and Rigid Wage Demands

With the inflated wage scales which prevail today, it is becoming more apparent that, in the travail through which our economy is passing, there is no real chance for "collective bargaining," **except in name**, when labor and labor unions come to the council table with rigid demands that none of the so-called "social gains of labor" of the war period, and of 13 or 14 years of governmental coddling of labor, be minimized or given up. It goes without saying that these include all the wartime boosts in pay provided at a time when goods had to be produced at any price regardless of costs. As pointed out in the recent steel strike, the CIO demands for wages were staggering ones.[1] "In substance, you ask for nearly the same pay for 40 hours of work as is now paid for 48 hours, including eight hours of overtime at time and a half pay. That would amount to an increase of 22.1% in average weekly straight-time wages, with a 16⅔% reduction of productive hours per week and a consequent reduction in the weekly steel output per worker."

But as in steel so among automotive workers, meatpackers, bus drivers, electrical workers and others, the only point of collective bargaining seems to have been to push abnormally high wartime wages ever higher and higher, even though wages in most such industries have already increased much more than the cost of living in the period 1941-1946. In theory what capital and labor come to the bargaining table to bargain for is the cost of labor as a factor in production, the price which the laborer or labor union is willing to take for labor. But when the price of labor is set or determined in advance either by the laborer or trade union, or by a paternalistic government upholding or administering a one-sided Wagner Labor Relations Act, genuine collective bargaining becomes an impossibility and that which goes on is a farce.[2]

Flexible wages provide that in times of falling prices and increasing unemployment, wages as a cost of production should likewise fall, but because of the time-lag in wages they ordinarily will not fall as rapidly as prices, and hence provide for greater real wages as long as employment continues. Rigid wages or rigid wage scales, on the other hand, tend to remain fixed as production and employment fall off. As a matter of fact "rigid wages" have been defined and described by Joseph Shister in the following language.[3] In defining "wage rigidity" or "rigid wages," he says that critics of union wage policies have levelled the following criticism at such policies: "1. Union wage scales are not flexible enough with respect to a deflationary price level; 2. union wage scales are frequently 'too high' compared with nonunion scales in the same industry; 3. union wage scales are 'too high' for a declining industry. At bottom," he continues, "these criticisms simply signify that union wage scales are 'rigid' in a downward direction." In a "Note on Cyclical Wage Rigidity",[3] this same writer says "The term 'wage rigidity' will here have the following connotation: The greater the lag of the (cyclical) downward turning point in hourly wage rates behind the (cyclical) downward turning point in the volume of employment in a given industry, the greater the rigidity of wage rates in that industry." In general the terms "rigid wages" and "wage rigidity" are used in the above sense, but at times they may be used in referring to the time lag in wages in comparison with the fall in general prices as well as the decline in employment in a given industry.

We are still in an era of rising prices despite all that OPA has allegedly been doing to the contrary. But if prices are to be brought down through increased mass production in the fields in which the demand for goods is heavy, then one factor which may retard that downward movement in prices is the unreasonable and unreasoning demands of union labor for maintaining inflated and rigid wage scales or fighting for ever-increasing wage rates. If, as in the article of Professor Lutz referred to above, wage rates are too high or too rigid for employers to make as much use of labor as a factor of production as they would like to do; or, if they adopt the practice of substitution of other factors in place of labor insofar as they are able to do so when the cost of labor is too high, then labor in true collective bargaining should be willing to reduce the price of its factor, the wage rate. The fallacy of rigid wage demands, however, in the face of downward movements in production and employment is not recognized by the rank and file of labor, nor, as a rule, by labor leaders themselves. It is usually only after long periods of increasing unemployment or after an unsuccessful, protracted strike that trade union members more or less force the hands of their union leaders and cause them to permit rigid wage scales to be lowered.

The Fallacy of the "Forgotten Man"—New Deal Type

Another fallacy which has been brought into prominent relief in the recent strike tactics of John L. Lewis, is the almost entire misconception of the "Forgotten Man" as used by the late President F. D. Roosevelt in the early years of the New Deal, when compared and contrasted with the real "Forgotten Man" of William Graham Sumner, noted Yale scholar, in his more or less immortal essay on this subject some 50 years ago.[4] According to Sumner's conception of the Forgotten Man, when A and B put their heads together to see what C shall do for D, then C and not D is the real Forgotten Man. Giving more reality to these symbols, when A, the politician, and B, the social reformer, connive to see what C, the steady, self-supporting, middle-class taxpayer, shall do for the "underprivileged" members of society—the "ill-clothed, ill-housed, and ill-fed"—then certainly the latter group are not the Forgotten Men as Roosevelt would have us think, but instead the real Forgotten Man is the man C "who is never thought of. . . . He is the victim of the reformer, the social speculator and philanthropist," and if Sumner had lived through the 30s, he would have undoubtedly added the politician, the labor leader, and most labor economists to this list.

Put more vividly still to bring out the fallacy of the Forgotten Man as he was ballyhooed and misrepresented by New Deal propagandists, as over against the real Forgotten Man, when A, the late F. D. Roosevelt, the politician, and B, John L. Lewis, labor leader and erstwhile supporter of the New Deal and its head, put **their** heads together to see what C, the small coal producer, the consumer, and John Q. Public should **do for** the United Mine Workers' members, surely the latter were by no means the Forgotten Man or Men, —they were almost anything else but. Yet these were the ones for whom John L. Lewis was and still is fighting for their so-called "social welfare," with the public, the small producer, and the consumer of coal actually or potentially paying the bill. And the recent attempted hold-up of John L. Lewis for a royalty of 10c a ton on every ton of bituminous coal produced, which it was estimated would have amounted to from $50 to $60 million annually, shows how far this so-called labor leader is willing to go to make the Forgotten Man pay for Lewis's extravagances and for the alleged "social welfare" of his "forgotten men."

The Real Forgotten Man

Let's see more of Sumner's **Forgotten Man** in contrast to the Forgotten Man of the New Deal. "Now who is the Forgotten Man? He is the simple honest laborer, ready to earn his living by productive work. We pass him by because he is independent, self-supporting, and asks no favors. . . ." Even if "A and B put their heads together to decide what A, B, and C must do for D, there is never any pressure on A and B. They consent to it and like it. There is rarely any pressure on D because he does not like it and contrives to evade it. . . . The pressure all comes on C"—the Forgotten Man. If A and B agree to spend Sunday in a certain way . . . they get a law passed to make C pass it their way. They determine to be teetotalers and they get a law passed to make C a teetotaler for the sake of D who may drink too much" . . . If D gets drunk and falls into the gutter then C has to pay taxes for the support of the policeman who comes to pick him up. If the "poor and weak" are always objects of public interest and public obligation, the interest is on the part of A and B—the social reformers—and the obligation is always on C who pays the cost.

"He (C) does not appeal to the emotions or excite the sentiments. He only wants to make a contract and fulfill it, (contrast his position with that of present CIO and UMWA leaders)[5] with respect on both sides and favor on neither side. He must get his living out of the capital of the country. The larger the capital, the better living he can get. Every particle of capital which is wasted on the vicious, the idle, and the shiftless (Roosevelt's "underprivileged" masses, with votes to spare)[5] is so much taken from the capital to reward the independent and productive laborer. But we stand with our backs to the independent and productive laborer all the time. We do not remember him because he makes no clamor. . . ."[6]

"Who is, then, the Forgotten Man? He is the clean, quiet, virtuous domestic citizen, who pays his debts and his taxes and is never heard of out of his little circle. . . . The Forgotten Man is delving away in patient industry, supporting his family, paying his taxes (always paying), casting his vote, supporting the church and the school, reading his newspaper, and cheering for the politician of his admiration, but he is the only one for whom there is no provision in the great scramble and the great divide. . . ."

The New Deal and The Real Forgotten Man

What have administration circles done for this Forgotten Man during the past 12 or 14 years? His thrift is no longer a virtue, and his savings are a menace to the proponents of a "mature economy." He votes, but his votes do not count much when compared with the "votocracy" which the New Deal has built up out of its squandering of billions of taxpayers' money on relief, whether needed or not, and on every imaginable type of spending program. His voice, taken in the mass, is inarticulate. He has no lobby in Congress. When 12 million lower income taxpayers are removed from the tax lists in an election year, his taxes are actually raised, although direct and indirect inflation have already cut heavily into his sources of income and his real earnings. But to continue with Sumner for another paragraph:

"Such is the Forgotten Man. He works, he votes, generally he prays—but he always pays—yes, above all, he pays. He does not want an office; his name never gets into the newspaper except when he gets married or dies. He keeps production going on (except when labor leaders like Walter Reuther, Harry Bridges, John L. Lewis, 'drunk with power,' stifle all production to gain their ends.[5] He contributes to the strength of parties. He is flattered before election. He is strongly patriotic. . . . He is a commonplace man. He gives no trouble. He excites no admiration. He is not in any way a hero—like the popular orator; or a problem—like tramps and outcasts; nor notorious—like criminals; nor an object of sentiment—like the poor and weak; nor a burden—like paupers and loafers; nor an object out of which social capital may be made—like the beneficiaries of church and State charities; not an object of charitable aid and protection—like animals treated with cruelty; nor the object of a job—like the ignorant and illiterate; nor one over whom sentimental economists and statesmen can parade their fine sentiments—like inefficient workmen and shiftless artisans. Therefore, he is forgotten. All the burdens fall on him, or on her, for it is time to remember that the Forgotten Man is not seldom a woman. . . . It is plain enough that the Forgotten Man and the Forgotten Woman are the very life and substance of society."

I have quoted at length from this fruitful and thought-provocative source in order to bring out into bold relief the real character of this Forgotten Man. Nurtured as we were 30 and 40 years ago at Yale by this sort of milk, is it any wonder that many of us can with difficulty stand by quietly, when the very exceptions to and the very opposite of what the real Forgotten Man is are held up to view as the "poor and weak" whom the middle-class, white-collar Forgotten Men and Forgotten Women today are called upon to help and support? The New Deal's Forgotten Men **are** the "tramps and outcasts," the "criminals" the "poor and weak," the "paupers and the loafers," the "ignorant and illiterate," the "jobless" and the "inefficient workmen and shiftless artisans." Are not these the very "ill-fed, ill-clothed and ill-housed" we have heard so much about, and for whose "social welfare" we must make such outlays of taxes and relief funds?

The Fallacy of Trying to Abolish Poverty

Another fallacy concerns itself with that vague and nebulous term "Social Welfare." We are told that social welfare will be greatly advanced when poverty is abolished. That is like striking at nothing in thin air, for after all, poverty is nothing, and as Keller has so graphically put it in "Man's Rough Road":[7] "It is a basic fact that men start with nothing. What needs explanation is not poverty but wealth." You, i.e., society, can abolish wealth; it can abolish property; it can abolish capital, but "Poverty is not 'caused' by others' oppression; it is there, as a zero-line from which all departure toward wealth is reckoned. You do not need, even now, to be told how to become poor any more than how to fall down an elevator shaft; all you have to do is to let yourself go, and the nature of things will take care of the rest. It is the movement in the other direction that calls for effort and schooling. That which has led us to where we are is not the beckoning of a plump and genial angel . . . but shrewd prods from the sharp stick of Necessity, from behind. And the features of necessity are those of Hunger and Want."[7]

A former colleague of mine in the Foreign Service of the Department of State went down to Washington in the early days of the New Deal to help "save the country." By 1935 he had become so imbued with the "new philosophy" being peddled around there that he broke forth into print with a new book entitled "Farewell to Poverty." His arguments are not worth going into here. He became a great advocate of the slogan of his chief—Henry a Wallace—"human rights vs. property rights." A later book on Nudism caused him to part company with Wallace and the FEA, but his earlier effort in the field of "abolishing poverty" must have been appreciated! The fallacy lies in the fact that this simply cannot be done as long as human beings are human beings. John L. Lewis got a form of "welfare fund" which may, if not rigidly guarded, be used more for the welfare—political and/or union-wise—of John L. Lewis than for the "poor and weak" United Mine Workers! But stark and bitter poverty will still knock again at the door of miners and other laborers alike when depressions come, and when strikes are unsuccessful and disastrous from the point of view of the strikers concerned, despite all the so-called "social gains of labor." Let thrift again come into its own and poverty will take care of itself without having to be "abolished."

[1] In article on "Living Wage Standards Fallacies," "Chronicle," Dec. 20, 1945, quoting Mr. John A. Stephens, Vice-President of the U. S. Steel Company.

[2] Cf., Article by Professor Harley L. Lutz, in "Chronicle" for Jan. 3, 1946, on "Wages, Profits and Prices."

[3] Quoted in an article by the writer on "Rigid Wages, Unionization and Reconversion Problems," in "Chronicle," Jan. 25, 1945, from two articles by Joseph Shister in "Quarterly Journal of Economics" and "The American Economic Review."

[4] In "Selected Essays of William Graham Sumner," edited by A. G. Keller & M. R. Davie, Yale University Press, New Haven, 1924, pp. 257-281; quoted hereinafter by special permission of Yale Press and Professor Keller.

[5] Parenthetical additions made by the writer.

[6] Sumner, *op. cit.*, pp. 264, 268, 270, 278. Quoted in detail and paraphrased with special permission of Yale Press and of Albert Galloway Keller, literary executor of the late W. G. Sumner.

[7] A. G. Keller, published by the Frederick A. Stokes Company and Yale University Press, 1932, pp. 83-84. Quoted with permission.

Delafield & Delafield to Admit H. Allen Wardel

Delafield & Delafield, 14 Wall Street, New York City, members of the New York Stock Exchange, will admit H. Allen Wardle, a member of the Exchange, to partnership on Aug. 1. Mr. Wardle has been doing business as an individual floor broker.

Problems In International Trade Relations

(Continued from page 337)

a certain amount of the wartime work could not be discontinued immediately, and those functions, the most important of which was the administration of export control, were transferred to the Department of Commerce. At just about that time, the Secretary of Commerce decided he would separate the foreign work from the domestic work in the old Bureau of Foreign and Domestic Commerce. A logical merger then took place between that part of the wartime FEA transferred to Commerce and the foreign work of the Bureau of Foreign and Domestic Commerce. It is the merger of those two groups that is the historical background of the Office of International Trade. And through this new office, there were thus preserved some of the benefits of concentrating foreign economic operations in one part of this government.

During the war the foreign work of the Bureau of Foreign and Domestic Commerce had quite naturally been very much curtailed. The ordinary services to exporters and importers had been relegated to the background and war activities had been given priority. A great backlog of information from the Foreign Service had accumulated but had not been fully analyzed or sent to the trade. What we want to do now is to modernize the service to the trade, bring it up-to-date, and especially to try to make it fit the changed world situation that we see ahead in the conduct of foreign trade.

New Problems in Foreign Trade

This brings us up against the fact that foreign trade as carried on today involves so many new and difficult problems that we may have to change quite considerably the nature of some of our services. I am sure we shall have to supplement them with other activities.

What I have in mind is the fact that throughout the world today foreign trade must be carried on within the limits of rather definite programs and controls administered by the officials of the governments of the countries with which we do business. Those programs vary from very firmly set schedules, such as you find in countries like the U.S.S.R., Poland and the Balkans, and, to some degree, in Czechoslovakia, to the limited controls and more general programs such as there are in France, Belgium, England and Holland. There are also the exchange controls of some of the South American countries which are administered in such a way as to result in a kind of predetermined program of trade.

Where there is limited foreign exchange, it is considered paramount public policy that the state direct its use only for the purchase of imports or services essential for the rehabilitation of industry, agriculture, and transportation. Luxury imports are forbidden. Where the threads of commerce have been almost completely broken or destroyed by war, it is considered desirable that the state should take the initiative in joining them together. Where it is considered advisable to obtain more foreign exchange by increasing exports, the state is taking steps to establish a predetermined level of exports.

Demand for American Products

Irrespective of these controls and programs, there is throughout the world, as you all know, a tremendous demand for American products. And despite these controls our figures show that U. S. exports are running now at a rate of $9.150 billions in value a year. Our total exports are running more than three times the value of pre-war exports, and our commercial exports, exclusive of UNRRA shipments, more than double the value of pre-war. This is also despite shortages, despite export restrcitions maintained because of those shortages, and despite import restrictions and exchange shortages abroad. England, straining every economic nerve, is exporting at only one-fourth above her pre-war level. That, however, is a remarkable achievement considering the shattered state of her economy.

Our study of estimated foreign requirements indicates that the present rate of U. S. exports will continue at least through the end of the year. A breakdown of these estimated requirements shows that this year American commodities may be sent abroad in about the following amounts:

- $894,000,000 worth of edible animal products;
- $148,000,000 worth of inedible animal products;
- $994,000,000 worth of vegetable food products;
- $560,000,000 of inedible vegetable food products;
- $1,029,000,000 of non-metallic minerals;
- $1,042,600,000 of metals and manufactures;
- $3,419,000,000 of machinery and vehicles;
- $736,000,000 of chemicals and related products; and
- $417,000,000 miscellaneous.

In order to maintain and later to increase this present rate of over $9 billions per year in exports (which, incidentally, involves the employment of an estimated four million persons) we must do far more than just offer our merchandise. It is going to be necessary for us not only to bend every effort to obtain relaxation of controls, but we must endeavor to influence the foreign trade programs of other lands so that they fit with what we have to offer and with what we want to obtain.

Referring now to the newer and supplementary services that we want to perform for the foreign trade community. I want first to point out that many of these activiies must obviously be carried on coordinately with the State Department and through the medium of the Foreign Service. We must arrange for closer contacts and, on a reciprocal basis, for the exchange of economic and statistical information between our Department of Commerce and the Ministries of Commerce and Foreign Trade in other lands. We must learn what we can about the general foreign trade programs of all countries; we must become familiar with the basic thinking which is back of the formation of these programs if we are to find ways and means of influencing them so that they fit better with the interests of American trade.

We already know that in many countries the persons in charge of the foreign trade programs are quite willing to discuss their plans and to explain freely and frankly the thoughts back of their plans. We know that the details of the programs can be changed by negotiation to fit better with what America has to offer and with what America wants to obtain from these countries.

Our Future Trade Policy

In order to carry on this work of paving the way for easier trade between the U. S. and other lands, we want to establish a relationship with our own foreign trade community and with industries interested in developing new foreign trade that will permit us to act as the advocate of American commerce in establishing U. S. policy and in negotiations pertaining to Commercial treaties, loans, the relaxation of controls and in the official discussions of the trade programs of other countries. We want to interpret to the trade the reasons for American policy and the reasons why certain programs and controls may still be considered necessary here and in other countries. We want to carry the advocacy and representation of American commerce into the new international organizations related to the United Nations, particularly the Economic and Social Council and its specialized agencies—the Bank, the fund and the proposed International Trade organization. The OIT should perform the same services for U. S. business in these international agencies that it does within the national government.

We must arrange for the visits of American businessmen to be related to the programs of foreign trade. This applies particularly to areas in which the physical facilities are very limited and in which, through our embassies or through the U. S. Army, we can in some cases be of assistance.

You are all aware of the policy of this Government in connection with the State Buying Missions that are resident in the United States. As you know, all countries have been asked to wind up these missions by the end of the transition period. But there still remains the problem of doing business with countries whose foreign trade is nationalized and who will carry on state buying from abroad. This points up one of the great general problems of post-war foreign trade which is how our free enterprise system is to do business easily and freely with nationalized and fully controlled economies.

A Formula Against Economic Blocs

We must find a formula that will make this possible. To fail to find the formula will not only mean less business for us but will do more than anything I know of to help create separate economic blocs which is the last thing that any of us want to see happen. *Economic blocs mean economic warfare and peace and economic warfare are incompatible.*

With these objectives in mind, we are working on proposals regarding commercial reporting and other activities of the Foreign Service which we plan soon to submit to the State Department. We are setting up new trade Advisory Committees that will help us guide negotiations pertaining to the relaxation of controls and possible modification of the foreign trade programs of other countries. We are analyzing the material that is coming in from the field so that discriminations against American interests may be quickly picked up, and so that we can go into high gear to help eliminate them. We are also working on ways and means of helping our businessmen meet the situations that have been created by nationalized trade in some areas of the world. We shall try to hold an umbrella over the American businessman that will make it possible for him to trade on a reasonable basis in these countries. This last part of our program of work is the most difficult, and I am frank to say that we have not fully solved the problem of finding the best way of helping in some of these situations, but we are working hard on the matter, and I feel quite confident that we are going to be of some assistance on this most important aspect of future American trade with many countries.

Trade With Occupied Areas

There is also a specialized field with which we are concerned. We and our allies have established military controls in the occupied areas and one of the objects of my recent visit to Central Europe was to try to find ways to deal with the control commissions in these areas.

The problems and difficulties of the occupation are mounting daily. Economic and business activtiy in the occupied countries is grinding slowly to a standstill and this increases the difficultes. I seems self-evident that one way of easing the problem is to find ways of getting goods in and out of the occupied countries. Doing business with control commissions is a new trick and the foreign trade community of the United States has not had much opportunity to learn about it. I spent a week in Berlin acquainting myself with the problem and trying to do something about it. I brought back my findings and have discussed them with the War Department and the Department of State. I am very hopeful that we shall soon work out a formula for doing business in the occupied areas which will satisfy the military and political considerations and will not impose too great a hardship on the business community of this country.

Importance of Future Foreign Trade

I do not have to stress to this group the importance to our economy of foreign trade. But I do want to bring out one especially important aspect of the present supply and demand situation pertaining to foreign trade. We are keenly conscious today of the shortages in the U. S. and the bull market for all kinds of goods; but, already, in some of our most important heavy industry fields, such as, for example, railroad equipment, some types of machine tools, and later on communications and power equipment, we can see looming up a substantial surplus capacity. If foreign markets are not found for those goods, we are faced in the near future with cutbacks, and with considerable dislocations of employment. Representatives of some of these industries have been in to see us and have given us figures showing that right now they are up against the question of changing their schedules of production. The interesting part is that this productive capacity is for goods which are badly needed abroad. We are working hard on the job of helping to find a way whereby this surplus capacity in the U. S. can be quickly fitted in with the high priority needs abroad. We must do it quickly enough so that we don't have a lot of dislocations at home, and so that we can contribute quickly to the rehabilitation and construction problems abroad.

We are applying ourselves to this task and to the other objectives I have mentioned. Whatever contributes to the cushioning of reconversion cutbacks, or the easing of political tensions by developing easier economic relationships those are the factors that make your work and ours the most interesting and challenging that I know.

Bank and Insurance Stocks

By E. A. VAN DEUSEN

This Week—Insurance Stocks

The accompanying tabulation shows that out of a list of 30 leading and popular fire insurance stocks, only one is currently priced above liquidating value, viz: St. Paul Fire & Marine. The other 29 stocks are priced at moderate to substantial discounts from liquidating values. The average current ratio of market to liquidating values as of Dec. 31, 1945, is .78 for the 30 stocks.

	Liq. Value 12-31-45	Asked Price 7-10-46	Ratio, Market to Liq. Value
*Aetna Insurance	$78.89	$59	.75
*Agricultural Insurance	118.60	84	.71
American Equitable	47.01	23½	.50
Baltimore American	10.39	8⅛	.77
Bankers & Shippers	135.26	80	.59
*Boston Insurance	87.06	67	.77
Camden	29.11	25	.86
City of New York	33.12	27¼	.82
*Continental Insurance	67.88	55⅜	.82
*Fidelity-Phenix	75.77	58⅞	.79
*Fire Association	92.36	64	.69
*Fireman's Fund	123.95	116¼	.94
Franklin Fire	30.91	26¼	.85
*Great American	46.55	32⅞	.71
Hanover Fire	45.90	31⅛	.68
*Hartford Fire	140.61	127¾	.91
*Home Insurance	39.00	32¾	.84
*Insurance Co. of North America	110.71	105	.95
*National Fire	98.01	70	.71
National Liberty	9.52	7⅞	.83
New Brunswick	43.48	35	.80
*New Hampshire	57.63	55	.95
New York Fire	31.62	16¼	.51
North River	31.23	25⅛	.80
*Phoenix	122.78	89½	.73
*Providence Washington	53.43	42½	.80
*St. Paul F. & M.	73.65	80	1.09
*Security of New Haven	57.04	37¼	.65
*Springfield F. & M.	167.00	122½	.73
U. S. Fire	74.96	61	.81
Average of 30			.78

*Consolidated basis.

Examination of the table shows that 16 stocks are selling above the average ratio of .78, while 14 are selling below. Outstanding in the first group are St. Paul, Insurance of North America, New Hampshire, Fireman's Fund, and Hartford Fire, each of which has a ratio above 90%. In the below-average group, American Equitable has the distinction of being priced at 50% of liquidating value, and New York Fire comes next at 51%. Both of these are in the Corroon & Reynolds group of companies. Third lowest is Bankers & Shippers with a ratio of 59%.

Home and Franklin normally are priced at a premium to liquidating value, but both dropped below in 1944-1945 when the management changed its investment policy and went heavily into Governments during the war. North River is another stock that has rather consistently been priced above liquidating value, but which has sold at a discount since early in 1944.

Some market likes and dislikes are difficult to explain. National Fire, for example, has an excellent long term record of earnings and dividends, yet consistently, year after year, it sells statistically one of the cheapest of the old-line Hartford Stocks. Marketwise, it is usually a laggard in this group.

Generally speaking, liquidating values have increased substantially during the war years, including 1945, but the market has failed to keep pace. Heavy fire losses in 1944, 1945 and thus far in 1946, help to explain this reluctance on the part of the market to recognize high liquidating values. Eventually, of course, the fire loss trend will recede and underwriting results improve. Investment income has not only been well sustained, but with many companies has shown satisfactory expansion throughout the war period.

It is of interest to remark that invested assets per share of these 30 companies average approximately 15% more than liquidating values, consequently the investor in insurance stocks today may average approximately $1.50 of invested assets for each dollar invested in the stock of the "average" company. And since these invested assets produce the investment income upon which most fire insurance companies predicate their dividend policy, this ratio is of significance.

Our New and Revolutionary Problems

(Continued from page 340)

at leas. part of his message to the Congress, in describing the perils of an inflationary spiral. But Mr. Truman is 10 years late in admitting to the people that the inflationary policies of the New Deal threaten skyrocketing prices, impossible rents, and destroyed savings. The working man may feel happy over his wage increase but his wife knows when she tries to buy food for the family and clothes for the baby that his pay is actually less because it buys less.

In every country that suffers from inflation, prices always go up faster than wages. In Germany, after the first war, inflation reached a point where her farmers found it useless to bring their produce to market, because all they received for it was a useless bale of paper money. Every intelligent American farmer realizes that he also has a stake in this vital problem.

Mr. Truman, in his message to the Congress, is still advocating the emergency stop-gap of price control. Price fixing alone is like pulling down the window shades so that the public can't see what is going on inside. It is the bad system of treating the symptom instead of the disease. And the OPA was doing a poor job at that in preventing steady price increase and "black market" increase.

Of course, we needed a wartime control of prices which should have included wages. But from the first there were too many in the OPA more interested in establishing it as a permanent agency to make America over than in the job the Congress originally created it to do. Therefore, much of its failures were of its own making.

The observant citizen is aware of an overdrawn propaganda to instill fear in the minds of a people already bewildered by our discordant Democratic administration. Certainly there is no evidence to support President Truman's and Mr. Bowles's prediction that unless total OPA was continued there would be chaos.

We are living once again a more normal American economic life. The OPA discontinuation has not been the disaster predicted by administration spokesmen. Certainly events since the discontinuation of the OPA do not warrant a continuation of the stiff and arbitrary wartime control, either in the OPA or other government agencies, which the President is requesting.

We undoubtedly need price control on such items as rents. But most of all, we need an administration that will make even temporary controls work. An intelligent OPA would have prevented the present distressing housing shortage. The Congress has been studying this question for months. I do not believe it will be stampeded by the ill considered action of the President or by the ballyhoo of government agencies. The Congress is right in its determination to gradually remove war time controls which prevent prudent men from attempting to make sensible adjustments to economic and political trends.

A Republican Program

We Republicans must stand for a positive program dealing with the fundamentals of stopping inflation. Those fundamentals are economy in government and higher federal taxes in the program of balancing the federal budget. All tax statutes, however, should be carefully drawn to encourage full production of the goods we need.

For 13 years, more and more government control has been the only answer the Democratic coalition could give to each recurring "Jerry built" crisis. The people have been brought by slow degrees to regard that situation as commonplace.

Poor Mr. Truman is doing the best he can. It is all too evident that his heart is not in his job of trying to carry out the policies of his predecessor, which he does not fundamentally believe in. As a matter of fact, our government has grown too big for one man to successfully administer. That is, if we are to remain a Republic.

What we need is a restoration of confidence that American industry can and will produce the goods we need. We cannot have this confidence as long as government keeps its bungling hands clamped so tightly on American business and agricultural life. Economic blueprinting has had an effect on business opposite to the proclaimed objective of the New Deal. It has resulted in big business growing bigger. Small business has been driven to the wall by restrictive policies. Bureaucratic stimulation of monopolistic combinations must be stopped by a government program which encourages competition.

Just as soon as we can be assured that the normal American economic way will prevail—that American industry will be encouraged by government policies to produce—that our American dollar, free from crack-pot meddling, remains sound—then the greatest danger of inflation will be eliminated.

Thirteen years ago the very persons now almost hysterical when confronted with the dangers they have created were boasting of their plans to make America over with a managed currency and a planned prosperity.

Where were these fellows who are now shedding crocodile tears about the evils of inflation during the 13 long years when deliberate deficit spending, and buying votes from pressure groups with public funds were consistently undermining the value of the American dollar? I don't remember their backing me up 10 years ago when I was warning the American people of the impending danger to America and the world inherent in the democratic coalition's fiscal policies. Government deficit spending has done more to cause inflation than anything else.

Deficit Spending Produced Inflation

The very articulate administration mouthpieces, who are now shouting from the housetops about the evils of inflation, themselves participated in that crime against the American people. In fact, they invented a weasel word—"permanent deficit spending"—to cover up what they were actually doing. They said the government had controls to prevent inflation. They are now assuming that the memory of the public is exceedingly short. I said no administration—especially one as politically minded as the Democratic coalition—would have the guts or the ability to use these controls in time, that American economic life was too big and too complex for a hodgepodge of conflicting government bureaus to plan efficiently for its management.

These totalitarian politicians who misuse the label liberal and play fast and loose wi h the truth

REPORT OF CONDITION OF

Underwriters Trust Company

of 50 Broadway, New York 4, New York, at the close of business on June 29, 1946, published in accordance with a call made by the Superintendent of Banks pursuant to the provisions of the Banking Law of the State of New York.

ASSETS	
Loans and discounts (including $3,663.68 overdrafts)	$15,621,560.89
United States Government obligations, direct and guaranteed	16,666,106.04
Obligations of States and political subdivisions	74,750.00
Cash, balances with other banking institutions, including reserve balances, and cash items in process of collection	8,352,785.73
Banking premises owned, (none), furniture and fixtures and vaults	1.00
Other assets	96,489.62
TOTAL ASSETS	$40,811,693.28
LIABILITIES	
Demand deposits of individuals, partnerships, and corporations	$20,267,406.72
Time deposits of individuals, partnerships, and corporations	5,413,317.05
Deposits of United States Government	4,245,251.63
Deposits of States and political subdivisions	5,513,119.19
Deposits of banking institutions	651,510.00
Other deposits (certified and officers' checks, etc.)	1,819,258.44
TOTAL DEPOSITS $37,909,863.03	
Other liabilities	298,089.35
TOTAL LIABILITIES (not including subordinated obligations shown below)	$38,207,952.38
CAPITAL ACCOUNTS	
Capital†	$1,000,000.00
Surplus fund	750,000.00
Undivided profits	853,740.90
TOTAL CAPITAL ACCOUNTS	$2,603,740.90
TOTAL LIABILITIES AND CAPITAL ACCOUNTS	$40,811,693.28

†This institution's capital consists of common stock with total par value of $1,000,000.00.

MEMORANDA	
Pledged assets (and securities loaned) (book value):	
U. S. Government obligations, direct and guaranteed, pledged to secure deposits and other liabilities	$7,506,502.14
Other assets pledged to secure deposits and other liabilities (including notes and bills rediscounted and securities sold under repurchase agreement)	74,750.00
Assets pledged to qualify for exercise of fiduciary or corporate powers, and for purposes other than to secure liabilities	150,000.00
TOTAL	$7,731,252.14
Secured and preferred liabilities:	
Deposits secured by pledged assets pursuant to requirements of law	$7,540,209.76
Deposits preferred under provisions of law but not secured by pledge of asests	3,969,165.64
TOTAL	$11,509,375.40

I, WILLIAM D. PIKE, Secretary of the above-named institution, hereby certify that the above statement is true to the best of my knowledge and belief.

WILLIAM D. PIKE.

Correct—Attest:
C. W. KORELL
PERCY C. MAGNUS } Directors
J. B. V. TAMNEY

remind me of the man who after murdering his father and mother pleaded for clemency on the ground that he was an orphan.

The working man should interest himself in more and better goods in exchange for a week's work. He is now being tricked out of bona fide wage increases by money manipulations of the New Dealers. Experience of ancient and modern history shows inflation is really a slick device for slashing real wages.

The scheme in modern dress was cooked up by the master-mind behind the New Deal, Lord Keynes. The victims of this scheme, incorrectly described by its sponsors as money management, are the working men, pensioners and all others with fixed income.

Using subtle academic double talk, Lord Keynes gave a blueprint of this gigantic hoax in his book.

Whether the dumb New Dealers intended it or not, their fiscal policy is a way of cutting your wages—cutting your pensions—cutting the value of your savings—while promising the more abundant life.

As the day of reckoning inevitably approaches, clever political manipulators are undertaking a shift play by blaming quarrels between labor and management so that the confused worker will miss the fundamental cause and forget who really trimmed him.

The rank and file of thrifty and industrious American citizens need to be rescued from phony prophets and false leaders.

It is sheer folly for our nation, the most successful in history, to emulate collectivist patterns of weaker and less successful nations like Russia and Great Britain. Of course we will have good times and bad times, but the forgotten man in the worst slump in the United States had a higher standard of living left and more security than the Russian Communist proletariat today. England is now trying to combine the totalitarian state and political liberty. If it works successfully, it will be the first time in all history. We wish them well and Capitalistic America is about to subsidize this Socialist experiment.

In spite of the confused leadership of the Democratic coalition that has snarled our economy, Capitalistic America is able to pour out charity to all the nations of the world while Communistic Russia maintains the iron curtain to prevent the world and especially their own people from discovering the facts of the pitiful failure of Communism. After 15 years of preparation for war, Capitalistic America had to save her.

Despite one strike crisis after another, there are no inherent defects in our Republic that sound government policies will not cure. The surest way for labor to keep its social gains is to vote for those policies. The sensible observant citizen now sees the elementary truth, that there is a direct connection between soaring living cost and an unbalanced budget, between world peace and a financially sound America.

The pattern of American progress is distinctly our own. It has proven to be an invincible combination in peace or war. No greater proof can there be than our ability to stand 13 years of government by well meaning but never-do-well-intellectuals peddling quack remedies and claiming fake progress.

No Catering to Minority Groups

As far as I am concerned I am opposed to the Republican party catering to any minority pressure groups to win the next election. The Republican party does not have all the answers to the enormous and revolutionary problems confronting us. But here are a few simple but comprehensive principles of government we must stand for:

America doesn't need a voluminous planned economy designed to permanently fence in American labor, industry and agriculture as he does need to return to time-tested simple principles of Republican government. They are so simple that some of the modern superficial Liberals will probably sneer at them as platitude.

I do not mean an administration should not be studying and formulating a long-range policy to meet such revolutionary problems as the mechanical cotton picker threatens to create in changing the present occupation of millions—or the atomic bomb in peace or war.

I do mean that a competent and efficient administration would not allow the day-by-day events to form its policies, as has been true of the Democratic coalition. Instead of formulating the broad outlines of national and international policies and working in that direction, we have had for 13 years an erroneous "quarterback" theory of government. That has brought us to the brink of catastrophy, both at home and abroad.

We have had 13 years of White House leadership that has based action on political strategy. That "slick" way has failed to solve our labor, agricultural and employer problems—nor is it the road to a peaceful world. The Republican party—if the country is to be saved—must nominate for President a man who will base action on principle. As far as I am concerned that is the first requirement in our next Presidential nominee.

We need an administration that understands and carries out the basic principles of a Republican form of government. Over this period of 13 years of "slick" "quarterbacking" our cabinet meetings have become a joke. No longer does the cabinet meet to obtain a picture of the whole and formulate a policy. Each member has become a representative of a pressure group. The Secretary of Agriculture represents one group. The Secretary of Labor represents another group.

The Pearl Harbor investigation brought out at least one terrible fact. From Secretary Stimson's testimony it is clear that the Secretary of War did not know what the Secretary of State was doing until he called up to find out. It is clear that the Secretary of State was pursuing a policy without knowing whether the War Department was able to back him up, and the War Department did not know what the Secretary of State was doing that they might be called upon to back up.

To cap the disgraceful management that led to the Pearl Harbor tragedy—a spot that will never come out on the record of every high ranking army and navy officer who had any connection with it—the only record that was kept of any conversation between cabinet members was that of Secretary Stimson—who was old fashioned enough to keep a diary.

The Secretary of Agriculture did not think that food was a political weapon. Secretary of State Byrnes accepted Secretary Anderson's view until he awoke from his coma. In other words, we had the policies of the Secretary of Agriculture prevailing for awhile in our international relations—instead of the policies of the Secretary of State. The latest example of the erratic character of the national administration is President Truman's veto of the OPA bill, which the loyal and devoted administration leader in the Senate — Mr. Barkley — and the Speaker of the House—Mr. Rayburn—had some hours before urged the Congress to pass and personally urged the President to sign.

Therefore, America will benefit immensely from a return to the system whereby the cabinet meets as a committee of the whole rather than as representatives of special groups, and the executive and legislative branches of the government work coherently.

I hope the Republicans in the Congress support Senator LaFollett's bill to bring the machinery of the Congress up to date. As Raymond Moley said, "It is no exaggeration to say that this bill is the most constructive measure to improve the efficiency of the national legislature that has appeared in 100 years."

America needs an administration that is not rendered impotent—by its internal political and economic feuds—to deal effectively with the postwar reconstruction problems and the obligations it has assumed abroad.

The public interest demands that labor be able to bargain collectively on an equal basis with the employer. That calls for unionism. But the public must be protected by our national administration from coercion and squeeze by huge labor unions and management monopolies alike. Neither has the right to imperil public health and safety. After all, labor is a component part of the public, so is management.

It is evident that public interest requires a basic labor policy. It is evident that a friendly and fair administration will come nearer developing a workable program than an administration with a punitive attitude towards either side.

America needs an administration that will take vigorous steps to clean out the Communist traitors that now infest many departments of our federal government. Lenin said that America was the greatest obstacle to world revolution and that the destruction of the value of American money and American savings was the way to conquer America, and that is just what the New Deal, consciously or unconsciously, has been doing for 13 years. The election of a Republican President and Congress would be notice to every disloyal Communist and fellow traveler to pack up and get out. We need an administration that will unequivocally make it plain that friendly firmness with Russia does not include toleration of her unfriendly fifth column activities in America or her undeclared war of aggression throughout the world.

All issues in the end are tied to a sound dollar. America badly needs an administration that knows where the money comes from and how hard it is to get. An administration whose philosophy is not to encourage Americans and foreigners alike to grab continuously from the United States Treasury with the idea that the sky is the limit. An administration that will not double cross the American people by continuous misstatements of material facts with intent to deceive.

There is nothing the matter with the United States that a little common sense and a little common honesty on the part of its political leadership will not cure. As Adam Smith said, "Any nation can stand a lot of ruin." Especially that is true of the great American people.

We must constantly inspire the qualities of individual initiative and self help, which made us the most powerful nation in the world and gave the American people the largest measure of happiness of any people in the world.

The postwar promise of American life can indeed be bright if we, the people, make intelligent decisions and come to grips with our problems.

Mutual Funds

Entente Cordiale

There was a time not so long ago when the big banks (and some of the little ones) looked down their noses at the mutual funds. "Never heard of it!" and "Oh, you don't want to get mixed up in anything like that!" were stock answers which many bankers gave their clients who asked about this or that mutual fund.

But times have changed for the better. Just to keep the record straight, the Boston banks were among the first to establish an "entente cordiale" with the open-end investment companies. The Pennsylvania Company cooperated early with the funds in the Philadelphia area. But the New York banks were, in the main, slow to extend a hand of welcome.

An important reason for this, perhaps, was the existence until just a few years ago of a thoroughly stupid New York State tax law affecting the operation of mutual funds. Until this law was repealed, the New York banks had little contact with the mutual funds in that area because most of them moved to Jersey City in order to avoid the hamstringing New York State taxes.

More recently the cooperation between the New York banks and the mutual funds has reached the gratifying point where several of the largest and best known banks have accepted the custodianship of mutual fund assets. The Guaranty Trust Co. and the Bank of New York are both in this category.

Within the past fortnight **Group Securities** with assets of approximately $120 million announced that the First National Bank of New York will become the new custodian and registrar of the fund on Aug. 1, 1946. This new relationship will bring into "partnership" one of the largest and fastest growing of the mutual funds with one of the best-known, top-rated banks in the country.

New Publications

A new quarterly, "The Prudent Investor," isued by the Trustees of the **George Putnam Fund** made its first appearance late last month. It is fully on a par with the other excellent material issued by this group and will undoubtedly find a large and appreciative readership among investment dealers and their clients.

The Putnam Trustees have this to say about their new publication:

"The idea of 'The Prudent Investor' has been germinating in our minds for some time. We have felt the need for a type of communication more informal than our regular quarterly reports and one in which we could from time to time discuss subjects of general interest to the beneficiaries of this Fund and to other investors.

"As stated on the masthead, this little publication is directed 'men and women interested in the prudent investment of money.' It is primarily for the 'Main Street' rather than the 'Wall Street' investor.

"The name — 'The Prudent Investor' — seems appropriate: First, because it reflects the basic investment philosophy of the Putnam Fund, and second, because the term first came into prominence as a result of a famous decision in 1830 by Mr. Justice Samuel Putnam of the Massachusetts Supreme Court, a great-great-grandfather of the Chairman of the Trustees of this Fund. This decision laid down the basic guideposts for the so-called 'Prudent Man Rule' under which trustees in this Commonwealth and in a steadily growing number of other states conduct their business.

"The problem of the investment of your savings is a serious matter and an increasingly complicated one, too. It is much more than a matter of dollars and cents. Your investment savings are truly 'yesterday's sacrifices and tomorrow's hopes.'

"We think that most people are genuinely interested in improving their investment programs. If, in addition to bringing you news about this Fund. 'The Prudent Investor' can also make some modest contribution towards helping you plan your financial future more skillfully, we will feel amply repaid for our efforts."

* * *

In connection with its new planned investment program, **Keystone Co.** has issued the first of a series of bulletins entitled "Keystone Formula Plan Investing." The first bulletin explains in detail why accounts should be rebalanced at 90-day intervals. Because of the many important points covered, we shall not attempt to summarize it here. Instead, we suggest that you write the Keystone Co. of Boston for a copy of the bulletin. (50 Congress St., Boston 9).

* * *

National Securities & Research Corp. has published an excellent new "appraisal" folder on **Selected Groups Series.** The brochure devotes a separate section to each of the five major industries currently represented in the Series, giving the highlights on why each industry is included. The industries are: Automotive, Building, Household & Office Equipment, Railroad Equipment, and Steel.

Mutual Fund Literature

Lord, Abbett — Current issue of Abstracts citing favorable results from several portfolio selections . . . **Calvin Bullock** — Revised folder describing **Dividend Shares** . . . **National Securities & Research Corp.** — Current Investment Timing Service discussing Federal Reserve's request for more power; July Current Information folder on National-sponsored funds; Memorandum showing portfolio changes in all National-sponsored funds during June . . . **Keystone Co.** — Current issue of Keynotes; July Current Data folder on all **Keystone funds . . . Distributors Group** — Supplement to current prospectus on **Group Securities;** Special month-end performance comparison on all classes of Group Securities. . . .

Dividends

Dividend Shares, Inc. — A dividend of 2 cents per share payable Aug. 1, 1946 to stockholders of record July 15.

Manhattan Bond Fund, Inc. — Ordinary Distribution No. 32 amounting to 9 cents per share and an extraordinary distribution of 5 cents per share for a total of 14 cents per share payable July 15, 1946 to shareholders of record July 1.

The Taxation of Small Business

(Continued from page 341)

concern should be taxed in the same way.

Present Tax System and Small Business

The present Federal tax system in fact, explicitly recognizes the principle of a distinction between small and large businesses. First, the great mass of unincorporated small businesses are freed altogether from the corporation income tax and are subjected only to the individual income tax. Second, the corporation income tax is levied at rates graduated according to income. In the recent Revenue Act of 1945, this graduation was increased. For example, the first bracket rate, formerly 25%, was lowered by 4 percentage points to 21%; whereas, the top bracket rate, formerly 40%, was lowered by only 2 percentage points to 38%. Under the recent excess profits tax, a specific exemption (first of $5,000, later of $10,000 and finally of $25,000) was provided to eliminate the tax for many small businesses and to soften the blow for the rest. The speed-up of tax credits and refunds as provided under the Tax Adjustment Act of 1945 was motivated in part by the belief that the transition from war to peace would be financially difficult for many smaller companies. Moreover, the special taxes levied on inter-corporate dividends and on the filing of consolidated returns tends to discriminate in favor of small business.

In addition to these explicit benefits, small businesses are said to secure advantages under the corporation income tax due to the relatively liberal allowances made for officers' salaries, and due to the fact that it is possible to realize income from small businesses in the form of long-term capital gains more often than is true in the case of large businesses.

Is Differentiation Sufficient?

The basic question relating to the taxation of small business is this: Does the present tax system allow the correct amount of differentiation between small businesses and large businesses? Or should the differential be widened or narrowed?

The answer to this question depends in part upon whether or not it is desired to give positive encouragement to the development of the small business sector of our economy, and if so, how much encouragement should be given via preferential tax treatment.

There are many who look upon the existence of numerous sturdy small businesses as indispensable to the successful functioning of a free enterprise system and essential to the preservation of our democratic institutions. These people tend to favor substantial tax benefits for smaller enterprises. On the other hand, there are many who attach less importance to the role of small business in a free enterprise economy and are accordingly less inclined to grant preferential taxation to smaller firms.

Now I am not going to try to answer the question of whether small business should be given special encouragement. I think it is much more fruitful to assume, for purposes of analysis, that the desired tax system is one which neither encourages nor penalizes small business, but rather one which leaves the competitive relations between big and little firms as though neither were taxed.

On the basis of this assumption, one can ask these questions: Is the present tax system neutral as regards the competitive relations between small and large businesses? And if not, what changes in the present tax system would be needed in order to bring about this neutrality? Only by answering these questions, does one have a sound basis for deciding what changes in the taxation of small business are needed to achieve any given aim, whether that aim be neutrality as between small and large enterprises or special encouragement to small business.

Relative Greater Tax Burden of Small Business

A fairly strong case can be made for the contention that small enterprises are confronted with a greater burden than large enterprises when both are subjected to the same taxes levied at the *same* *rates.* Notice, I said at the *same rates*, not at *present rates.*

First, and perhaps most important, small businesses are peculiarly dependent upon the reinvestment of earnings as a source of funds for development and expansion. There are several reasons for this. They generally encounter more difficulty than large well-known businesses in obtaining capital from outside sources, and such outside capital as is obtained is at a relatively high cost. Traditionally, small businesses have secured much capital from well-to-do individuals, but for a variety of reasons, not the least of which is taxation, this source has dwindled. Thus, the taxation of income when imposed at uniform rates on both small and large enterprises restrains the growth of small firms more than that of large. Anyone interested in a detailed development of this point should read the interesting little book by Professors J. Keith Butters and John Lintner entitled *Effect of Federal Taxes on Growing Enterprises* (Graduate School of Business Administration. Harvard University, Boston, 1945).

Fluctuating Earnings of Small Business

Second, the earnings of small businesses tend to fluctuate from year to year, more than those of big businesses. This is due to a number of factors, among others that small businesses are less diversified in their operations and thus more affected by ups-and-downs of business. While variability of earnings characterizes corporate enterprise in general and particularly certain industries, such as those engaged in the production of capital goods, it is especially noticeable among the smaller corporations with limited capital which face the risks of launching and establishing new undertakings, developing new products and markets, and expanding their existing operations. As a result, taxes on earnings tend to be more severe for small businesses than for big ones.

Income Taxes Increase Risks in Small Business

Third, the taxation of income tends to increase the riskiness of small businesses more than that of large. A tax on net income, whether levied on a small or a large business, directly impairs the prospective return from any new investment. By means of the tax, the Treasury stands ready to share any prospective income, but not to share prospective losses. Thus, the tax has the effect of loading the dice against risk-taking unless the taxpayer can find ways of offsetting losses against income from other sources. It happens that large, well-established businesses often have relatively assured income against which to offset any losses that may result from a particular capital expansion, whereas an undiversified small or new business can seldom hope to offset a loss against other income. Thus, the risk from a new investment by a large company may be virtually unaffected by an income tax, whereas for a small or new company the risk will be greatly increased by the tax. It is true that the present carry-over of losses mitigates this problem, but by no means removes it.

Fourth, small companies usually operate under conditions of intense competition. Therefore, their control over price is so slight they are seldom able to shift any substantial portion of the taxes levied on them, except possibly in the very long run. Larger companies, on the other hand often have more control over their markets, and may sometimes be able to pass along to customers or workers part or all of their income tax burden.

Fifth, small businesses, unable to afford expensive legal and accounting advice, find difficulty in interpreting complex tax law and regulations. Thus, they often unwittingly overpay their taxes. Moreover, in cases of controversy with revenue agents, small businesses are less able to present their cases effectively and cannot afford to carry their claims to the courts.

Finally, sixth, because of heavy corporate taxes, small businesses are often forced or induced to adopt the proprietorship form of organization, thus losing the benefits of the corporate form.

In view of these considerations, it would seem that to achieve a tax system that is neutral as between small businesses and large businesses certain special tax provisions for small business are needed.

In order to provide small business with a dependable source of capital, taxes on them must be low enough to make possible a considerable reinvestment of earnings. This would clearly call for a graduation of corporate rates.

It has been argued that the graduation should be extended above the present limit of $50,000 of net income. A business with $50,000 of income is one having perhaps a half-million of capital. It has been shown rather conclusively that a business even of this size does not have ready access to outside sources of funds. Not until it reaches at least the million dollar class, equivalent of perhaps $100,000 of annual income, is it able to stand on its own feet in the capital market.

Inequity of the "Notch Provision"

It has also been frequently pointed out that the present "notch provision" is highly inequitable. This notch arrangement involves a tax of 53% on the income bracket $25,000 to $50,000. It was instituted in order that the effective rate applicable to income in the next to the top bracket would approach the maximum rate of 38%, as the income increased toward the upper limit of $50,000. The notch, in other words, eliminates any graduation with respect to corporate incomes in excess of $50,000, but in so doing imposes a rate of 53% on the portion of net income between $25,000 and $50,000. It happens that many small businesses are in the 53% bracket, and they quite naturally feel that it is unfair to penalize their growth by taxing any increase in income at the rate of 53%. If the notch provision were eliminated, then graduation under the corporation tax would be effective regardless of the size of the income just as is now the case under the individual income tax.

Moreover, it has been frequently asserted that the beginning rate of 21% places the small corporation at a disadvantage as compared with the unincorporated business. Accordingly, it is argued either that the beginning rate should be reduced to perhaps 10 or 15% or that corporations should be granted the privilege under certain conditions of being taxed as partnerships, or both.

On the question of the first bracket rate, there are many who contend that this rate should be equal to the first bracket rate under the individual income tax. I confess that I have great difficulty in seeing the logic of this. First, it seems to me to overlook the fact that the first-bracket individual rate applies only after personal exemptions, whereas the corporate rate applies immediately without any exemption. Second, it seems to me to overlook the fact that corporate income—to the extent paid out as dividends—is subject to the individual income tax as well as the corporate tax. Third, it is based on the premise that it is unsound to encourage the incorporation of small businesses, whereas, one might argue that smaller firms ought if anything to be encouraged to enjoy the benefits of the corporate form.

System of Graduated Tax Rates

Altogether, these various arguments regarding corporate rates would call for a system of graduated rates ranging from perhaps 10 or 15% to the standard top bracket rate (now 38%), for elimination of the notch, and possibly for the partnership option.

In order to offset the disadvantage to small businesses due to the irregularity of their incomes, the carry-over of losses over a long period of years, and perhaps the averaging of income are clearly needed. During the war, the carry-forward and carry-back of losses and unused excess profits credits has made possible the computation of income over a five-year period. Under these provisions, businesses have been able to charge losses incident to conversion and reconversion against wartime income subject to high wartime rates. Congress has already repealed the carry-back of unused excess profits credits, effective at the end of this year, but the future status of the loss carry-back and carry-forward is still open. There is fairly wide agreement among tax students that the loss carry-back should be repealed and that the period of carry-forward should be lengthened. It seems to me that in the interest of small business, and of all business having irregular income, the period of loss carry-forward should be lengthened to at least 7 years and preferably more.

The averaging on income presents difficult technical problems, but should be subjected to careful study and public discussion.

Effect of Accelerated Depreciation

Another provision which would apply to all business but would benefit small and new businesses particularly is accelerated depreciation. Under this scheme charges for depreciation during the early years of the life of an newly-acquired asset would be stepped up so that the income subject to taxation during this period would be reduced. In view of the lower tax liability in the early years of the life of such assets, the chances of recovering the capital invested in them would be increased. This would reduce the risk involved in new investments, and at the same time would enhance the financial and credit position of the investing enterprises.

To summarize, the most frequently advocated program for small business includes the following: (1) a revised schedule of graduated rates, (2) the partnership option, (3) a long carry-forward of losses, and (4) accelerated depreciation. The first two of these, revised graduation and the partnership option, would be applicable only to smaller companies but the last two, the carry-forward and accelerated depreciation, would be applicable to all business but would be of special benefit to smaller enterprises for whom income is irregular, investment especially risky, and capital hard to get from outside sources.

Question of Government Revenue

As always in connection with revisions of the tax system which seem desirable from the point of view of a particular group of taxpayers, the question of revenue effects must be considered. We are told that the post-war budget of the Federal Government may be as much as $25 billions. It seems to me that to balance this budget in prosperous years will require revenue from the corporation income tax of at least $8 billions. Therefore, reform proposals, however attractive, must be appraised in terms of financial requirements.

Apparently, a revision of the rate graduation and the partnership option would not be very expensive. This is indicated by the fact that only about 14% of total corporate revenues are ordinarily derived from corporations having assets of less than $1 million. Thus, it is probable that a reduction of rates in the lower brackets would not occasion a serious loss of revenue.

However, the extension of the loss carry-forward to 8 or 10 years and the allowance of accelerated depreciation, if made available to businesses both large and small, would be costly. A generous carry-forward might cost as much as $1 billion per year (depending on business conditions); and a moderately liberal plan of accelerated depreciation might also cost as much as $1 billion for several years after its introduction, though ultimately, when acceleration had been fully assimilated, it would not affect revenues.

In view of the possible revenue losses, the question arises as to whether the need for these reforms is great enough to warrant the higher corporate rates that would be required to offset their revenue effects. Or to put it another way, would a reduction of the standard corporate rate be preferable to the adoption of special benefits for small business? I leave these questions to you.

Many other suggestions for aiding small businesses through taxation have been made. For example, tax exemption during the early years in the life of new enterprises deduction of the cost of plant expansion by new businesses, tax benefits to companies which finance small businesses, and tax credits for equity investment in small businesses special taxes on monopoly profit, and special taxes on multiple operations such as chain stores. All of these proposals involve technical and practical problems of such difficulty that, even if the proposals could be shown to be necessary or justifiable, it would be doubtful whether they should be adopted.

Securities Salesman's Corner

By JOHN DUTTON

Most good salesmen are subject to alternate periods of mental depression and exhilaration. There are times when you feel like going out and conquering the world—there are other days when the world may look like it is going to conquer you. Most people have periods when they feel emotionally high and low. As we gain experience in living we try to overcome these alternate EXTREMES of optimism and pessimism. Yet somehow or other they come back to nearly all of us and we say to ourselves, "why in the world do we feel this way?"

Competent medical research has definitely proven the close relationship between a low physical condition and a depressed mental state. If you find that things are beginning to look blue to you, if you are unable to concentrate upon whatever you may be doing, if you are starting to worry, if it is difficult to get going and an effort to follow through, CHECK UP ON YOUR HEALTH. If you are tired take a rest. Eat well and build up. Sometimes this only requires a day or two before you begin to feel like yourself again; other times a longer rest is necessary. Anyone who keeps on going when they have overtaxed their reserves of physical stamina and their quotient of nervous energy, is only putting an added strain on his system, that will eventually weaken the major organs of his body. No good work can be accomplished by a tired body.

When you are rested you will notice that many of the thoughts that bothered you when you were tired, no longer annoy you. If you have the physical well-being that goes with a strong, rested body, you won't have time to let things worry you—you'll be too busy going out and doing things. The saying, "I feel like going out and licking the world" is literally a true expression of the way you can feel when your body is strong and your mind is clear. Mental strength and physical strength go together.

There are helpful ways of overcoming mental depression besides building up physical stamina. Remember that nearly everybody feels low once in a while. Remember that the things that all of us worried about the most never happened. If you feel physically up to it, even when you are not mentally up to par—go to work with a will. Concentrate on your work, on the next interview, on the man you are going to sell, and erase all thoughts of a pessimistic nature and of worry from your mind. It isn't easy to do, but this can be done. One eminent psychologist who has studied this subject puts it this way, ERASE ALL THOUGHTS OF FAILURE FROM YOUR MIND. He advises a form of self-hypnosis wherein your own imagination is called upon to build up in your mind, a feeling of success and a sureness of accomplishment, that will not countenance the least hint of failure.

Think of success not failure. Think of going out and doing the best day's work that you can accomplish. Remember we all feel low at times—shake off the blues by working more diligently and more cheerfully than ever—refuse to admit failure—and take your time. Success will come to you if you believe in yourself, and your health is up to par. Remember no man has ever been licked by any job, or by life itself, who refused to quit. Courage is the *sine qua non* of success. You can only do your best when you approach your job with confidence in your own ability to succeed. Act as if it were impossible for you to fail, and you will find that your mind will work better and your efforts will meet with greater success, because you will be thinking in a positive manner that will bring about the best abilities that you can offer.

Businessmen Examine Trade Expansion Proposals

(Continued from page 334)

The others of course include the Economic and Social Council of United Nations, the Fund and Bank, the International Labor Office, the United Nations' Educational, Scientific and Cultural Organization, the Provisional International Civil Aviation Organization, the FAO, etc.

The series of trade discussions now scheduled after many false starts probably seems confusing in view of their divided sponsorship and history. Essentially, it goes without saying, the prime mover in this direction all along has been the American Government, with the support of foreign traders. At every opportunity—at Bretton Woods, at Atlantic City, at Hot Springs, at Chicago—the United States Government has pushed persistently for a return towards if not entirely to the old-fashioned multilateral system of international trading without favor or fear. Seeing such a non-discriminatory open system as the best influence toward lasting peace and prosperity, the Administration has persuaded the Congress and the country to set aside billions of dollars for foreign loans and credits, largely on the grounds that to do so is necessary, if we are to persuade the trading countries to scrap bilateralism and remove the more serious barriers to a full and healthy international commerce. These considerations were prominently present in the negotiation of the large loans to the United Kingdom and France, and featured the press announcements which accompanied the unveiling of the agreements with those two countries.

The Forthcoming ITO Meeting

The earliest of the invitations on which the coming international trade meetings are based stems from Congressional enactment last year of the Administration's trade agreements bill, giving the government the power to cut existing American import duties by as much as 50% from the Jan. 1, 1945, levels. This usually is done by bilateral arrangement with other countries on a basis of *quid pro quo*. The procedure became familiar to American businessmen in the 1930s. With a view to conducting this type of tariff reductions with a minimum of delay, the U. S. Government last December invited 15 countries to meet for the dual purpose of drafting a tentative charter of an ITO and to simultaneously negotiate specific reductions of trade barriers among the 16 countries concerned. That meeting is still to be held, for reasons given below.

The Economic and Social Council, however, during its London meeting last February decided to call an International Conference on Trade and Employment in the latter part of 1946 to promote the production, exchange and consumption of goods. By the same resolution ECOSOC made its own arrangements to prepare for that general conference. Thus, it took over one of the two purposes of the American invitation of December, but not the other. The ECOSOC resolution constituted a Preparatory Committee to elaborate an annotated draft agenda, including a draft convention, for consideration by the general trade conference. This is the Committee which meets in London in October. It includes all the countries whose meeting the American invitation of December encompassed, plus three others: Chile, Lebanon and Norway. After several weeks of palaver in London, the delegates will return to their respective home offices. Then, probably in the spring of 1947, representatives of these same 19 "nuclear" countries will again get together and try to agree on a draft charter for an ITO.

That second meeting of the 19 nuclear countries may, and probably will, at the same time witness negotiations between the United States and 15 of the other countries and between each other, for the reduction of tariffs and other trade barriers. The Administration's aim is through such simultaneous negotiations to produce not 15 pairs of trade agreements, but rather a simultaneous multilateral trade agreement. If all this is accomplished by next spring, without further delays such as have intervened, the way will be open to the holding of the world-wide International Conference on Trade and Employment in the fall of 1947.

Delays

There have been several causes of the delays to date. First, the Administration tarried in issuing its December invitation until the conclusion of the financial agreement of that month with the UK. Secondly, nothing conclusive could be arranged or even started with the British while there was not reasonable assurance that the Congress would approve the British loan. The Administration in issuing its December invitation to 15 countries had in mind a meeting in the spring of 1946. But such a meeting requires much preparation, since trade agreement concessions have to be made on a selective basis, and the countries were slow in getting ready. Then, with this an election year in the United States, it appears that all chance of having the meeting until after that event disappeared; for obviously the publicity attendant upon the negotiation of tariff reductions would become a prominent issue in the elections.

Therefore the announcement from Washington that tariff negotiations are to be started will not come until about Nov. 15 at the earliest. The announcement will list the commodities on which reductions in our import duties are envisaged. Then comes a period of about six weeks during which the affected industries are given an opportunity to prepare for the hearings held in Washington by the Committee for Reciprocity Information. Decency at least requires that this Committee take a month or so to study the results of the hearings before announcing the holding of the simultaneous meetings with the 15 invited countries. All this points, at this writing, to next March as the time of the actual negotiations for mutual trade concessions.

Expectations of ITO Conference

While all this spells slow progress toward the trade aims of the government, officials expect much greater success at the general trade conference late in 1947 than attended the ill-fated London Economic Conference of 1933, a conference which was adjourned following President Roosevelt's devastating message but which has never officially ended. "This time," say officials, "we have had prolonged talks with the British, French, Canadians and others and an immense amount of preparation which the 1933 conference did not have."

In preparing the above-mentioned agenda in London next month, the Preparatory Committee will be guided by suggestions which were made to it by Economic and Social Council last February as a basis of the Committee's discussion. These suggestions include:

(a) International agreement relating to the achievement and maintenance of high and stable levels of employment and economic activity;

(b) International agreement relating to regulations, restrictions and discriminations affecting international trade;

(c) International agreement relating to restrictive business practices;

(d) International agreement relating to intergovernmental commodity arrangements;

(e) Establishment of an ITO, as a specialized agency of the United Nations, having responsibilities in the fields of (b), (c) and (d) above.

In considering these points the Preparatory Committee, it is important to note, is requested by ECOSOC to give special consideration to countries with infant industries. The Committee will report its recommendations to a subsequent session of ECOSOC, including its recommendations as to the place and date of the world trade conference.

Policy of the Administration

The Administration, as mentioned, regards its international trade and financial policies as parts of a single program. The National Advisory Council, of which the Secretaries of State, Treasury and Commerce are members along with two others, in giving the green light to proposed foreign loans by the Export-Import Bank and other government agencies is guided by an understanding that no foreign loans will be approved until the foreign governments agree to an exchange of notes on commercial policy. In the cases of the important British and French agreements, adherence to this country's official trade philosophy was made part of the official announcements. Among countless Administration statements of that philosophy is the following excerpt from an address delivered in April by Assistant Secretary of State Will Clayton:

> "Our unparalleled economic strength and our position in world trade demand that the United States take the lead in an effort to put the trade of the world back on a healthy basis. Great Britain, leader of the international trading area in the world, is prepared to assume full partnership with us in this high enterprise provided we can assist her throughout the next critical three or four-year period of reconversion from war to peace. To this end we have negotiated a financial agreement with the United Kingdom. . . . We consider it the key to our entire foreign economic policy. . . .
>
> "If world trade is to become a highway of peace, we and other peace-loving nations must forswear the use of the tactics of economic nationalism which turned the international economy into a jungle in the period between the two wars. . . . Our Proposals for Expansion of World Trade and Employment, which were worked out for the forthcoming World Conference on Trade and Employment, . . . represent what we believe to be an effective and realistic framework for a concerted international attack on the restrictions and discriminations which hobbled world trade before the war."

In short, the lavish credits which this country has been extending abroad are designed to clear the way to adoption of our multilateral fair-field-and-no-favor trade philosophy. Time alone will show whether our loans achieved this purpose. In Britain, where "Empire Preference" and "Buy British" have long been popular slogans and where bilateral exchange and trade agreements with Sterling-Area countries have become the rule rather than the exception, there has been a great deal of public debate as to how far the British loan negotiators have committed their country to the American trade program. The Dec. 6, 1945, joint statement of the United States and United Kingdom on commercial policy, published along with the financial agreement, stated that the government of the United Kingdom, having reference to the American document called "Proposals for Consideration by an International Conference on Trade and Employment," "is in full agreement on all important points in these proposals and accepts them as a basis for international discussion; and it will, in common with the U. S. Government, use its best endeavors to bring such discussions to a successful conclusion, in the light of the views expressed by other countries." Whether the last phrase holds open an exit for the UK there is no way of knowing, but it is obvious that if the Dominions do not subscribe to the U. S. view, Britain, in the end, cannot go along with it.

One indisputable and early concession being granted by the British in return for the loan is the undertaking to end the so-called Sterling Area dollar pool within one year, unless in exceptional cases the date is postponed. The sterling receipts from current transactions of all sterling area countries will then be freely available for expenditure in any country. Explaining this to the House of Lords, the late Lord Keynes, who had headed the British negotiators here, said: "I wonder how much we are giving away there . . . What we undertake to do is not to restrict the use of balances we have not yet got and have not yet been entrusted to us. It will be very satisfactory if we can maintain the voluntary wartime system [of the dollar pool] into 1947. But what hope is there of the countries concerned continuing such an arrangement much longer than that? Indeed, the danger is that these countries which have a dollar or gold surplus, such as India and South Africa, would prefer to make their own arrangements, leaving us with a dollar pool which is a deficit pool . . .

"We cannot force these countries to buy only from us especially when we are physically unable to supply a large quantity of what they require. It seems to me a crazy idea that we can go on living after 1947 by borrowing on completely vague terms from India and the Crown Colonies."

To those who feel that the British gave this government no firm commitment to abandon the sterling-area system with its Empire preference, another part of Lord Keynes' speech will be of interest, for he disagreed that a sterling area of trade preferences could long survive in this postwar world. Said Keynes: "Do the critics really grasp the nature of the alternative? The alternative is to build up a separate economic *bloc* which excludes Canada and consists of countries to which we already owe more than we can pay, on the basis of their agreeing to lend us money they have not got and buy only from us and one another goods we are unable to supply. Frankly this is not such a caricature of these proposals as it may sound at first."

In Britain last year the writer discussed the trade problem with a Conservative Member of Parliament who is prominent for his advocacy of Empire preference. A fair summary of that position is that Empire preference is desired not as an absolute good, but as preferable to the uncertainties of a multilateral structure subject to the weakening forces of periodic American booms and depressions. That Empire viewpoint, in other words, recognizing the dominant American influence in world economic affairs referred to by Will Clayton in the above quotation, sees the United Kingdom, if in a multilateral-trade world and with its currency linked firmly to the dollar, doomed to suffer depressions which otherwise may be escaped. This very real fear has underlain the opposition of many Britons to the Bretton Woods monetary program and to the loan and accompanying trade understandings negotiated in 1945. As we have already suggested, those commercial arrangements can be carried to fruition at the coming international trade conferences only if a majority of the people in Britain and the Dominions can meanwhile be persuaded. Should the coming international conferences fail to produce multilateral agreement, a contingency which at this writing seems unlikely, all bets will be off and our debtor countries presumably will feel free to do business in the un-American way.

The U. S. Trade Goal

America's trade goal is "more business for everyone." The idea is well stated by Max J. Wasserman in the Commerce Department's weekly journal: "Some traders are inclined to believe that they can obtain a larger share of foreign markets only at the expense of others. The commerce of the world is thought of as a cake; one trader can only get a larger slice if others receive smaller pieces. The fact is, however, that larger slices can be had by *all* traders if the size of the cake is increased."

Foreign trade means imports as well as exports. Recently it has become fashionable to give lip service to greater American import business. The government has joined in this, and occasionally puts out studies and releases designed to reassure those who fear that our foreign loans will never be fully repaid because we will never accept enough foreign goods and services to make repayment of the huge loans and investments possible. More than a suspicion persists that the overwhelming majority of the supporters of the Administration's m u l t i l a teral-trade supporters can be best appealed to by the prospect of greater exports of American goods, and in recognition of this the public statements of high officials have repeatedly catered to the interest in export markets and export jobs. The latest example of the strong export cast to our business thinking is the above-mentioned Committee for Financing Foreign Trade. This particular committee is said to owe its life to Mr. Charles J. Symington of the Symington-Gould Corporation, manufacturers of railway equipment and other products of capital goods faced with an ultimate surplus of productive capacity.

Goal a "Bigger Pie"

That the goal is a bigger pie, not a bigger slice, is a view shared by American businessmen as represented by the United States Associates of the International Chamber of Commerce. Its council has approved two committee reports this year, one on trade policies to be sought during the transition from a war to a peace economy and the other analyzing and commenting on the Government's Proposals for the Expansion of World Trade and Employment. The United States Associates endorse strongly the submittal of those proposals to an international conference and urge that the International Conference on Trade and Employment be held at an early date. International agreement on a multilateral trade pattern is essential, these American businessmen say, expressing their concern over the bilateral clearing agreements which have spread so during the last decade. "The speed with which an international understanding is reached will determine in large part whether the postwar trade pattern will become adjusted to existing restraints."

Furthermore, the United States Associates pay special attention to the place of State trading in a "multilateral" world. One of their reports states: "Removal of restrictions upon the movement of goods and services brought about by the elimination or reduction of the multitude of restrictions . . . may be nullified by the activities of the State in its trading operations." State trading may be used as a weapon. Assurance is needed that concessions we make to bring about multilateralism will not be nullified by the operations of State trading organizations. Recognizing that Russian State trading is a reality, these American businessmen report that it will be necessary to provide for detailed inspection of State trading operations if other countries are to receive effective benefit from the United States Government's "Proposals."

The just-quoted reports recognize that Russia would be unlikely to consent to such inspection. None the less, the United States Associates of the International Chamber of Commerce feel that a country which does not give this consent should not be eligible for membership in the International Trade Organization. However, "the open-economy nations should initiate trade with the State economy nations through bilateral clearing agreements premised on trade principles to be arrived at with them," instead of resorting to compromise provisions. Obvious to the reader of the two committee reports is the fear that difficulties during this postwar transitional period will be used as an excuse for doing nothing with regard to breaking down trade restrictions. The United States Associates believe that each country participating in next year's world trade conference should help lessen this danger by making a clear commitment to minimize all trade controls at the earliest moment possible. The trade agreement should contain specific conditions with a minimum of escape clauses. The fewest possible trade controls should be retained. And a concerted policy of creditor nations to increase their imports is essential, these International Chamber of Commerce members report.

Difficulties Ahead

Suggestive of some of the difficulties which the coming world trade meetings face is the following observation of the United States Associates: "It seems . . . unrealsitic to expect that countries like the United States, whose principal restriction upon imports arises from tariffs, would make substantial tariff reduction in the absence of more specific commitments for the progressive elimination of exchange controls and import quotas. The escape clause contained in Section B, Paragraph 3 (of the government's 'Proposals'), which provides that countries may take 'temporary action to prevent sudden and widespread injury to the producers concerned' resulting from tariff reduction, suggests the need for agreed standards on the basis of which all escape clauses may be invoked. We recommend that the conference consider measures which will impose upon the ITO the obligation to supervise the application of all escape clauses with appropriate provision for arbitration."

Also the subject of attention by the United States Associates are bulk buying and selling by government commissions; monopolies, like that of tobacco in France; and complete State control of production and distribution, as in Russia —all of them rocky realities in the path of international trade agreement—as well as international business agreements, private and public, which restrict competition. This businessman's group notes that the history of intergovernmental commodity agreements is one of unbroken failure and rejects the idea that there should be a double standard for private and public international business practices. It therefore criticizes that part of the government's trade "Proposals" which, despite their general objective, leave open the door to the continuance of some restrictive practices.

That there should be an International Trade Organization the American members of the ICC agree. As an arm of the United Nations, the ITO will be generally limited to discussion, the calling of international conferences, serving as a channel for the distribution of information, and acting as a forum to consider requests and complaints on trade matters submitted by member governments. Also implicit in the "Proposals" is the ITO's function of supervising the execution and administration of agreements to be made.

Suppose that in the coming trade "confabs" we get what we are after: reductions of trade barriers and a greater world-wide exchange of goods. Where do we go from there? If the score of billions of taxpayers' and private investors' dollars which we have been sending abroad in furtherance of our ideals are not to turn out to prove down payments on an elusive Utopia some provision must be made for their gradual homecoming. An American trade concession balanced by an equivalent concession abroad may mean a greater world-trade pie for all to share. But only American concessions greater than those we obtain from foreigners, or at any rate larger American imports of goods and services than our exports, will make the entire effort good business.

This is a matter for the attention of the businessman. It will entail a far-reaching change in our international commercial position. The Commerce Department puts it plainly when it says: "The need to change over from an economy supporting an excess of exports to one supporting an excess of imports will probably come between 1955 and 1960. . . . While the changeover is being made, the nation's economy will have to adjust itself. . . ." Even though, as the Department expects, the change should not be a sudden one, if it occurs it will mean that export interests probably must cease their reliance on "prosperity" through periodic splurges of foreign lending.

Steelman Charts Price Control and Fiscal Policy

(Continued from page 338)
production program. They have caused serious and irreplaceable losses of production. Shortages of materials and components have been aggravated by such disputes and, even without tie-ups, would have hampered the smooth acceleration of production.

But the vigor of the economy, the drive of the whole people toward accomplishment of higher production, has overcome these obstacles. At the end of the second quarter, we stand in such a position that we have the opportunity within the next year of eliminating most of the war-born shortages that plague us—and of achieving stabilization with adequate and sustained production rather than through emergency controls.

But today, we are threatened with the loss of the controls which we have used to maintain stabilization and to protect production. We stand at a crossroads; we must choose now whether we shall move forward through the final stages of reconversion with effective price and wage controls, or whether we are prepared to take the risk of abandoning such controls at a time when supply and demand still are radically out of balance.

After World War I, we came to this same crossroads and took the wrong turning. We have managed things better this time, and our production has increased far more rapidly under price controls than it did after the last war when all controls were removed.

The Threat of Inflation

This Office and other agencies of the government have warned repeatedly that inflation can interrupt the sustained high volume of production which is the Nation's basic need. Steadily rising and sustained production requires: an assured supply of labor at foreseeable cost, an assured supply of materials at foreseeable cost, and an assured market for the products of industry. Under stabilized prices we are guaranteed all three of these necessities—labor, materials, and markets. Under rapidly rising prices—which we would certainly have without adequate price control—we are guaranteed none.

Rapidly rising prices inevitably bring demands for higher wages—strikes—and interruption of the work schedules.

Rapidly rising costs of materials inevitably bring competitive and preemptive buying, inventory accumulaton and speculation, thus generating artificial shortages to aggravate already existing shortages of the things that industry must have.

Rapidly rising cost of living inevitably results in the dissipation of the incomes and savings of the people for the purchase of food, shelter, and other necessities, leaving them unable to buy their share of the other products of industry. This inability to buy, combined with the unwillingness to pay unreasonable prices, causes a curtailment of markets. Similarly, rapidly rising costs of construction reduce business investment. The inevitable result is a sharp depression like that we suffered after the first World War.

There is every evidence that the American people—the majority of conumers and business men alike—understand these facts and have made their decision in favor of the continuance of adequate price control as long as inflation threatens. But we have recently faced the danger that, while wanting price control, the people might be given a law that paid only lip-service to control.

As the President cogently said in refusing to approve the recently completed price control bill: "If this bill were allowed to become law, the American people would believe that they were protected by a workable price control law. But they would not be protected and they would soon come to a bitter realization of that truth. It is only fair to tell them the facts now."

It is necessary, in fact, to the functioning of our democratic system that the people have the facts now—now, when the decision is to be made. From this crossroads there will be no turning back. A mistake in direction at this time would be both costly and irretrievable.

WORKABLE PRICE CONTROL

The President's action has provided the necessary opportunity for reconsideration of our price control policies; and his message to the Congress has thrown badly needed light on the true nature of price control—what it is and what it is not. As his message clearly states, a workable price control law must measure up to certain minimum requirements.

It Must Control Prices

A workable price control law must be able actually to control prices. It must give the Government clear authority to prevent all unnecessary price rises while the inflationary threat hovers over the economy.

"Unnecessary" price rises, during this emergency period, may be defined as all price rises not necessary, first, to compensate on an industry-wide basis for increased costs of production, second, to eliminate the unjust hardships which general price ceilings inevitably impose in some individual businesses, or third, to stimulate the production of badly needed short items, the lack of which is hampering the Nation's production effort or causing serious deprivations at home or abroad.

The cornerstone of workable price control is a system of stable industry-wide product-by-product price ceilings designed to protect the purchaser—whether he be the ultimate consumer or a manufacturer, wholesaler, or retailer along the chain of supply. Even though some costs rise in an industry, it is still possible to maintain these product-by-product ceilings in relatively stable condition without any inequity if other costs are low enough to permit generous profits. Although most business men must pay more for labor and materials, many pay less in merchandizing expenses; overhead may be low in relation to volume of sales; or previous price ceilings may be sufficient to cover in whole or in part the increase in costs.

This principle of cost absorption is utterly essential to the maintenance of price control. If every cost increase throughout our industrial structure were to result in rigidly equivalent price increases, we should have not price control but price chaos. The increased cost of producing a single basic material, such as coal or steel, would literally result in hundreds of thousands of individual price adjustments throughout the industrial chain, and the ultimate consumer would be on the receiving end of every single adjustment that was made anywhere. Such a system would be the negation of price control—legalized inflation.

The primary aim of price control is—and must inevitably be—to protect the living costs of the consumer and the operating costs of the producer, not to guarantee a fixed piece-by-piece profit to the business man on every item that he handles.

The corollary of this rule is that hardships to the individual business man must be guarded against by government action on a case-by-case basis. No American business need be deprived of fair profit by our stabilization program. A large proportion of the nearly 20,000 individual price increases already granted in 1946 were designed to relieve hardship cases. The speed with which these increases are granted has steadily improved. Legitimate applications for adjustments are quickly granted.

These individual adjustments under industry-wide price ceilings add up to a tremendous administrative labor, but they are as nothing compared to the suggested alternative: the impossible task of reviewing the continual alternations of tens of millions of individual price ceilings self-set by the Nation's half million separate business enterprises.

Price control must not remove the incentive to produce; if it reduced output of needed products, it would defeat its own stabilization objective. The Office of Price Administration has been increasingly alert to this requirement of its job and has granted thousands of incentive price rises since VJ-Day. In dealing with shortages, however, the cause of stabilization is often better served by direct subsidy payments than by higher price ceilings. The subsidy is an indispensable emergency weapon in the fight against inflation.

It Must Be Administrable

A workable price control law must be administrable. Obviously a law that was admirable in its every other feature would still be a liability and a fraud if it were practically unenforceable.

No conceivable government agency could set out to study and pass upon the profit earned by each business man in the country on each separate item that he handled during a period when costs were continually rising. As explained above, the only workable price control method is to fix product ceilings on an industry-wide basis and deal with hardship cases individually.

It Must Be Fair

A workable price control law must be fair. Any such law acceptable to Americans must deal equitably with all segments of the economy. It must not favor producers at the expense of consumers or vice versa. It must not favor one producer or business man at the expense of others.

It is extremely undesirable that a piece of emergency legislation written by the Congress should single out individual interests for special treatment. Such favoritism is un-American, and it would tend to bring discredit upon the whole stabilization program.

It Must Be Flexible

A workable price control law must be flexible. Neither the upward adjustment of specific ceilings nor the final decontrol of specific commodities can safely be legislated in advance, because the supply-demand position and other relevant factors in specific industries cannot be predicted with sufficient accuracy. On the other hand, it is eminently desirable that the Congress establish national policies of price adjustment and decontrol and create such supervisory committees or boards, as it deems necessary to carry them out.

The Office of Price Administration would welcome such policy assistance. The Office has not been slow to raise price ceilings or remove them entirely when conditions warranted. Already this year more than 600 industry-wide price increases have been granted, 400 of them in the second quarter. Prices of basic commodities have risen at the rate of one percent a month since February, and wholesale prices have increased somewhat more. It does not appear likely that prices could be allowed to increase much faster than this without endangering our whole stabilization program. As for decontrol, ceilings have been removed from tens of thousands of individual items since VJ-Day, representing close to 15% by value of all items which were under control. Few of these decontrolled products have been important ones, but it is virtually impossible to find important products today that are in supply-demand balance. Decontrol, of course will proceed at an accelerated rate as production catches up with demand; but it is hard to see how it could have proceeded much more rapidly up to this time.

The Danger to Stabilization

These, then are the essentials of workable price control; that it prevent unnecessary price rises, that it be administrable, that it be fair, that it be flexible. An extension for one year of the Office of Price Administration with these essential powers is of crucial importance to our reconversion effort. Every day that passes, now, without a law on the books increases the danger that our price ceiling structure will be shattered beyond repair and that the ground we have so laboriously won against inflation will be irretrievably lost.

The government will, of course, use all of its authorized powers to enforce the national stabilization policy. But fiscal and monetary devices are limited in their scope. They must be buttressed by an adequate price control measure of the type requested by the President if we are to progress to the prosperous future to which the Nation aspires and which it has every right to expect.

II
FISCAL AND MONETARY POLICY

Without price control, other powers of the government would be inadequate to stabilize the economy under present abnormal conditions. But if price control is in effect, it can be aided powerfully by other weapons aimed chiefly at reducing excessive demand. Dominant among these must be such fiscal and monetary policies as:

1. Curtailment of public expenditures.
2. Anti-inflationary tax and debt policies.
3. Strict control of private credit expension.

Federal expenditures. So long as total demand is excessive, Federal expenditures, like other expenditures, contribute to the inflationary pressure. Federal expenditures have declined sharply since VJ-Day; that decline has released men and facilities to produce for the private market. It is important that the decline continue, in order that more men may be released to produce goods for the private market, and in order that during this period of excessive purchasing power Federal expenditures may not unduly swell private income and private expenditures. The present situation calls for re-examination of proposed expenditures. But in restricting Federal expenditures, great care must be used that essential public services are not crippled.

In his Budget message of last January, the President estimated that Federal expenditures during fiscal 1947 would total $35.8 billions. During succeeding months, that estimate has been scaled upward by between 10 and 15%, mainly because of upward revisions in estimates of Army and Navy expenditures, expansion of veterans' programs, legislation providing for increased military and civilian government wages and salaries, and deferral into 1947 of some items earlier expected to appear in 1946.

Examination of projected expenditures suggests several significant facts:

(a) Of the total budget, $6.5 billion, or about one-sixth, is for contractual obligations (interest and refunds) and is not subject to variation.

(b) Of the remainder, not far from one half are anticipated expenditures by the War and Navy Departments.

(c) The proposed expenditures for the operation of the legislative, judicial, and all non-war executive agencies total a little more than $2 billion or 5% of total expenditures.

To date, the movement for economy has focused on the operation of the civilian executive agencies. Here as elsewhere economy which does not cripple essential functions is desirable. But it is worth noting that expenditures for this purpose constitute only slightly more than one-twentieth of total expenditures. No possible economy in them can achieve major savings or materially lessen the inflationary impact of Federal expenditures upon the economic system. Major economies, if any are to come, must be sought elsewhere.

Proposed expenditures for public works, an even smaller component of the total, have been sharply restricted. Nevertheless, in the present situation, some further economy may be possible in the public works programs.

Postponement of public works activity is important for two reasons, of which one is that some types of projects, notably the construction of buildings, require critically scarce materials which could otherwise be used in production to meet private demand. The Civilian Production Administration is screening certain public as well as all private projects involving the erection of structures, in order to prevent the use of critical materials in structural projects which are deferrable. However, this review covers only a fraction of all Federal public works projects. All non-structural projects, and structural projects of the Army, the Navy, and the Veterans' Administration have been excluded from the review.

However, in an inflationary situation, as at present, the need for postponement of public works activity is far deeper than the mere prevention of competition for certain specified scarce materials. In some localities, public works projects of any sort will increase inflationary pressures by compelling the construction of added houses or by necessitating extension of local public utilities which require critical materals. In other areas, public works will compete directly for manpower which would otherwise be engaged in producing vitally needed materials. But even where neither situation exists, in an economy in which over-all demand exceeds total available output, any increase in expenditures increases inflationary pressures. All projects which are not urgently needed should be deferred, whether or not they compete specifically for scarce materials or labor.

At the request of my predecessor, Mr. John W. Snyder, and that of the National Housing Administrator, the Civilian Production Administrator has created an Interagency Construction Coordinating Committee, whose purpose is to examine all Federal public works programs in order that a determination may be made as to what portions of such programs may be deferred.

Deferment of projects, in addition to lessening inflationary pressures now, will have the advantageous result of causing the accumulations of plans which can be carried out promptly at a later date, when expansion of public works activity will be desirable. It is a sound principle of fiscal policy that variations in public constructon activity should compensate so far as possible for variations in private construction. When private construction and private business activity as a whole are at a high level, public projects should be deferred as far as possible, in order that they may be carried out at a time when the private demand for labor is slack.

In this field, as in general government, we must be careful in curtailing expenditures not to cripple vital programs. Some projects must go ahead. Some are urgent for the public health and safety, or to prevent serious impairment of the necessary functioning of public agencies. Others are essential to facilitate private output. The reduction below presently proposed levels cannot be large in relation to the total budget, because the proposed total of public works is not large. But such reduction as is possible should be achieved.

Public works planning, however, must go forward.

If a major cut in the inflationary impact of Federal expenditures is to be sought, expenditure plans of the Army and Navy—45% of all proposed expenditures other than interest and refunds—much be re-examined in the light of the present need for anti-inflationary action.

We must not hamper the present operations of the armed forces, who are fulfilling international obligations essential to the advancement of American interests and to progress toward lasting world peace. Economy may be possible, however, without interfering with this function. Somewhat less than three-fourths of anticipated Army-Navy expenditures will be financed from new appropriations, more than one-fourth out of the available balances of funds appropriated during war years. Of these expenditures, two-fifths are for the pay, subsistence, clothing, training, travel, and welfare of military personnel; three-fifths for other purposes. It is to be hoped not only that many expenditures which must be made can be postponed, in order to relieve their inflationary pressure, but also that the merger of the military and naval departments, which the President has repeatedly urged, can achieve economies by the elimination of duplicating expenditures.

Other Programs

The opportunity for economy in remaining classes of expenditures is far less. No one, I think, will propose curtailment of expenditures needed for the veterans' programs, or of the measures to stimulate housing construction. Proposed expenditures for social security and payments into retirement funds are in accord with long-range legislative commitments. Proposed aids to agriculture are part of an integrated program to increase the efficiency of agricultural output.

Finally, the outlays under the heading of international finance are loans, not expenditures in the usual sense. They should be made in accord with the American program to promote world peace and stability. The relevant point, so far as inflationary pressures are involved, is not the dollar sums, but the amount of expenditure for American products which will result. This will be controlled by the availability of goods, and so long as the goods desired are scarce, not all loaned funds available for spending in the United States will be spent.

Tax and Debt Policy

The goal of Federal tax policy at this time must be, within the limits of equity, to obtain maximum revenues, in order to balance Federal expenditures, retire Federal debt, and by siphoning off private income reduce the pressure of excess demand. In the effect of fiscal policy upon inflationary conditions, taxes are a companion weapon to reduced expenditures. Their effect in curtailing total purchasing power should not be overlooked. Each dollar's reduction of the current deficit and each dollar's increase in a budget surplus, if one is attained, is a dollar's reduction in inflationary pressure.

The Secretary of the Treasury has expressed the hope, in which I concur, that an excess of revenues over expenditures can be achieved, so that debt reduction out of current revenues can be carried forward. During the past six months, the Federal debt has been reduced, even though current expenditures have been in excess of current tax receipts. This debt reduction has been possible by the use of cash balances accumulated during the war. The accumulation of a surplus from current revenues which will permit its continuation is highly desirable.

Even though some part of the public debt may be retired as it comes due, most will be replaced by new issues. To the maximum possible extent, in this refinancing, securities held by commercial banks should be replaced by sales to individuals. Every penny of income saved and put into bond purchases is a penny which will not add to inflationary pressures in the market for goods. The savings bond sales campaign must be continued with full vigor.

Credit Control

Inflationary pressure is exerted, not only by expenditures out of current income or out of accumulated savings, but also by the extension of credit, which augments total purchasing power. For this reason, it is important for the protection of consumers themselves that controls over the extension of consumer credit be continued and rigidly enforced.

It is important too that commercial banks do not add to inflationary pressures by expanding the volume of their loans. The Federal Reserve System has already taken one step which will have some effect in discouraging undue credit expansion. During the war it has been possible for member banks of the Federal Reserve System to borrow from Federal Reserve banks on the security of Federal obligations at an interest rate of ½ of 1%. Under present circumstances this low interest rate would encourage borrowing for the purpose of enabling the member bank in turn to extend credit. Since too free expansion of credit by the banking system could be inflationary, the termination of this preferential discount rate in April was a counter-inflationary action.

The Board of Governors of the Federal Reserve System has recently transmitted to the Congress for consideration three proposals for additional controls over commercial bank credit, to be used if needed. Measures which will clearly grant adequate power deserve favorable consideration.

Because the market for Federal securities is so important in maintaining stability of credit conditions, it should be noted that the government is pledged to maintain reasonable stability in the Federal bond market. On the occasion of approving termination of the preferential discount rate, the Board of Governors of the Federal Reserve System said: "The Board does not favor a higher level of interest rates on U. S. securities than the government is now paying." The added powers which the Board of Governors has suggested to the Congress for its consideration are intended in part to enable the Federal Reserve System to insure under all contingencies the stability of the market for Federal securities, without impairment of control of bank credit expansion.

These measures to restrain inflationary demand should be coupled with measures discussed elsewhere in this and in previous Reports of this Office, to allocate scarce materials and to speed the flow of peacetime output. If this is done, and if at the same time adequate price control restrains the surge of inflationary pressures, the economy can move forward on an even keel to full peacetime prosperity. A great deal of determined effort must yet be exerted, in order that we can be certain of the outcome.

Full Employment in Sweden

(Continued from first page)

Social-Democratic, liberal and conservative governments following upon each other in rapid succession. No party had a parliamentary majority of its own to rely upon. All the time the Social-Democratic (Labor) Party was growing, and became by the elections of 1932 and 1936 the dominating party, although not yet with a majority. In the beginning of the 30s the Social-Democrats linked their forces together with those of the farmers' party. By granting the farmers better prices for their products the Labor Party secured their support for a new employment policy, to a large extent based on public measures. And we can now surely say that the new policy turned out a complete success. A short time after the outbreak of the war in 1939 there was formed a coalition government consisting of representatives from all parties, except the communists who were then still a very small party. By the 1940 election to the second chamber the Social-Democrats won at last a clear majority in that chamber and at about the same time a labor majority was established in the first chamber which is renewed successively by county electioneering bodies.

In spite of the swinging over of the political pendulum there was, however, no immediate change in the composition of the cabinet. We were still in the midst of the war which in 1940 had expanded over to the Northern countries through the German occupation of Denmark and Norway. It was regarded as a necessity to keep the controversial questions of internal Swedish policy out of the discussion as long as we needed more than ever to join forces and stand together facing the menacing threat of the insane German oppressor.

Thus nobody thought of any change in the government until the war was over, although by the end of the coalition period many of us were really very tired of the deadlock in the home policy which the existence of the coalition caused.

When the war was over last year it was therefore but a question of weeks when we should return to normal conditions, and consequently the coalition government resigned in July 1945, and was succeeded by a Social-Democratic cabinet headed by Prime Minister Per Albin Hansson.

The new government, in which Professor Gunnar Myrdal, the renowned political scientist, is Minister of Commerce and Trade, is the first labor Government we have ever had possessing a political majority in both Houses of the Riksdag. Therefore it is of special interest to study what the Government has to say about the future policy.

Of course we may say that this has brought the Social-Democrats in Sweden into a more delicate position than ever before since they became a real factor in Swedish policy. For a radical party it is as a rule easier to lay down programatic principles for more or less drastic changes in the organization of the community, if there is no risk of its being given the opportunity to carry out the program.

When the present Swedish government entered into office it accepted as its program the post-war program of the Labor movement which had been made up in 1944 just in time for our last election.

Full Employment Heads the Program

The first heading of the program, and in fact its most important feature, is full employment. This is not the place to give a more detailed account of the program although its role in present Swedish politics might justify such an account. I must confine myself just to mention that the program, the principal author of which is our Minister of Finance, Mr. Ernst Wigforss, has put forward a great number of issues which in due time, when they will have been incorporated in the practical measures of the Government, will result in a remarkable change as to the social and economic conditions under which our people now live.

Its second chief point is fair distribution and higher living standard, and the third is greater productive efficiency and increased industrial democracy.

It may be said that the program for full employment in Sweden for the time being is somewhat out of place when we look at the present situation on the labor market. The most outstanding characteristic of present labor conditions at home is an abundance of work and a great demand and even a threatening shortage of labor. That is to say that we have now not only full employment, we have an overfull employment if I may say so.

Let us look back on how labor conditions have developed in our country since the first World War. We have had mainly two economic crises combined with unemployment, one in the beginning of the twenties and one in the beginning of the thirties, both of them obvious reflections in our country of the general international situation.

Sweden is, for its prosperity and for the increase of its standard of living, more than most countries dependent on international conditions. Our economic life is to such an extent dependent on a large and free trade with the outside world that any considerable change, for instance of the economic stability in the U. S., will very soon have its effect in Sweden.

In spite of this we can say that we have been comparatively lucky because unemployment never made itself shown in so terrific figures as in the United States and in Great Britain. When unemployment reached its peak in 1933 it amounted to some 165,000 unemployed persons. With regard to the proportions of Swedish population in comparison with American population, that would have meant roundabout 3¼ millions here while you had in fact 10 or 12 million unemployed during the same period.

Before I deal with measures taken in Sweden against unemployment in the past and about the employment policy for the future, I think I had better give a short account of the present state of things and how they have come about.

As in all countries we have had no considerable unemployment during the war. Part of the workers have been absorbed directly in military service. At times the number of men engaged in the forces has swung around half a million, but normally since the year 1939 we have had an average of between 100,000 and 200,000 men in the forces.

Besides a great part of our people have been engaged in war production and in such production as has been intended to get us substitutes for such products as we normally import, but from which we have been cut off during the war as a result of the blockade.

Above all the production of wood for heating purposes has continuously absorbed a considerable part of the labor. We have in fact been forced to compensate the lack of import of fuel by an extended cutting down of our forests, which by the way is still going on and at the same time now reduces our chances of exporting wood and lumber for the rehabilitation work in those parts of the world where the need of such products is imminent.

Because of the present shortage of labor, a certain "rationing" of labor has had to be effected, although so far to a limited extent only. It is thus nowadays necessary to obtain the permission of a public authority for employing workers in the building, contracting and peet industries. Moreover, by the application of a special law on national labor service, all men born in 1923 have, at a certain time three years ago, been placed under the obligation for a period of three to four months to work in the forests or in the peat industry. In so doing they received, in addition to the normal wages for the work performed, a State grant of 50 cents a day.

We have all feared that the transition period following upon the end of the war should cause some difficulties on the labor market. We had believed that the moving over of labor from the military forces, the war industry etc., would result in some temporary unemployment.

In order to reduce the difficulties we have taken certain precautions to speed up the circulation of labor. So we have among other things made the labor exchange more effective and we have to a considerable extent extended our old system of training courses for various professions.

We knew beforehand that as far as we could get fuel and raw materials for our industry there would be plenty of situations vacant. An indication in that direction was given us by the annual prognosis of industrial investment, but we have not been so optimistic as to think that there would be no real difficulties in the distribution of new jobs to the workers who were brought into circulation again from more or less special war time jobs.

One chief reason for the prosperity we have had during the last two years on the Swedish labor market is of course the enormous demand from abroad for Swedish export products. As everyone can see, the productive machinery of Swedish industry has been left more or less intact during the war except of course for the usual wearing out of machines and such like. If we compare our situation to that of central Europe and the countries formerly occupied, ours is of course favorable. The number of people who have been transferred from the military forces to industry since the end of the war is about 140,000, and this has made possible an extension within the industry corresponding to the increased demands for its products. A similar effect, though not of the same importance, has been caused in Sweden by the use in Swedish industry of foreign labor consisting chiefly of refugees.

It is extremely difficult to make any prognosis for the development on our labor market. What we can now say with some certainty is that the whole situation for the near future will depend primarily on the import of fuel and of some industrial raw products. We are for the moment very much in the dark as to the prospects for imports. We must of course calculate with a negative tendency but if we can get enough fuel and raw materials we have every reason to believe that we shall be able to keep the high standard of employment at least for the next two or three years. The stock of orders in the industry in a more restricted sense, that is in factories and such like, is fairly large. House building will continue on a larger scale than before as long as we can obtain the materials needed. The same can also be applied to the building of industrial plants. As for secondary sections such as transport and commerce I think we are entitled to count with a favorable development as long as the aforesaid conditions of industry in general prevail.

Another thing that I should like to mention especially is the question of woman labor. As you have experienced here during the war as well as they have in Great Britain we have during the last years had the opportunity to try woman labor in many different functions where they have previously never entered. We too have noticed that women are in a great many capacities very able workers, doing first class work and we now know for sure that there are sections of our industrial life that they will probably not leave again, now that their ability has revealed itself.

The demand for woman labor in Sweden is at the moment greater than ever, and many firms have abandoned their old principles and given up their resistance against part time jobs for married women. There are, however, small chances for a more considerable increase of woman labor because of the trends of the development of the Swedish population.

General Scarcity of Labor

If I should venture to sum up in a few words the present situation I might say that there is a lack of labor in practically all branches. Even if industry—for lack of raw materials and fuel—should not be able to absorb the same amount of labor as now we have a great reserve of work in our forests, where there is still a demand for labor by far exceeding the present supply.

I have already said that the statistical summing up of the results of the last annual inquiry about the investment within the private industry show that our industry will if possible expand to a considerable extent in the nearest future. The growing up of the Swedish industry has always demanded a yearly supply of labor from the rural districts. With regard to the pace of the transfer of the agricultural population to the urban industries there is a very small reserve of labor left now in agriculture and we cannot of course allow a too rapid depopulation of agriculture.

In addition to this the increase of the number of people in the working ages is slowing down. The generations born during the twenties, which are now entering into productive life, were very small compared to those of the first two decades of this century. They are by the way also very small as compared to the generations born in the latter part of the thirties and during the war.

These two factors—the slowing down of the increase of the labor in the working ages and the impossibility of drawing as great a number of people as before from agriculture to urban industries—will result in the people in the productive ages within the urban industries growing only half as rapidly as during the previous decades.

What I have said will show that certain factors will put a limit to the normal growth of Swedish industry if we can achieve full employment.

One thing that has been discussed in this connection is the import of foreign labor to Sweden.

As a matter of fact, a limited immigration of labor would mean a considerable relief in a very critical period of industrial and economical development in Sweden. I should add that although this topic has been discussed and has had a favorable reception even among the leading people of the Swedish labor movement there are of course not yet any steps taken in order to get a solution of the problem this way.

Planning for a Depression

What I have been discussing so far are the present conditions on the labor market in Sweden and our prospects for maintaining full employment, if the more general present international conditions for the economic life prevail and if an economic depression can be avoided. In our economic postwar planning, which in its more concrete forms started in 1943 and during the years of 1944 and 1945 was taken over by a special commission headed by Gunnar Myrdal, we have of course calculated on the possibility of the present comparatively good conditions being followed by a depression. The Myrdal commission accordingly worked out several different plans to meet with such an eventuality.

So far we can say that our fears for a "transition crisis," if I may use those words, combined with unemployment, has proved too pessimistic. Our difficulty is to meet the enormous demand for various products with a sufficient supply. We expected a couple of years ago by now to be wrestling with a deflation problem. Now the continued upward pressure on prices is still very threatening. And we must, of course, keep our price-con rol in full force.

The chief economic-political interest in our country is now directed to the questions of how rapidly the standard of living can be calculated to increase during a period of five or ten years and how large public expenses for social and other purposes we can afford to make. One might say that the lively discussion a couple of years ago about the employment policy has been replaced by an intense public debate on the questions of the financing of our plans for old age pensions, sickness insurance, housing policy, etc.

In the background of it all rises the problem of full employment. All social progress and every increase of the standard of living will of course depend on the steady increase of the national income. And in order to return to the prewar rate of the growth of the national income we must avoid the most serious leakage in productive capacity, that is unemployment in any form.

Functions of the State in International Crises

If an international crisis comes every country can of course within certain limits do a lot to reduce its consequences within its own borders. It is not due to an underestimation of the intentions of private industry to do its best to keep things going but to a realistic estimation of its difficulties in so doing, that the plans of the government are to a considerable extent built on the activities of the state and the public authorities as a whole. I don't intend to enter here upon the more theoretical aspect of the public measures to be taken for maintaining full employment. On the whole I can say that the Swedish government have in their program accepted that idea in general not only from studying the modern scientific discussion of the problem, but also by looking back on our experiences during earlier unemployment periods. The Labor Government of 1932 made a complete break with the earlier employment policy in our country and launched with great success the idea of public measures to keep the wheels going.

What the government now plans to do is to continue the party's old policy and in several respects to add new measures on the same main line.

Program for Maintaining Employment

First of all we must realize that the Swedish government doesn't rely upon any one single measure for maintaining employment. On the contrary the plans comprise many big and small measures which are intended to work together and lead up to a good result.

Less favorable foreign trade conditions is a factor we must reckon with in Sweden. Such a development is as a matter of fact the most probable reason for a depression in our country. A long lasting relatively small export is likely to lead to a crisis at home if compensatory measures are not taken. The question is how far the effect of such compensatory measures can reach. We have noticed that the fairly small volume of our national trade during the war has not prevented a very favorable economic situation. The reason for this is obviously that our imports have likewise been very small, and that an expansion has taken place of production and employment substituting for the fall of exports. Of course it will be possible also in the future to take such compensatory measures if and when trade is slackening down. Such a tendency will surely not be very favorable; it will cause a reduced increase of the productivity of our country.

Investment Policy

The second chief point is our future investment policy. We noticed during the crisis of 1933-34 the very favorable effects of the increased public outlays made to ensure employment. One of the problems now will be to coordinate private investments with public investment policy. We have devised a form of cooperation between public authorities and representatives of private industry in order to get the necessary coordination. On the proposal of the postwar planning commission the government has appointed a body called the Investment Council, consisting of representatives of the public authorities and of private industry. There will be discussed all the measures that could be taken on the part of the private industry in order to prevent a reduction of the investments at that very time when an increase would be badly needed. So far the intentions are that this Council should give advice, but should have no executive power. On both sides there has been an agreement on the necessity of acting on a voluntary basis.

The Localization of Industry

In connection with the creation of the Investment Council we have had a very interesting discussion about the localization of industry. This is a problem that will not come up during a crisis only but will always be acute with regard to the shortage of labor. For the time being there are continuous negotiations going on between the government represented by a special labor market commission, and the representatives of the industry, about the questions of localization arising. There has not yet been any need for a more extended activity in this field, but the whole problem is being dealt with by the government and there will, I am sure, emerge some more definite plans in the near future.

Of course the government also includes in its plans for combating slack in employment the increasing in various ways of the purchasing power of the consumers. In a way purchasing power is of course increased by the different reform plans in the field of the social welfare policy, which the government is now putting before the parliament. One plan that was put forward by the Myrdal commission is, during an unemployment crisis, to give special rebates to the groups of people who specially need it when buying certain goods like furniture, kitchen outfit, etc. The state will, for instance, give large families chances to continue to buy furniture, childrens' clothes and things like that at a time when they would otherwise, because of a reduced income, perhaps confine themselves to buying necessaries. It has also been proposed that the cities and similar communal units should in a time of unemployment, like the state authorities, buy in stock products which they will always need for their own institutions, as schools, pensioned people's homes and such like. It has also been contemplated to increase the purchasing power by reducing taxes for the lower incomes.

House Building

Of course house building will play an enormous part in employment policy. The Swedish housing question, which has for years been very critical, has recently been closely investigated by a special committee, which has proposed large public measures in order to secure a filling up of the present lack of houses and apartments and to make way for a rapid increase of the Swedish housing standard. The plan is now to continue the house building on a larger scale, as far as the supply of certain material will permit, and to reduce the costs by all sorts of rationalizations and by public grants in the form of cheap loans. There will also be continued an increased taking over by the city authorities of the responsibility for house-building and of the ownership of new apartment houses. Upon the whole I might say that the housing policy in our country is now and will be more or less totally dominated by public measures.

Seasonal and Structural Unemployment

I have now dealt to some extent with unemployment caused by a more or less general economic depression and how we plan to meet such a situation. Now there is of course unemployment also of another nature. We have especially in Sweden with its strong climatic variations a very important seasonal unemployment. We have also had in certain branches structural unemployment which has caused certain difficulties manifested by short time work for instance. Now we have entered upon certain investigations as to the nature of the causes of this unemployment, and I think I might say that we have already at a very early stage been able to notice that some of that unemployment has derived from bad habits, bad organization and very low efficiency.

Wage Demands Must Be Tempered

In a community where we can ensure full employment there will be a wage problem different from the one we have previously had. There will naturally be a constant press upwards on the wages if there will always be a more or less marked shortage of labor. In such a situation it is imperative for the workers and their organizations not to let their demand for increased wages go so far as to jeopardize the price level. In this connection I would only mention that the Swedish labor organizations are aware of this danger and already prepare themselves for a new wage policy in a period of full employment, where it will be necessary to measure wages more scientifically with regard to the volume of industrial production. It might be noted as an interesting feature in our preparations for a new policy that the labor unions and the Federation of Swedish labor unions are now engaged in employing economic and statistical experts to carry on the work at the side of their own expert bargainers.

Full Employment and Private Enterprise

Finally a few words about the political discussion in our country of full employment and private enterprise. From the side of private industry and the liberal and conservative parties, it has been said with great vehemence that the government policy for full employment cannot be carried out without threatening the whole sphere of free enterprise, and even the democratic principles of freedom in various senses.

The government have no ideological intentions either of nationalizing nor of socializing industry. The decisive policy is that Swedish industry should be effective, should be able to employ the available labor, should be able to give reasonable wages, and keep reasonable prices. If the government should find that certain branches of industry fail in these respects, the government would not hesitate to take the initiative in some form. That would not mean a taking-over by the state of an entire industry; the purpose might be accomplished by increased influence from the public authorities. Sometimes a state-owned industry competes with the private industries, but on the same economic basis as to prices of raw materials, taxes, etc., as the private industries. What the government wants and needs are the necessary tools for exercising such an influence on the whole sphere of economic life, to avert catastrophes like the periods of unemployment, disillusion, and material poverty—such as we have had in the past—and to create social and economic security, and a continuous improvement of the standard of living for the whole people.

We have every reason to expect that it will be possible to carry out that program in accordance with the wishes of the whole people without creating any serious political controversies. The modern social and economic Sweden has been built on the fairly general political unity of the people, and nothing should prevent the work from being continued under the same favorable conditions.

The Chinese Market During Industrialization

(Continued from page 336)

which are further divided into two sub-groups. The first sub-group consists of "absolute necessities," namely, cereals and cotton piece goods and yarns, while all other consumers' goods are subsumed under the second sub-group.

TABLE I

SUMMARY ANALYSIS OF CHINESE IMPORTS FROM THE MAJOR SOURCES OF SUPPLY

1935-37 Annual Average

(Imports of small value in the case of some commodities are excluded)

	Value in U. S. Dollars (I)	(II)	(a) (III)	(b)	% of Total Supplied (I)	(II)	(a) (III)	(b)	Sub-Tot.
Gt. Britain	11,847,750	10,437,590	2,137,850	6,264,890	19.1	9.6	6.4	13.1	6.5
U. S. A.	11,255,180	27,328,880	448,250	15,049,910	18.1	25.2	1.3	29.2	12.2
Germany	13,184,790	14,925,460	------	7,696,370	21.2	13.8	---	14.9	6.0
Japan	11,683,460	11,033,330	4,105,970	20,049,260	18.8	10.2	12.3	33.0	18.7
Brit. Commonwealth countries, including Hong Kong	607,770	10,971,150	9,064,150	10,515,900	1.0	10.1	27.1	24.5	15.3

*(I), (II) and (III) represent the commodity groups. (III) is further divided into (a), "absolute necessities," and (b), "others." The last percentage column is the total of Group III.

TABLE II

THE RELATIVE IMPORTANCE OF THE DIFFERENT COMMODITY GROUPS IN CHINA'S TOTAL IMPORTS

1935-37 Annual Average

Groups—	Value in U. S. Dollars	% of Total
(I)	62,176,550	20.8
(II)	108,311,850	36.2
(III) (a)	33,363,000	11.1
(b)	95,608,520	31.9
Sub-total	128,971,520	43.0
Total	299,459,920	100.0

As can be easily seen from Table II, during the period under consideration, about 43% of China's total annual imports consisted of consumers goods. Of these 74% were not "absolute necessities." Next in importance was Group II which made up 36% of the total. Capital equipment in the narrow sense, on the other hand, occupied no more than 20.8%.

If there had been no war, and if China were not to industrialize rapidly, the proportions between the three major groups of imports might not fluctuate violently in the short-run. Further, had there been no change in other conditions, the relative position of the major supplier countries in regard to these commodity groups might also remain fairly stable in a short period of time. For international purchases are to some extent conditioned by the good will and purchasing habits cultivated over a number of years, and the relative positions prevailing in 1935-1937 probably reflected the relative degree of competitive enterprise of the different suppliers, which may not be easily altered.

The Urgency of Industrialization

But although industrialization is by no means a departure from China's "traditional" policy in the last decades, the war has made it a matter of utmost urgency in her program of postwar reconstruction. Moreover, Germany and Japan which together used to supply over 30% of China's total annual imports have now disappeared from the scene, and, in doing so, have left a sizable vacuum behind. In what way, therefore, will the pattern of China's imports change under the impact of these forces, and in what way will Great Britain, the British Commonwealth and the United States be affected respectively?

The effect of a quantitative change in the import of any commodity on any particular supplier country depends, first, upon the relative significance of that commodity in total imports and, secondly, upon the relative share of the commodity supplied by the particular country. Consequently, as can be easily seen from the above tables, if there is a proportionate increase or decrease in all the import groups, the resultant change in the import of consumers' goods will be quantitatively more significant than changes in the groups of capital goods and intermediate goods. And any increase or decrease in consumers' goods import to China is likely to affect the United States more than Great Britain, although the British Commonwealth as a whole is likely to be affected more than the United States. Similarly, changes in the import of "intermediate goods" are likely to affect the United States far more than both Great Britain and the British Commonwealth. Finally, as Great Britain and the United States used to supply China with approximately the same amount of capital equipment, one might be tempted to argue that within this group changes in the amount imported might affect both countries in the same degree.

Simultaneous Changes in Import Groups

However, this alone does not answer our question. For we have to assess the net effect on the various supplier countries of **simultaneous** changes in the different groups of imports. Simultaneous changes in the proportions between the several groups of imports tend to occur with an absolute increase or decrease in total imports, and they may take the form of changes in opposite directions in the absolute amounts of the different import groups. The most likely development in the composition of Chinese imports during the period under consideration is a rise of the absolute and relative share of capital equipment accompanied by a fall of the absolute and relative share of consumers' goods. For between 1935 and 1937 the average deficit in China's balance of trade amounted to over U. S. $70 million. What with dislocation, war damage and the wartime development of substitutes abroad, the volume of Chinese exports is likely to become even smaller in the period under consideration.[1] Consequently, an increase in the absolute share of the import of capital equipment, unless it is accompanied by an inflow of capital investment, will in all probability necessitate a contraction in the absolute amount of consumers' goods import. Thus the latter will suffer a relative decline not only in consequence of the probable increase in the import of capital goods, but also as a result of its own contraction. On the one hand, this adverse effect on the volume of Chinese imports will probably be felt by Great Britain and the British Commonwealth more keenly than by the United States, although the effect on Great Britain alone may be less than that on the United States. On the other hand, in spite of the fact that in pre-war days British and American exporters contributed approximately equal shares of China's import of capital equipment, the probable increase of the capital equipment imports may not benefit the two countries equally in the future.

Capital goods may be imported either in small units or in very large units. If the increase of their import takes place in small units, which in the short run may not aggregate to a large figure, payment for them can perhaps be effected by current export together with a contraction of current import of consumers' goods which perhaps will not have to be on a large scale. On the other hand, if the import of capital equipment in large units is stepped up, long-term credit or direct investments or both, it seems, will be needed. Now since the industrialization process envisaged by he Chinese Government involves a series of large undertakings, the probable increase in capital equipment import will belong to the second category. Should this be the case, the capacity to lend and to invest of the United States and Great Britain would become the determining factor in deciding where China's total import of capital equipment, and not just its increment in comparison with the pre-war figure, will come from. As for raw materials and other goods belonging to the group of "intermediate goods," one can probably assume that their import will increase or decrease according as to whether total imports increase or decrease. But in so far as this group of commodities is composed of industrial raw materials, it seems reasonable to assume that the largest supplier of capital equipment will also tend to supply a larger proportion of these items, a possibility not to be over-looked especially if foreign loans are "tied." As the United States was by far the largest supplier in this import group before the war and will in all probability become the one major supplier of capital equipment on the Chinese market, at any rate in the immediate future, it is probable that her share in this field will now become larger still.

Thus while British exporters will probably face a decline in the export of consumers' goods to China, a compensatory increase in their export of capital equipment and raw materials will not necessarily materialize. If we disregard future British investments in China, any export of capital equipment from Great Britain is likely to consist of capital goods in small units for the Chinese private entrepreneur. On the other hand, as the British Empire supplied by far the most predominant share of China's pre-war import of those consumers' goods which may be regarded as "absolute necessities," a decrease in the total volume of consumers' goods import may not be as detrimental in regard to these "absolute necessities" as the extent of the total decrease may suggest. But this is likely to benefit British exporters in the British Commonwealth more than those in Great Britain.

The outcome of the disappearance of Germany and Japan from the Chinese market will depend upon Allied policy. If the de-industrialization of these two countries is carried out, their export of capital equipment as well as of some manufactured goods to China is bound to decrease. In the case of Japan, however, reparations may to some extent offset this tendency, at any rate in the short run, and unless existing capital equipment in Japan is exported as reparations, it may be difficult to maintain the latter at a high level while the policy of de-industrialization is pursued simultaneously. But Japan's share of China's import will certainly become smaller, although the decrease may not be uniform with regard to the different import groups. If reparations are disregarded, the disappearance of the Japanese competitor will probably be felt most on the market of consumers' goods. On the other hand, the elimination of the German competitor will considerably affect China's import of capital equipment. To the extent the market of consumers' goods is vacated by the Japanese, it is possible that exporters in the British Empire, and, in a lesser degree, those in Great Britain, will be able to step into their place. However, this advantage would be reduced if the import of consumers' goods as a whole were to contract, as it probably will. On the other hand, the question as to which country will benefit most from the disappearance of Germany from the field of capital equipment export to China is inextricably linked with the question of the capacity to invest.

The Importance of Investment

Thus on the whole the changing pattern of Chinese imports consequent upon the projected industrialization of China is likely to have more unfavorable than favorable effects on British trade with China if the possibility of large investments by Britain is disregarded. The case of United States trade with China is a more hopeful one. The most important cause underlying such a development seems to be the replacement of competition in terms of price and quality by the availability of credit and capital investment as a determining factor in China's post-war international trade. This dependence on foreign capital has come to shape in a decisive manner China's present foreign trade policy which, in its turn, may play a not at all unimportant part in determining the size of capital inflow into China.

So far as private direct investment from abroad is concerned recent discussions have centered around the revision of the Chinese Company Law. But whereas the objections raised by American business interests, such as the National Foreign Trade Council, have been directed against certain provisions of the revised Company Law in its present form, they probably reflect a deeper apprehension about the fundamental issues in the Chinese economy, especially those affecting foreign capital. Given the present policy of the Chinese Government towards foreign investment,[2] it seems reasonable to assume that there is at least a considerable obstacle in the path of foreign capital inflow by way of direct investment.

This being the case, Government loans and private loans with Government guarantee will probably be the two major forms of capital inflow from abroad. But as Government and Government guaranteed loans will not suffice to alleviate the shortage of capital in whatever field may be marked out for private enterprise in China, and as it is perhaps the policy of the capital supplying countries not to allow such loans to replace direct investment in all circumstances, this would mean a reduction of the total volume of foreign investment in China.

Import Control Policies

If private direct investments give way to loans as an important form of capital inflow, the degree in which capital equipment will be imported into China from any country will depend all the more upon the capacity to lend of that country. In this respect it should be noted that these loans will, first, have to be of a longer duration than that of the British export credit arrangement, and secondly, that they probably will be "tied," to borrow once again a term used by the London "Economist." Further, if the volume of capital inflow from abroad is not as large as it might be if there were considerable private direct investment, stringent measures of exchange and import control will have to be adopted all the more quickly in order to curb the import of consumers' goods and other commodities which the controlling authorities may regard as "non-essential." Both increasing control and the increasing importance of possibly "tied" loans will tend to relegate competition on the Chinese market in the ordinary sense to diminishing significance. Already the existing regulations regarding foreign exchange and foreign trade control, which have become effective since March 4, 1946, and Feb. 26, 1946, respectively, are pointing to this tendency towards increasing control. Although the present import and export regulations are said in certain quarters to indicate a relaxation of control over imports inasmuch as all imports which are neither prohibited nor require a license are termed "free," the inherently and potentially restrictive nature of these regulations is unmistakable, especially because all imports, whether free or not, are subject to exchange control by the Central Bank of China. Furthermore, the new exchange regulations provide that all exports and re-exports must be accompanied by a certificate of purchase of foreign currency, which means that exporters cannot make use of the proceeds of their sales in foreign currency to finance imports, thus tightening the control of foreign trade in comparison with past practice. It is true that these regulations are "temporary" measures, to be relaxed or removed when circumstances permit. But as our analysis has probably made it abundantly clear, conditions warranting the freeing of China's foreign trade may not be fulfilled for a considerable time to come. On the contrary, it may very well happen that these temporary regulations will have to be made permanent.

In this connection a passage in the Eighth Report of the House Special Committee on Post-War Economic Policy and Planning of the American Congress is highly interesting. Mr. Edward S. Mason writes that "unless we are willing to lend merely to increase employment with the certainty that when the debt is repayed the difficulty of maintaining employment will also be increased, the considerations which justify foreign lending run pretty largely in terms of encouragement of economic development, the advantages of which are shared through the **resulting expansion of world trade.** There is no assurance in the case of Russia that the advantages would be so shared." (Page 66, boldface mine.)

This is probably a very clear and representative statement of American policy towards foreign lending. If China establishes trade barriers, and seeks foreign loans at the same time, and if the need for foreign loans is enhanced by the deficient inflow of foreign investment as a result of an ambiguous general economic policy, it seems correct to conclude that some further serious thinking is necessary with respect to Chinese economic policy. This is a matter of concern not only to the Chinese, but to all people interested in the freeing of international trade.

(1) We are abstracting here from the factor of prohibitively high costs under inflationary conditions which are handicapping Chinese exports today.

(2) See Y. L. Wu, "Postwar Investment in China," **The Banker,** October, 1945, London.

Democratic Party's Red-Fascist Trend

(Continued from page 340)

point out that whoever may be your favorite candidate for the 1948 Republican Presidential nomination, that nomination will be infinitely more valuable to him if we elect a Republican Congress this year. To my mind, one of the greatest disservices which could be rendered to the Republican Party and to the Nation would be for Republicans this year to become involved in bickerings and maneuverings concerning their 1948 Presidential candidate. Let's win the 1946 fight before we get into the battle of 1948.

I said a few moments ago that the election of a Republican Congress this year would guarantee the preservation of our free, liberal, American system of government. I wish to say also that failure to elect a Republican Congress this year will expose the Nation to grave danger that our historic system will not survive.

That may appear to be an extreme statement to those who have not taken the time or trouble for careful study of the situation in which we find ourselves today. Nevertheless, the facts will sustain my contention.

Democratic Party Elements

The Party which is in power today—if it can be called a Party—is one which is made up of three distinct and mutually antagonistic elements.

There is the South which is held captive to the Democrat Party by the chains of an archaic condition. It is really a shame that so many good Americans in our Southern States are prevented from registering their views on national issues through their elected representatives in Congress. In effect, these representatives are enslaved by the left-wing elements which dominate the South chooses to adhere to the one-party system, I know of no effective remedy for this situation.

There are the Big City Machines whose masters are in politics for what they can get out of politics.

Then there is the radical group which has been so aptly called the Red-Fascists. It is this group which seeks, through the medium of the Democrat Party to fasten upon this Nation the very form of government against which we have just waged a great and victorious war. It is this group, beholden to the political ideology of Moscow which is the most important. It is the most important because, far all intents and purposes, it has captured control of the Democrat Party.

I do not for a moment suggest that a majority, or even a major faction of registered Democrats in the United States, believe in this Red-Fascism which seeks to mask itself under the label of liberalism. What I do mean to say, however, is that members of this radical group have insinuated themselves into positions of great power on the policy-making level in the Democrat Party and in the present Democrat Administration in Washington. They call the tune to which the Administration dances, and the tune is strongly like the Internationale.

The men and women who have been abroad in this war can tell you that the farmer in Italy, or in Germany, or in Russia, was not a man, but a public utility. They can tell you that the workmen of Italy, Germany and Russia, are not free, independent citizens, and members of free independent trade unions, but chattels of the State. They can tell you that the housewives and white collar workers, the big and little businessmen in those countries, were at the mercy of men who did not hesitate to use government power against any citizen. They can tell you that the confusion and compulsions today are symptoms of the attempt to establish Red-Fascism in this country. You see princes of political privilege flaunt their powers before the American people while the puppets of a political monopoly use instruments of public power to shackle the liberties of the people. They planned it that way. They cry out for more and more power in the name of humanitarian ideals. They abuse that power and use it to destroy our society, our government, our security, our prosperity, and our freedom.

What is Fascism, and how does it differ from Communism? Fascism is the exaltation of the State over the people and then the establishment of a dictator and his henchmen, as the State, as in Italy under Mussolini. The difference between Fascism and Communism, actually, is a difference in terms only. Communism is the exaltation of the State over the people, and then the establishment of a dictator and his henchmen as the State—as in Soviet Russia under Stalin.

The Cloak of "Liberalism"

Now, what is this Red-Fascism which parades under the cloak of "Liberalism" in our country? It is just some more of the same old poison with another label on the bottle. Their effort in these United States is to broaden and increase the control of the Federal Government over the people—and to displace government of laws in favor of government by men. The ultimate consequence would be the same as in Italy, or Germany, or Russia—dictatorship at the top, and a crushed, enslaved people at the bottom. So, then, as I speak of Red-Fascism, I mean the same brand of political and social, and industrial, and governmental poison we have seen operate in other countries. We want none of it in free America, but unless we make a determined fight, these mercenary men, lustful for power, will continue to work and scheme to fasten Red-Fascism upon us.

It is a sad and regrettable fact that President Truman has delivered the influence of the White House over to the men who would establish Red-Fascism here. It is a sad and regrettable fact that the Chairman of the Democrat National Committee, with White House consent, has delivered over the Democrat Party machinery to the radical reactionaries who would establish Red-Fascism here in America. It is a sad and regrettable fact that the influtnce of the White House and the Democrat Party machinery is being used to purge from the Democrat Party duly elected representatives of the people who believe in our free American system, and who oppose bitterly the establishment of this alien system here.

Position of Democratic Party

The Democrat Party, ruptured by this struggle between the Reds and other radical reactionaries and true Americans, can no longer provide an administration in conformity with traditional American freedom. The best statesmen of the Democrat Party who believe in American principles can secure harmony within their party only by foreswearing their scruples and lining up with the enemies of our American system.

In this land of plenty you have seen no suits, no shirts, no meat, no butter. Our fighters went away to war regarding themselves and their countrymen as free Americans. They returned to an America baffled by strikes, violence, stoppages, and confusion. They find American homes shaken with fear of the future. They went away with a feeling they were performing their duty as American citizens; they returned to find powerful and selfish men thinking nothing of duty and responsibility to coming generations, but only of their own personal political fortunes. Why does this happen here in America? Because the New Deal dickered and dealt with men wanting secret power. The Administration traded lopsided, unfair governmental favors and influence for votes and political support in the black markets of the racketeers and exploiters. It traded the Administration's integrity and the people's trust for a mess of political pottage. Now the pottage has disappeared and we have only the mess. It has happened because the New Deal Administration—which Mr. Truman asserts over and over again is still in power under his Presidency—sold itself—and the country, into the hands of political extortioners and blackmailers—and the nation is paying the bitter price of that unholy deal.

This happens in America—because the men holding the real power in the Administration have lost both their sense of direction and their sense of dedication. It happens because these radical and mercenary men, in their determination to stay in power, and to establish an alien rule here are thwarting your Constitution, undermining your rights, and tearing at the very foundations of American free society. They are teaching class hate instead of tolerance; dissension instead of the cooperative spirit; organized and bureaucratic tyranny instead of a rule of, by, and for the people; and you are suffering the consequences.

That we have seen shortages of lumber, of building supplies, of houses for veterans and a hundred other essential items is their failure; that we have strikes instead of prosperity is their failure; that you and your family owe $8,000 as your share of a government debt piled up by their inefficiency and extravagance is their failure; that we have inflation right here and now is their failure; that we have a huge bureaucracy which eats your earnings in taxes, and bosses your life by propaganda and government control is their failure; but even all these are not the real issue. The real issue is whether the people shall be at the mercy of the unscrupulous men who now control this Administration, or whether the Government of the United States belongs to you.

The Red Reactionary Menace

The Democrat Party is powerless to rid the nation of this red reactionary menace. For it to do so would amount to deliberate self-destruction. The leaders of the Democrat Party know full well that they have no remote chance to retain power nationally without the help and assistance of this radical fringe.

So, the only alternative presented to those who wish to preserve our system of government is to make sure that we elect a Republican Congress in November. I believe that what I have said thus far outlines very clearly the difference between the Democrat and the Republican Parties. The Democrats have fallen under the control of those who would destroy our system of government; Republicans have no such embarrassing alliances and will do everything possible to preserve the system under which this Nation has become the envy of the entire world.

There is still another way of stating the difference between the two parties. The Made-in-Moscow philosophies of those who now control the destinies of the Democrat Party teaches that the people belong to the State. So did Mussolini. So did Hitler. So did the war lords of Japan. The Republican philosophy, the American philosophy, is that the government belongs to the people, and the people belong only to God. It is this latter philosophy which will be translated into action, into legislation, by a Republican Congress following the elections of next November.

Political Interests of Women

I can think of no group in our population which should be more keenly interested in the promoting of Republican, of American, principles, than the women of the United States. They have more to lose if a contrary philosophy prevails. Contrast the status of women in Germany under Hitler, in Italy under Mussolini, with that which prevails in the United States today, for a striking illustration of the truth of what I have just said. It is customary for those who oppose the Republican or American philosophy of government to sneer at the American Constitution. I fear that those of us who believe in and support the Constitution have been somewhat careless about bringing home to the citizens of this Nation the real significance of that historic document. Too many of our citizens, I fear, think of the Constitution as something which they were compelled to memorize during their school days. They do not, I am afraid, appreciate that the observance of, or the violation of the provision of the Constitution, affects their daily lives in an infinite variety of ways.

It is the Constitution which prevents the United States or any state, from interfering with your right to worship God as you please. It is the Constitution of the United States which prevents human slavery in this Nation. It is the Constitution which guarantees to me my right to stand here tonight and exercise the right of free speech in addressing you, and which protects you in your right to assemble here to listen. There are many nations in the world today, covering a major portion of the earth's surface, in which a meeting such as this could not be held. There are many nations in which opposition parties have only those rights which the ruling group wishes to accord to them, and there are many other nations in which there are no opposition parties at all—because they are not permitted.

Sneering at the Constitution

I know it has been the custom among the Red-Fascists and their stooges and dupes, to sneer at the Constitution as an instrument designed to protect private property. It certainly is designed to protect private property. True, human rights come first but one of the first instances of human rights is the right to hold property. There are many other rights of individuals which must and will be protected, but the right to earn honestly and to retain and use the fruits of individual endeavor is one which is the basis of any free liberal civilization. I can not conceive of a society in which such rights as freedom of speech and of religion are protected, but the right of private ownership of property is prohibited. If there is no private ownership of property each individual then becomes dependent for his livelihood, for his shelter, for his food, upon the whim of some government official. He may get enough to eat; he may

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Democratic Party's Red-Fascist Trend

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have a roof over his head, but it will not be his to choose what he eats, or when and where his home is located. Such a society is not a free society.

The Federal Constitution came into existence litle more than 150 years ago. For several thousand years of recorded history and for tens of thousands of years before that, man had been struggling for a system of government which would guarantee his rights as a free individual. I think it is significant that in the century and a half since our Constitution was adopted, we have made more progress in science, in the methods of producing the things needed for health, for comfort, and for protection, than in all of the centuries since the beginning of the Christian era to the adoption of our Constitution. At the time our Constitution was adopted, if men traveled by land, they walked or they rode on horseback, or perhaps they were drawn by horses in carriages. The same was true at the beginning of the Christian era. If men were traveling by water, they were propelled by oars or by sails, both in the year 1-A.D. and at the time the Constitutional Convention assembled in Philadelphia. If men wished to communicate with each other, their messages were carried by the same means of transportation which I have just mentioned. Railroads, and steamboats, and electric power were unknown. The telephone, the telegraph, were in the same category. Surgeons performed operations without benefit of anesthetics, and without the slightest knowledge of the techniques of preventing infection. As someone so truly said, it was then the custom for the surgeon to wash his hands after the operation, but not before.

Compare the conditions which I have just described with those which prevail today, even in countries which by our standards are comparatively backward. And remember that all of these advances made, have been made since our forefathers brought into being a new instrument of government, an instrument of government which was liberal because it provided for liberty, because it guaranteed the rights of individuals and protected individuals in the ownership and use of the results of their labors.

Win the Election

I believe it is unnecessary, before this audience at least, to develop further the advantages of our system over all those which preceded it and over many of those which exist throughout the world today. The hard, practical question confronting us is what to do to win this election, to make sure that we do not slip back into the abyss of tyranny and slavery—for the two always go together—with which we are threatened today. The answer is organization, hard work, unceasing endeavor. Votes are not counted until they are in the ballot box. Sometimes it is even necessary to take precautions to make sure that they are counted then. What I am trying to say is that we are not going to win this election by sitting around in drawing rooms and clubs and condemning the bungling of our present Administration and denouncing the philosophies of those who direct that Administration along its wayward course. We are going to win only by making sure that we arouse the voters to the point where they actually cast their votes for our candidates. If we do not do that, we do not deserve to win. Freedom is worth fighting for and those who are not willing to fight for it do not deserve to have it. I am sure that we can count on the cooperation —the hardworking continuous cooperation—of every person present here tonight and for that matter of the vast majority of all the women of America. That means carrying the message back to your respective homes and neighborhoods. Interest others in our fight for the preservation of the American system of government. See that they take active part along with you. There will be hard work involved but the stake for which we are contending is well worth all of the sacrifices we may be called upon to make.

A Republican victory this year will be a victory for the United States of America.

Reconversion Setbacks Unduly Magnified: Truman

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work was only slightly above two-and-a-half million by the end of June.

Although public attention was focused on the soft-coal and railroad strikes, the great majority of workers remained on their jobs. Fewer man days of idleness due to industrial disputes were recorded during the last quarter than in the first three months of this year.

Our people are earning more money and they are purchasing a greater volume of goods than ever before in peacetime.

We are meeting in full our commitments to ship food to the starving peoples of the world.

We have made more progress than many thought possible toward providing new houses for our people.

Certainly, up to this point runaway inflation has been prevented.

But as the seventh report of the Reconversion Director points out, all of the ground we have so laboriously won against inflation will be irretrievably lost without a workable price control law. Every day that passes without a law on the books increases that danger.

The Administration is determined to do everything within its power, under the authority granted by the Congress, to maintain the gains we have made and to continue moving toward our goal.

To this end, I have directed Mr. Steelman to coordinate to the fullest extent the activities of the executive agencies of the government which can assist both industry and labor to attain the high volume of production necessary to ward off inflation.

To supplement pending price control measures, the Administration is reviewing its fiscal and monetary policies. Government expenditures will be reduced. All deferrable construction and public works projects using Federal funds will be studied with a view to saving strategic materials and diminishing inflationary pressures. Military and veterans program costs which have been rising above earlier estimates will be reviewed to determine where they can be reduced without endangering national security or causing unjustified hardship. All these measures are necessary but they are no substitute for specific price control until full production is attained.

ABA Manual on Farm Equipment Financing

To meet the needs of country banks in all sections of the United States which plan to expand their lending services to farmers, the American Bankers Association has just published a manual entitled, "Farm Equipment Financing by Banks." The manual, which was mailed earlier in July to all ABA member banks, was produced jointly by the Association's Agricultural Commission, the Committee on Consumer Credit, and the Small Business Credit Commission. "Serving the farmers' credit needs is the most important function of a country bank," the introduction to the manual states. "The mechanized farm is the modern counterpart of the highly advanced industrial and business establishments of the community. Many banks in every section have had satisfactory experience with farm equipment financing, and welcome the opportunity to assist both the dealer and the farmer as equipment again becomes available to them. Other banks have indicated a strong interest in this type of lending, although some are not familier with the established practices. With this thought in mind, the Agricultural Commission, the Committee on Consumer Credit, and the Small Business Credit Commission of the American Bankers Association have conducted a study of the most practical methods and operating procedures for farm equipment financing which forms the basis for this manual." The manual provides complete information both on direct loans for the purchase of farm equipment and for the purchase of farmer obligations from dealers who have already made sales. The publication describes in detail retail financing and inventory financing, and includes illustrations of forms used in completing the transactions. Copies of the manual are available from the Small Business Credit Commission, American Bankers Association, 12 East 36th Street, New York 16, N. Y.

Payments Received By American Life Insur. Policy Holders

American policyholders and beneficiaries received $236,574,000 in April from their life insurance companies, bringing to $974,160,000 the total of such payments in the first four months of the year, it is reported by the Institute of Life Insurance. So far this year, they have averaged nearly $15,000,000 more per month than in 1945. The Institute on June 27 added:

"April payments were 8% greater than in the corresponding month last year and the four months' payments were up $58,537,000, or 6%. Largest part of the increase was in the payment of policy cash surrender values for emergency uses. These were up 55% over April last year, showing a marked increase in the upward trend begun shortly after V-J Day. For the first four months, they were up 44%. Calls for surrender values are still, however, only about half the prewar level.

"Death benefit payments, accounting for nearly half of the payment total, were somewhat smaller in April, both in comparison with the preceding month and with the corresponding month in 1945. For the first four months, however, death benefit payments were still slightly larger than in the corresponding period last year, when war death claims were accounting for over 10% of the total claims."

The Future of Economic Liberalism

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been schooled, not too much in love with precedents and the easy maxims which have saved us the trouble of thinking, but ready to give expert and disinterested advice to those who purpose progress and the readjustment of the frontiers of justice."

There have been few times in history when men could be so conscious as they are today of working and living in the first hours of a new age. The world is slowly emerging from a war unequalled in its dimensions and shattering in its efects. Strange and complex developments in science, in society, and indeed, in nearly all phases of our intricate civilization require the highest order of our ability.

In this respect the aftermath of World War II involves many more difficulties than were present in 1919.

We know that it is given to this generation to make momentous choices for good or ill. We must work toward lasting peace or we shall risk incredible devastation in a war fought with atomic weapons, rockets, plagues and other instruments of mass destruction. We must discover democratic solutions to new economic and political dilemmas or we shall jeopardize the existence of democracy itself.

Responsibility of U. S.

In this transition the United States has a responsibility and an opportunity which are unique. On the economic level, especially, our role is critical. The American economy is the greatest productive unit in the world. Our success in utilizing this industrial power for the attainment of our own prosperity will exercise a major influence on the health of the world economy.

Moreover, what happens in the American economy will determine the fate of economic liberalism, both in our own country and abroad. If this nation, with its tremendous economic potential, its tradition of economic freedom, its creative imagination and know-how, cannot demonstrate in peace the capacity to provide full production, full employment and rising standards of living, economic liberalism as we think of it will perish.

Nearly every other major industrial nation, either because of the impact of war or because of continued inability to resolve an economic crisis, has lost faith in economic liberalism, abandoned free enterprise and adopted some form of a managed or controlled economy. It is therefore crucial for those of us who adhere to the economics of a free society to have a clear grasp of the ends and means that are necessary to make our economy work. We must also have a distinct understanding of the conditions and trends which most seriously threaten the survival of the system of free enterprise.

There are many who feel that the die is already cast. They believe that the age of enterprise is over, that we can no longer expect enterprise to assure an expanding economic life, and that consequently we must inevitably accept the displacement of free economic institutions by the blueprints of a managed economic system. They point to the current perplexities of reconversion, to the disputes between labor and management, to the action of other countries, and to the confusion in economic thinking, to support the contention that we are also on the way to a controlled and closely administered economy.

Unless we have irrevocably succumbed to economic fatalism, a moment's reflection will dispel any belief tnat the disappearance of enterprise is either inevitable or desirable. If enterprise disappears, it will do so because we nave failed to overcome the trend to monopoly. If economic liberalism is permitted to fail, it will be because the American people have ceased to be vigilant in the safeguarding of their economic rights. If the economic basis of liberalism in society is undermined, we may well sacrifice the whole structure of our cherished liberties. None of this need come to pass if we are firm in our determination to eliminate those conditions in our industrial life which constitute the great barriers to our future economic growth.

Monopoly in the American Economy

It would be a grave error to underestimate the serious and formidable tasks involved. The rising power of monopoly in the American economy has acquired proportions unprecedented in our history. Unless this power of monopoly is checked, we shall be compelled either to submit to economic planning by the monopolists themselves or to exert complete political sovereignty over economic affairs. In either case liberalism would cease to exist as the guiding philosophy of our nation.

Let us review some history. From the time this nation was established until shortly after the Civil War, it had perhaps the freest economic life of any country in the world. There was a continent to discover, towns and cities to build, industries and inventions to create and to perfect. Opportunities of every nature far exceeded the capacity of those who sought them to exhaust. But in the Seventies and Eighties the American people became really concerned with the growing problem of monopoly, and this national concern culminated in the passage of the Sherman Act, which we recognize today as the American charter of economic liberalism.

But notwithstanding the Sherman Act, and as a result of failure to enforce it, many fields of industry have come under the domination of powerful and concentrated economic groups. The needs and pressures of the first World War accelerated the growth of economic concentration, so that in 1919 it was already apparent that monopoly in its many guises had come to be America's economic problem number one.

In the following decade the American economy ran the gamut of boom and bust. Again, because we had become tolerant of mergers, deluded by size and unalert to the significance of monopoly power, the anti-trust laws lapsed almost into disuse. Wave after wave of consolidations swept over industry. One agreement after another eliminated competition, or fixed prices, or divided fields of production. It is common for us to think of the Twenties as preeminently a period in which enterprise was unrestricted. Actually this was far from the case. What happened was that one field after another came under the domination of the industrial giants. When activity in the formation of cartels and combines had reached an all-time high, the free market had been so thoroughly weakened that it collapsed under the crushing weight of restrictions.

All of us are familiar with the sequel to this era of consolidations. The great depression had both economic and political effects. Not only were millions of people impoverished and deprived of economic hope and opportunity, but industrial expansion practically ceased. Desperate expedients were adopted both here and abroad to revive industry and to give employment. When World War II began, this country had not yet completely recovered from the effects of the depression. Nevertheless, when the American people were called upon to produce and to fight, they proved once more to the world that the genius of freedom, once it had been marshalled, was invincible.

The time has now come when we must assess in unequivocal terms what has happened to the American economy during the war. We know that it is within our power to avoid the mistakes of 1919, but we also know that it is immeasurably more difficult to do so. The reason is not far to seek. A careful and precise study of economic concentration in World War II has recently been published by the Small Business Committee of the Senate. Its conclusions are so startling and its implications are so clear that they leave no room for surmise. The concentration of economic power in the hands of a few small vested groups is today higher than ever before in our country.

How did this happen? It happened because when this country went to war and sought to mobilize industry, it was compelled to turn to the industrial giants as the source of war materials. It has long since become public knowledge that the severe shortages of critical materials and the enormous difficulties which we experienced in the production of many strategic goods at the outset of the war were traceable directly to monopoly and cartel control. Restriction after restriction on the full use of our resources was uncovered. Time after time we became aware of planned scarcity in essential materials, and almost invariably such scarcity could be attributed to the presence of cartel and monopoly interests. Because competition and independent enterprise had been eliminated in so many fields of industry, government had no choice but to call upon monopoly. In many cases it was necessary for the government to create whole industries which monopoly had prevented from coming into existence.

Setbacks to Small Business

Inescapably, small business suffered a severe setback in the process of war production. As early as 1943, President Truman, as a member of the Senate investigating the national defense program, pointed out that while at the beginning of the war one hundred and seventy-five thousand firms provided 70% of the nation's manufacturing output, and one hundred large corporations produced 30%, this ratio had been completely reversed, so that one hundred corporations accounted for 70% of war and essential civilian contracts while one hundred and seventy-five thousand small companies had been reduced to a mere 30% of the total output. More than 500,000 small business concerns disappeared during the war years.

Now, as this country turns to the building of a peaceful and prosperous world, we find that the shadow of monopoly overcasts our economic future. Where industry after industry was ruled by an industrial giant before the war, it is now dominated by a colossus. The two hundred and fifty largest corporations now hold roughly two-thirds of the nation's usuable manufacturing facilities. These same two hundred and fifty corporations either own or are in a position to control facilities equal to those of all our manufacturing corporations in 1939. Sixty-three of the largest manufacturing corporations have sufficient liquid assets to purchase all of the usable government-owned facilities, or to purchase the assets of seventy-one thousand small corporations. That such a development is already under way is apparent in the sharp rise in the number of mergers and acquisitions. In the last quarter of 1945, there were more mergers and acquisitions in manufacturing than at any time in the previous fifteen years. This consolidation movement spells further reduction in the number of independent concerns and increasing concentration of control in major manufacturing industries.

Concentration of Technological Developments

Much the same condition holds true if we consider wartime developments in science and technology, nearly all of which promise to have peacetime applications. Because the bulk of our industrial research before the war was fenced in by cartels and monopolies, it was necessary for the government to use the means at hand when wartime research was undertaken. As a result sixty-eight top corporations received two-thirds of the value of federal research and development contracts and the top ten corporations received nearly 40% of all wartime research contracts. This means, in effect, that the few entrenched groups which dominated research before the war and carried on the great bulk of industrial research during the war now have further control and know-how. We have come to recognize that access to technology is of primary importance if small business is to have an opportunity to enter the market and to develop. Yet we must face the fact that unless some means are found to provide small business with the chance to acquire know-how or to develop new inventions, it will be almost impossible for new concerns to compete.

I referred earlier to Thomas Mann's definition of democracy as government inspired with consciousness of the dignity of man. How can this consciousness exist if so many are dependent on so few? A statement which I read in the New York "Post" a few days ago, from the pen of Francis E. McMahon, crystallized this aspect of the question:

"The curse of monopoly is not primarily that it can 'rig' prices as it sees fit, or because it can regulate production for the sake of higher profits. These are but symptoms of the real cancer, which consists in depriving individuals of the economic power essential to their dignity as human beings. It is not a free but a servile state, in which the many are wholly dependent upon the few who own and control. This is hardly like the American dream."

Monopoly groups in our economy, as I have already noted, today control a greater proportion of raw materials, of plant facilities, of research and of financial power than at any time before the war. The real significance of this condition is not so evident in reconversion, nor will its effect upon employment and production be felt in the period immediately ahead when industry is producing goods to replace the shortages of the war years. The real question threatening the American economy is whether high levels of employment and production are to be maintained after the immediate demands are met. It is then that the American economy either will begin genuine peacetime expansion or will begin to contract. We shall then know whether we are once more destined to experience the severest fluctuations of the business cycle. That point in our history will be crucial and it is not far off. Unless independent concerns can come into being, can enter the market, can gain access to the new technology, can produce without fear of monopoly retaliation, can sell products at prices that are not fixed, there will be scant hope of avoiding a severe depression.

If we are to reestablish the conditions upon which a system of free enterprise depends, if we are to look forward to expansion rather than depression, if we are to maintain and to increase opportunity for all the people, then we must begin now to undertake corrective action. In this matter time is all too short.

What Can We Do?

What can we do? In specific terms, it will be necessary to undertake an anti-trust program of far greater proportions than is now pursued. Our present facilities are grossly inadequate as to funds and personnel and this situation must be corrected if we really mean business. It will be necessary to give every possible aid and assistance to independent enterprise. It will be necessary to maintain constant vigilance against the attempts which will be made by powerful groups in our economy, either to exempt themselves from the operation of the anti-trust laws or to frustrate the free market by collusion.

I believe that this course of vigorous enforcement of the anti-trust laws and encouragement of small business is in complete accord with the desires and interest of the American people. It is a remarkable fact that in nearly every postwar program set forth by public agencies or private groups there is complete agreement on the necessity of vigorously enforcing the anti-trust laws. This recognition reflects the underlying feeling of the American public, as indicated by polls in which 85% expressed support of anti-monopoly measures by government to strengthen free enterprise.

In the light of these facts, it must be said bluntly that American liberalism must now meet its most arduous test. Liberalism is not an economic dogma designed to benefit "the smallest part and least proportion of humanity," but is rather the set of attitudes that seek the best interest of all the people. Liberalism fosters variety and independence, and encourages criticism. In these qualities lie the hope for economic progress and the protection of the public against the abuses of economic power. In these premises is the surest guarantee that can be given of steady economic development in our society.

The performance of the American economy during the war, and our present capacity to produce and to consume, warrant the belief that this country possesses a tremendous scope for future economic growth. Opportunity for individuals, for new firms, for new industries and new techniques, is the key to this development. But there will be neither growth nor opportunity unless we are able to prevent the further concentration of economic power, and eliminate the grip of monopoly on enterprise. The American people have never undertaken a peacetime venture in which their fortunes and their welfare were more directly at stake. Upon the outcome will depend the fate of economic freedom, and with it the existence of liberalism in this century.

April Dividend Payments Higher

Publicly reported cash dividends paid by corporations in the United States amounted to $338,800,000 in April, the Department of Commerce announces. This represented a 9.4% increase over the $309,600,000 reported in April 1945. The Department's advices also state:

"For the three months ending in April, dividends totaled $884,600,000, or 5.2% more than in the corresponding period of 1945.

"Largest increases in the three-month comparison were scored by railroads, up 65%, and trade, up 16%. The marked rise for railroad was due mainly to a dividend payment in April by a large company that made no declaration in the comparable 1945 period. In other nonmanufacturing divisions gains ranged downward from 10%.

"With a decline of 1%, manufacturing alone of the major industry groups failed to better its three-month dividends payments of last year.

"Among manufacturing industries, the greatest increases were in transportation equipment with a 22% rise and paper and printing with a 14% rise. Textiles and leather advanced 7%. However, dividends of the electric machinery industry were down 11%, and of the food, beverage, and tobacco group were down 8%. Declines ranging from 2 to 6% occurred in all of the metal manufacturing industries except transportation equipment."

Cotton Report as of July 1

The 18,316,000 acres of cotton in cultivation in the United States on July 1, 1946, was 567,000 acres, or 3.2%, more than last year, but was 28% less than the ten-year average, according to the Crop Reporting Board of the Bureau of Agricultural Economics. This is the first upturn in acreage since 1942. If abandonment is computed at the ten-year average, the acreage for harvest is indicated at 17,991,000 acres, which would be the smallest since 1885 with the exception of last year when only 17,241,000 acres were harvested. Acres in cultivation on July 1, last year, and the ten-year (1935-44) average, were 17,749,000 and 25,608,000 acres, respectively.

In Texas, the planting season was one of extremes. Central and east Texas were much too wet and some loss of acreage resulted from washing and floods. In northwest Texas, extreme drought prevailed throughout the normal planting season with only partial relief in late June, and farmers there were prevented from planting their full intended acreage for the second consecutive season.

In Arkansas and Oklahoma, unfavorable weather limited plantings and many growers had to replant. While the planting season was generally favorable in Mississippi, some acreage was lost on lowlands from excessive rains during May. Weather was generally favorable in south Alabama and Georgia, but wet soils delayed planting in the northern half of these States.

Throughout most of the Cotton Belt, excessive rainfall in May delayed chopping and cultivating. Many fields became very grassy. Early June weather, however, was favorable and farmers were generally able to clean the crop. With considerable replanting and retarded growth, cotton in many areas is later than usual. In the three western irrigated States, cotton has made good progress although irrigation water supplies in Arizona and New Mexico are below average.

American Egyptian cotton in cultivation on July 1, 1946 is estimated at 2,800 acres, less than half of last year's acreage and only 1.5% of the peak of 193,000 acres grown in 1942.

Full Employment Illusions

(Continued from first page)

to which he thinks himself to be entitled. But this does not diminish the responsibility of those who in the first instance deliberately chose a popular catchword for a highly technical concept. It is more than likely that the belief they have created that full employment in the popular sense can be easily and painlessly achieved will prove the greatest obstacle to a rational policy which really would provide the maximum opportunity of employment which can be created in a free society.

Money Expenditure and Employment

It is an old story that in most situations an increase in total money expenditure will for a time produce an increase in employment. This has of old been the stock argument of all inflationists and soft money people. And any person who has lived through one of the great inflations can have little doubt that up to a point it is true. There is, however, a further lesson to be drawn from the experience of these inflations which ought not to be forgotten. They have not only shown that a sufficient increase of final demand will usually increase employment; they have also shown that in order to maintain the level of employment thus achieved, credit expansion has to go on at a certain progressive rate. This is shown particularly well by the great German inflation, during most of which the level of employment was very high. But as soon, and as often, as the rate was slowed down at which inflation progressed, unemployment at once reappeared, even though incomes and prices were still rising, yet at a somewhat slower rate than before.

An Old Argument in New Form

But if the substance of the argument is not new, the new hold it has gained on our generation is due to the fact that it has been restated in an original and apparently much improved form. If in the way in which it is usually propounded, this new theory is highly technical, the essence of it is very simple. What it amounts to is little more than the following: if all people were employed at the jobs they are seeking, total money income would be so and so much. Therefore, it is argued, if we increased total money income to the figure it would reach if everyone were employed, everybody will be employed. Could anything be simpler? All we need to do is to spend sufficient money so that aggregate expenditure can take care of the aggregate supply of labor at the wage figure for which the men will hold out.

It is useful at once to test this theory on a situation which has occured often in recent times. Assume that in any country there has been a great shift of demand from one group of industries to another. It does not matter whether the causes of this are changes in tastes, technological progress, or shifts in the channels of international trade. The first result will be, as was the case in so many countries in recent times, that we shall have a group of depressed industries side by side with others which are fairly prosperous. If then, as is the rule rather than the exception at present, labor in the progressive industries prefers to take out the gain in the form of higher wages rather than in larger employment, what will happen? Clearly the consequence will be that those who lose their jobs in the declining industries will have nowhere to go and remain unemployed.

There is much indication that a great part of modern unemployment is due to this cause. How much can the measures of so-called "fiscal" policy or any inflationary measures accomplish against this kind of unemployment? The problem is clearly not merely one of the total volume of expenditure but of its distribution, and of the prices and wages at which goods and services are offered. Before leaving this simplified illustration, let me underline a few important facts which it brings out clearly and which are commonly overlooked.

The Shortcomings of Fiscal Policy

Firstly, it shows that the significant connection between wages and unemployment does not operate via changes in the general wage level. In the instance given it may well be that the general wage level will remain unchanged, and yet there can be no doubt that the unemployment is brought about by the rise of the wages of a certain group.

Secondly, this unemployment will not arise in the industries in wcich the wages are raised (which are the prosperous industries, in which the increase in wages merely prevents an expansion of employment and output), but in the depressed industries where wages will be either stationary or actually falling.

Thirdly, the illustration makes it easy to see how an attempt to cure this kind of unemployment by monetary expansion is bound to produce inflationary symptoms, and how the authority, if it persists in its attempt, will soon be forced to supplement its monetary policy by direct controls designed to conceal the symptoms of inflation. So long as the people insist on spending their extra income on the product of the industries where output is restricted by monopolistic policies of labor or capital, this will only tend to drive up wages and prices further but produce no significant effect on employment. If expansion is pressed further in the hope that ultimately enough of the extra income will spill over into the depressed industries, price control, rationing, or priorities will have to be applied to the prosperous industries. This is a very important point, and most of the expansionists make no bones about the fact that they mean to retain and even expand controls in order to prevent the extra money incomes which they propose to create, from going in "undesirable" directions. There is little doubt that we shall see a good deal more of the same people on the one hand advocating more credit expansion, lower interest rates, etc., etc., and on the other demanding more controls in order to keep in check the inflation they are creating.

Cyclical Unemployment

The illustration I have given may seem to refer mainly to long-run or technological unemployment, and the advocates of the fashionable type of full employment policy will perhaps reply that they are mainly concerned with cyclical unemployment. This would, of course, be an admission that their "full employment" is not really *full* employment in the sense in which the term is now popularly understood, but at most a cure of part of the unemployment we used to have in the past. The more careful defenders of the new policy often admit this. The late Lord Keynes, for instance, shortly before this war, once stated that England had reached p r a c t i c a l l y full employment though the unemployment figure was still well over one million. This is not what the public has now been taught full employment to mean. And it will be inevitable in the present state of opinion that so long as such a strong remnant of unemployment remains there will be intense pressure for more of the same medicine, even though on the full employment theorists' own views it can do only harm and no good in such a situation.

It is more than doubtful, however, whether even so far as cyclical unemployment is concerned, the fashionable "full employment" proposals offer more than a palliative, and whether in the long run their application may not make matters worse. To the extent that they merely aim at mitigating the deflationary forces in a depression, there has of course never been any question that in such a situation an easy money policy may help a recession from degenerating into a major slump. But the hopes and ambitions of the present "full employment" school go much further. Its adherents believe that by merely maintaining money incomes at the level reached at the top of the boom they can permanently keep employment and production at the maximum figure reached. This is probably not only an illusion but a certain way to perpetuate the underlying causes of the decline in investment activity.

In many ways the problems of smoothing out cyclical fluctuations are similar to those created by shifts in demand between industries. The main difference is that in the case of the business cycle we have to deal not with what may be called horizontal shifts in demand, from industries producing one sort of final goods to those producing another, but with changes in the relative demand for consumers' goods and capital goods respectively. The decline in the demand for consumers' goods, which occurs in the later phases of the depression, is a consequence of the decline of employment and incomes in the industries producing capital goods; and the basic problem is why in the latter, employment and production periodically decline, long before any decrease in the demand for consumers' goods occurs.

The current belief, which inspires all the popular full employment propaganda, is of course that investment expenditure is directly dependent upon, and moves with consumers' expenditure and that therefore the more we spend the richer we get. This argument has a certain specious plausibility because in times of all-round unemployment a mere revival of monetary demand may indeed lead to a proportional, or even more than proportional, increase in production. But it is utterly fallacious at other times and almost ridiculous if applied to the position which exists at the end of a boom and the onset of a depression. It is well worth while to examine its implications for a moment and to consider the paradox to which it leads if it is consistently followed.

Consumers' Goods Demand and Investment Activity

If it were true that an increase in the demand for consumers' goods always led to an increase of investment activity the consequences would indeed be astounding. It is important that at the top of the boom, or even at the early stages of an incipient depression, there are practically no unused resources available which would make it possible substantially to increase the output of investment goods without drawing labor and other resources away from the production of consumers' goods. In other words, if this curious theory were true it would mean that the result of people insistently demanding more consumers' goods would be that less consumers' goods would be produced for the time being. This in turn would undoubtedly lead to a rise in their prices and the profits made in their production, and according to the same theory this should lead to a still further stimulus to investment and therefore to another reduction in the current output of consumers' goods. This spiral would go on *ad infinitum*, presumably until a stage was reached when, because people so insistently demanded current consumers' goods, no consumer's goods at all would be currently produced and all energy devoted to create facilities for an increased future output of such goods.

Purchasing Power and Prosperity

The economic system is however not quite as crazy as all that. There indeed exists a mechanism through which in conditions of fairly full employment an increase of final demand, far from stimulating investment, will actually discourage it. This mechanism is very important both as an explanation of the break of the boom and for our understanding of the reasons why an attempt to maintain prosperity merely by maintaining purchasing power is bound to fail.

Why the Slump in Capital Goods Industries?

The mechanism in question operates in a way which will be familiar to most business men: Any given increase of prices will increase percentage profits on working capital by more than profits on fixed capital. This is so because the same difference between prices and costs will be earned as many times more often as the capital is turned over more frequently during a given period of time. If, then, in a situation where prices of consumers' goods tend to rise, the capital at the disposal of a given firm is limited; the need for working capital, as experience amply demonstrates, regularly has precedence over the need for fixed capital. In other words, the limited capital resources of the individual firm will be spent in the way in which output can be most rapidly increased and the largest aggregate amount of profit earned on the given resources, i.e., in the form of working capital, and outlay on fixed capital will for the time being actually be reduced to make funds available for an increase of working capital.

There are many ways in which this can be done rapidly: working in double or treble shifts, neglect of repair and upkeep, or replacement by cheaper machinery, etc. If the inducement of high profits and the scarcity of funds is strong enough, this will sooner or later lead to an absolute reduction of the outlay on fixed capital.

So far this explains only why firms will allocate their capital outlay differently, more for working capital and less for fixed capital, and not why their total outlay we have to explain if we what we have to explain if we are to account for the slump in the capital good industries. But we are in fact very close to an answer to this question and only one further step is needed.

The answer lies in a special application of a principle long known to economists under the name of "the acceleration principle of derived demand." It shows why the effect of any change in final demand on the volume of production in the "earlier stages" of the processes in question will be multiplied in proportion to the amount of capital required. In the case of an increase of final demand the additional capacity will have to be created by installing machinery, building up stocks, etc., and for a time outlay will increase very much more than output. Similarly in the case of a decrease in final demand it will be possible for a time to decumulate stocks an machinery and outlay will be reduced more than output.

When we remember that this acceleration effect works both ways, positively and negatively, equally multiplying the effects of an increase or of a decrease of final demand many times insofar as the dependent investment demand is concerned, and that its strength depends on the amount of capital used per unit of output, it is easy to see what the results must be if outlay of the consumers' goods industries is shifted from fixed to circulating capital. Fixed capital means by definition a large amount of capital per unit of output and the decrease in the demand for fixed capital goods will therefore produce a very much greater decrease of production in the industries producing these capital goods. The simultaneous increase of the demand for circulating capital cannot compensate for this. Because, though the increased demand for circulating capital sets up a positive acceleration effect, this will be much less strong, since much less circulating capital is required per unit of final output. The net result of the initial shift in the outlay of the consumers' goods industries will therefore be a net decrease in the total demand for investment goods—caused ultimately by an excessive increase of final demand.

If this analysis is correct, it is clearly an illusion to expect investment demand to be maintained or revived by keeping up final demand. An increase of final demand may produce this kind of result at the bottom of a depression, when there are large reserves of unused resources in existence. But near the top of a boom it will have the contrary effect: investment will slacken further and it will seem as if there were an absolute lack of investment opportunities, which can be cured only by the government stepping in, while in fact it is the very policy intended to revive private investment which prevents its revival. Again we find that a policy of merely maintaining purchasing power cannot cure unemployment and that those who try to do so will be inevitably driven to control not only the amount of expenditure but also the way in which it is spent.

The worst of the popular illusion, that we can secure full employment by merely securing an adequate supply of expenditure, is, however, not that the hopes that it creates are bound to disappointment, but that it leads to a complete neglect of those measures which really could secure a stable and high level of employment. It will lead us further and further away from a free economy in which reasonable stability can be expected.

Common Sense of the People Proof Against Price Control

(Continued from page 346)

bombarded with frightening predictions of what would happen if OPA expired. These "scare" forecasts naturally came mostly from those who want Congress to continue price control without change.

Now we face the realities in which we live—worker, farmer, clerk, business man, wife and family. We can read the black headlines, the excited predictions of soaring prices, the endless discussions of price control—and then go to the butcher, the baker and the department store and see for ourselves.

One lesson we learn in periods like this is that news mostly dwells on abnormalities. News, as the saying goes, is the man biting the dog. For every price mark-up which made the headlines lately, there were thousands of prices maintained unchanged after OPA expired June 30.

The proof of price control theory will be in the experiences of millions of consumers who have opportunity to observe on their own what happens in a relatively free market.

Reliance on People's Common Sense

Once again in the past fortnight we have seen something we all know but occasionally forget. That one thing is the common sense of the average American citizen. I have seen that common sense go to work any number of times. So have you.

The last and most dramatic occasion was on a December afternoon nearly five years ago. Do you remember the national tail-spin we went into on the day of Pearl Harbor? Do you remember the rumors that followed—that our fleet was gone; the Japs would land in California; that air raids would smash our cities? It took us more than a week to calm down, to go to work, to use our common sense—but we did, and we won our war because we had faith in ourselves and in each other.

We have another war on our hands right now against a more insidious enemy than human beings from some other land. This war is against the forces of inflation, of boom and bust, and of economic disintegration.

We shall win that war, too—and in the same fashion as we defeated the Japanese. Our weapons will be **production**—this time the production of goods for our own consumption; another will be our faith in each other and our willingness to work; the strongest weapon of all will be our ability to face reality—to use American common sense.

What is the first reality? Just this: Forget whether Congress or the President ended price control. Price control was over before a Congressman voted, and before the President had written a line of his veto message.

You, the average consumer, could see from day to day that it was over. You saw it in the black market, in the tie-in sale, in the under-the-counter goods only a few could buy. You saw it in the distress buying of real estate at high prices — people were no longer buying **houses**; they were buying **housing**, and thus escaping rent-controls.

You could see that price control was over by a glance at empty shelves—no merchandise, but with an OPA price tag on the ledge. You could see it in the decline of quality in clothing, in furniture, in service, in portions of restaurant food.

Common sense told you that price control was gone, and that all the talk of continuance was a bureaucratic din covering up the crash.

There's a second reality we should face in the same manner. That is that no one group was responsible for the sudden death of OPA. The government official was not to blame—even angels could not make such a distortion really work. There is no law that could be written or amended that could control the complexity of the daily lives of 140,000,000 free citizens.

Business Men Not to Blame

The business man was not to blame for the death of OPA. Every tradition in the field of business was violated by that act—the tradition of service, of competition, of finding a way to a bigger share of the market by doing a better selling or producing or servicing job.

The consumer was not to blame for the passing of OPA. He had the need, and he had the money for goods that are part of the American way of living. He believed in the policy of "work hard, spend hard, save what's left for a rainy day." Everyone may not like that policy—but it's a reality through which Americans have more telephones, more automobiles, more machines—and more zest out of life.

What Lies Ahead

What about the realities that lie ahead? They are even more important than those who have just recognized. Let's take a look at a few of them.

First of all, we ought to get out of our minds that without OPA the consumer is at the mercy of the merchant, the manufacturer or the farmer. We still have the strongest law of all to protect us, and, believe me, it is working now and will go on working.

It's the law of Supply and Demand. It's the law that works when you need a suit and I have a suit to sell. Unless your house has burned down in the night and left you nothing but your night clothes, you can wait a few days or even a few weeks for that new suit. The longer you wait, the more I begin to think that I could take a little less for the suit, to get you to buy it now.

That process will go on now, tomorrow and forever—and it's a sure cure for unfair prices, so long as everyone does his part. Your part may be making the suit, my part the selling of it. We both have our parts to do.

So, common sense tells us that there always has been and always will be a natural and automatic regulator between buyer and seller, and that no one has to make it work. It has both a self-starter and good brakes.

Our next reality is this: You can't be gouged by some vague thing called "business," or "distribution," or by just "retailers" or "manufacturers."

Let's forget labels and abstractions and just think in terms of people. Take your grocer, for example. He's a real person. You know his name and he knows yours. He has been serving you for ten years, possibly, and he has had to worry and hustle to keep your patronage. Isn't it just common sense to realize that there's more profit for him in keeping you as a customer for another ten years than in squeezing a few unfair dollars out of you in the next few months and losing you for good?

Or let's look at the auto dealer in your town. He will want to make a profit on the next car he sells to you, but there are also other profits he will keep in mind—the profit from servicing your car so long as you have it, and the profit on repair parts and on the next car you buy.

Then, again, there's the department store where you have a charge account. There is no more competitive business anywhere than in the department store field. Is it reasonable to think that with hundreds of thousands of dollars invested in buildings, equipment and merchandise, that the department store owner will let you build up a life-time grudge for a few weeks' extra profits?

Wherever you go to spend a hard-earned dollar, you will be dealing with people—decent people, smart people, who can be counted on to see a little beyond the end of their noses.

One other thing along this line of common sense. All these people are not only sellers, but buyers. The grocer sells to you but he buys from the manufacturer. The manufacturer sells to the grocer but he buys from the producer. And the producer, who sells to the manufacturer has to go out and replace the thing he sells. He will be buying just as closely as you. He's a person, just like you. The same thing that you like, he likes, too. The same things you worry about, worry him.

Individual a Coin With Two Sides

Finally, let us use common sense on one other point: Each one of us is like a coin with two sides. On one side we are consumers and like to buy cheaply. On the other side we are producers—of something or other, corn or wheat, shoes or tires, medical or legal service, if we are professional people. We like to get a high price for that side of us.

Some of us have not had high enough prices for our production. The costs have been hidden by government subsidies or by roll-backs by OPA decrees. Now these costs come out in the open. They will show in the cost of goods. So, too, will recent wage increases.

In a market where supply and demand are free to achieve their own balance, through the medium of prices, you would see the change come gradually — more competition in business, better goods on the selves, more choice in the things you need.

Meanwhile, remember that there are some who believe in permanent price control. They are the advocates of a controlled economy as a permanent national policy. They will be busy searching out the spots where things go wrong, where there is an occasional chiseler.

We who operate America's business establishments must take our chances on their ability to talk you out of a common sense analysis of the situation.

I, for one, am happy to take that chance—so long as you think of me not as a business man but as a person, as one of a lot of other people, as an American with faith in common sense.

Whatever happens to OPA, the real balance wheel in our economy will be the common sense of the American people.

Investors Syndicate Promotes Officials

MINNEAPOLIS, MINN. — Directors of Investors Syndicate and its affiliates and subsidiaries here today promoted 10 members of the executive staff.

Investors Syndicate elected Norman B. Waag, chief accounting officer, Secretary; Dewey F. Gruenhagen and E. N. Dion, investment department members, Vice-Presidents, and C. D. McGuiggan, of the Mortgage Loan Department, a Vice-President.

Investors Syndicate of America, Inc., wholly-owned Investors Syndicate subsidiary, elected: James S. Lane, Secretary; Harold K. Bradford, Vice-President; J. R. Ridgway, Chief Mortgage Loan Officer, and Messrs. Gruenhagen and Dion, as Vice-Presidents. All are officers of the parent company.

Directors of Investors Mutual, Inc., an open-end investment company for whom Investors Syndicate is principal underwriter and investment manager, elected: Ralph J. Faville, of the Investment Department, Secretary, and Messrs. Gruenhagen and Dion as Vice-Presidents.

Investors Selective Fund, Inc., an affiliated open-end investment company, named Edward M. Burke, member of the parent company's legal staff, Secretary, and Messrs. Dion and Gruenhagen, Vice-Presidents.

Robert W. Peterson, assistant counsel of Investors Syndicate, was named Secretary of Investors Stock Fund, Inc., for whom Investors Syndicate also acts as investment manager and principal underwriter, and Messrs. Dion and Gruenhagen, Vice-Presidents.

An Analysis of the Federal Reserve Board Report

(Continued from page 335)

the reasoning and the implications of the Board's report should be carefully studied.

General Comment.

It is difficult to deal simply with the report or with the "alternative measures" suggested because a number of the premises and assumptions used are controversial or contentious; some of the arithmetic and arithmetical conclusions appear to be loosely handled; and some of the discussion and expressions with regard to interest rates, market mechanics and practical banking appear to be confused and, at times, in contradiction. The Board dismisses some alternatives with too brief or unconvincing reasons. The gist of the Board's report seems to present stronger arguments for some policies of which it disapproves than for the suggestions which it advances.

The Controlling (?) Philosophy of the Report.

The account of the relationships between existing liquid assets, current income from production and employment, of the inflationary potential, etc. is generally good. One point that is made, however, should be examined because it seems to give a clue to a state of mind which apparently underlies the analytical portion of the report; to the philosophy which is inherent in the two principal suggestions made by the Board, and to its rejection of more "traditional policies."

In discussing the inflationary potential the Board says that the extent by which the funds available to the public will compete for the existing supply of goods and services depends upon several things. It then states as the first item "the continuance and effectiveness of price controls." In a subsequent section that refers back to this same subject it points out that the "inflation dangers . . . have arisen" from two causes, one of which is "the volume of money already created" and "the other, and by far the most basic cause is the insufficiency of production."

The relationship "between the effectiveness of price controls" and "insufficiency of production" is the crux of the broad differences that exist in regard to the desirability of continuing the OPA with its wartime restrictive powers. No matter how this basic question is decided or what the better answer may be, one cannot ignore the fact that the increase in "the volume of money already created" is "one cause" of our inflationary dangers and one which "cannot be rapidly reduced."

In other words, insofar as monetary factors are concerned we have two different phases of the inflationary problem with which to deal: one is a *fait accompli*—"the volume of money already created"—and the second is that "chain of causation" by which future monetization of public debt takes place and unnecessarily increases the total money supply. Since, as the Board points out, there is very little that can be done, except over a long period of time, in reducing the scope of this *fait accompli*, the principal question (as regards the general price level) is *not whether* this already increased volume of money will result in higher prices but whether the moderating factor—"sufficiency of production" can be better attained with "continued" and "effective" controls—or without them.

In the Annual Report it is clear the Board recognizes that constructive analysis requires it to aim at the second of these: namely, the "chain of causation" in the monetary and credit fields. Its reasoning, pro and con, does not restrict itself to this more narrow range. It rejects higher short-term interest rates because these do not correct the first phase and yet its two main suggestions are limited precisely to only this second phase.

One therefore obtains the impression that by confusing these two phases in the general discussions, the Board may have circumscribed its thoughts in order to follow "the Administration line" that a continuing bureaucratic control over the details of our national economic life is necessary. This politically expedient philosophy repeatedly shows through the Board's analysis and discussion of factors in the fields of interest rates, Treasury borrowing costs, and the position of the commercial banking system. It seems to underlie the rationalization by the Board of the predicament into which it was impelled by its recent pledge of indefinite cooperation to maintain the 7/8% Treasury Certificate financing rate. It is not surprising to find, therefore, that in the final analysis the Board prefers the more bureaucratic of the alternatives.

The inclusion in this report by the Board of its views on the desirability of continuing effective price controls until the "insufficiency of production" is corrected seems to represent the cornerstone for the main theme. Unless one is willing to accept these views and the philosophy that provides their base, one may find it difficult to agree with much of the reasoning or with the principal suggestions which the report encompasses.

Inadequate Definition of Terms.

A commonplace difficulty that that confuses technical discussions is inadequate definition of terms. In the general discussion this occurs in numerous instances in the references to interest rates. For example, in a "pattern of rates" which varies from financing coupons of 7/8% used on Treasury certificates, 2½% on marketable long-term Treasury bonds, to 2.9% on Series E bonds, and a pattern of open market yields varying from .85% on certificates to 2.00% on the longest-term bank-eligible issue and 2.25% on 2½% ineligible bonds, the repeated use of general terms such as "increasing interest rates," "declines in the rate structure," "consequent decline in interest rates," and "interest rates at low levels" confuses and obscures.

Confusion in the Analysis of Market Mechanics.

At times one wonders whether the Board believes that if one interest rate such as the short-term Certificate rate of 7/8% were to increase that all other basic rates in the "pattern" should be expected to do likewise. A conclusion along such lines might be implied from the connecting thought that comes from certain passages that say that a "major consequence" of attempting to deal with further monetziation of debt by increasing "the general level of interest rates" would be "a fall in the market values of outstanding . . . securities . . . difficult market problems for the Treasury . . . highly unfavorable repercussions on . . . financial institutions . . . might even weaken public confidence in such institutions." The Board almost immediately follows this dramatic phraseology with the conclusion that "traditional interest rate" policies are not "appropriate or feasible."

Yet, in another section, the report says "there can be no assurance that the process of shifting from the shorter to the longer-term government securities will be discontinued unless the shorter-term rates should rise to the point where the shifting would no longer be profitable . . ."

The Board also shows that it thoroughly understands one major cause of this shifting between maturity groups on the part of investors and the consequent debt monetization by saying that it comes about because of the *difference between the various rates* existent in the market. On this subject, but in a different section it states: "Another factor conducive to bank credit expansion during the War was the maintenance of the wide differential between short-term and long-term interest rates." Then with reference to the "shorter-term" yields that were a part of the war financing pattern it says that these "were prevented from rising by Federal Reserve support to the market, and as a consequence longer-term rates tended to decline." In the earlier discussion the Board also says in reference to the general expansion of bank credit—"it is this chain of causation that has to be prevented . . . by having the government discontinue its creation of bank credit . . . The creation of unnecessary bank credit . . . is the particular concern of those charged with monetary responsibilities."

The Board differentiates between the part that it played in unnecessary bank credit expansion during the Wartime period and the part which it currently is playing along the following lines:

With reference to the Wartime policy the Board quotes from the President's Budget Message of January 14, 1946 as follows: "Close Wartime cooperation between the Treasury Department and the Federal Reserve System has made it possible to finance the most expensive War in history at low and stable rates of interest."

With reference to the part that the Board is now playing it says that one of the heritages of War financings is the ". . . Board's assurance to the Treasury that the rate of 7/8% . . . on . . . certificates will be maintained. . . . This assurance is necessary . . . and was given because the Board does not favor a higher level of interest rates than the government is now paying."

Perhaps in summation of these different expressions of views we might say that the Board shows full realization that monetary measures cannot decrease the volume of money caused by War financing policies except quite slowly through debt retirement the Board recognizes that its "necessary" assurance to the Treasury to maintain the 7/8% Certificate rate leaves future credit expansion to "the volition of the banks," and it excuses this "necessary" action on the grounds that it does not favor "higher interest rates than the Treasury is now paying." This calls for several diverse comments.

The Real Significance of the Elimination of the ½% Preferential Discount Rate.

First, it seems that the record should be clarified with reference to the action taken by the Board in assuring the maintenance of the 7/8% rate. This "assurance" was "necessary" only because the Board insisted on eliminating the ½% discount rate—*

(a) *before* it could obtain acquiescence from the Treasury to any changes in short-term interest rates or financing policies; and

(b) *without* having clearly arrived at proper methods to prevent further unnecessary expansion of bank credit (which the Board so clearly recognizes is inherent in the maintenance of such a "wide differential" between short-term and long-term rates).

The elimination of the ½% preferential rate did not serve to contract Federal Reserve credit as it was ostensibly designed to do because "the principal effect of an increase in reserve requirements . . . is to shift . . . Government securities from the commercial banks to the Reserve Banks." The desire on the part of commercial banks to reduce their borrowings from the Federal Reserve Banks which followed the elimination of this preferential rate was the equivalent of an increase in reserve requirements.

Perhaps the major result of the combination of the ½% discount elimination and the accompanying statements was to change something that was believed to be a Wartime expedient (and, therefore, perhaps temporary) into a Peacetime move which, because of its timing takes on a greater degree of permanency. The defense which the Board accords these moves in this report, with the particular emphasis which it gives to the "necessity" of the circumstances, heightens the degree of indefinite "permanence" inherent in its present policies of cooperation.

How Controlled Financing Methods Lead In Demands for Further Innovations and Controls.

During recent discussions of the decline in the open market yields of government and other securities it has been pointed out that such declines in open market yields do not provide the Treasury with any material benefits and benefit instead only those who might sell securities previously acquired. The decline in open market yields during a period in which Treasury offerings were virtually unlimited was inspired—

(a) by the methods employed by the Treasury during its War Loan financings, and

(b) by the cooperation of the Federal Reserve in maintaining the 7/8% and other rates while such Drives were in process.

Treasury officials, from time to time, have disclaimed any desire or intention on the part of the Treasury to bring about decreases in the Wartime financing rates. It is a fact, however, that the Treasury, under Morgenthau, did take some advantage of the lower pattern of yields that developed in 1945. When the Seventh War Loan Drive offerings were announced there was included a 1½% bond of 5½ year term. This offering confirmed a lower "pattern of rates." The question is not whether other circumstances justified this break in the earlier financing rates—the fact is that some advantage *was taken* of market conditions which made this new lower rate possible.

When Vinson became Secretary he made a definite decision against a reduction in the 7/8% certificate rate. Had such a reduction been approved it would have accelerated the decline in all interest rates. This decision by Vinson therefore represented some departure from the situation referred to above. In spite of this change and in spite of the debt repayment program, the market for longer-term Treasury issues has exhibited a persistent underlying strength. This comes about (as the Board has described) from the maintenance of the low short-term yields and this is why "longer-term rates tend(ed) to decline." As long as highest grade new corporate issues are offered in the market, under competitive bidding, at around a 2.50-2.60% level it will be difficult for the Secretary of the Treasury to justify future offerings of 2½% marketable Treasury obligations. Yet such offerings of 2½% Treasury issues may be necessary if we are to avoid "continued declines in the rate structure (which) bear most adversely on many millions of the country's savers."

The Board, however, both looks with disfavor on "further declines in the rate structure" and is opposed to "a higher level of interest rates than the government is now paying." Consequently the Board's desires apparently narrow to a stand whereby they oppose any further price increases in longer-term bonds but would also have to oppose any decline in price that carried the issues below a one or two point premium. Numerous suggestions have been made that offerings of such obligations should be made to non-bank investors in order to temper the market demand and to meet investment needs. The Board, however, opposes such offerings of marketable securities unless they can be accompanied by "more effective restraints on bank credit expansion" because such offerings "might stimulate rather than reduce" such credit expansion. Therefore, the Board suggests at one point that any new issues of this kind should be "non-marketable" ones. This suggestion, while not strongly pressed by the Board in its discussion, is dangerous because over a period it would place large segments of non-bank investors in the position whereby they might have to defend one interest rate subsidy against a lower one. This is difficult and furthermore the issuance of non-marketable securities would appear to serve no sound purpose

*This was originally "especially directed toward encouraging banks to purchase . . . short-term low-yield issues."

that could not likewise be served by marketable securities.

Practical Difficulties in Achieving a Transfer of Bank-Held Long-Term Securities.

The Board then suggests at this point that in order to meet the existing deficiency in the supply which has occurred from the swift reversal of the Treasury's fiscal needs that "public policy . . . would be well served if the banks were to sell some of their longer-term holdings to non-bank investors." This ignores the fact that commercial banks hold relatively few *long-term* Treasury securities. Furthermore the Board fails to explain how the yields on such securities could be made attractive to non-bank investors, or the effect that success along these lines might have on the over-all structure of rates.

The Heart of the Problem is the Short-Term Interest Rate Controls.

In summation we find that "the maintenance of the wide differential between short-term and long-term interest rates" is one factor conducive to bank credit expansion but that the Board feels it is "necessary" to "maintain" the ⅞% basic short-term rate which is one side of that wide differential. Also that "as a consequence" longer-term rates tend to decline. Then we note that the Board believes that "continued declines in the rate structure bear most adversely on many millions of the country's savers." The Board attempts to reconcile these divergent consequences by stating that the necessity for maintaining the short-term rates arises "from the standpoint of the government's financing operations" and it opposes *any* increase in Treasury borrowing costs. Since these are the principal reasons for continuing a rigid control over the short-term interest rates at a level which obstructs the Board's control over bank credit, we should carefully consider the reasons that the Board gives for continuing the Wartime policies and rate.

In justification of its statement that continued maintenance of the ⅞% rate is necessary to the government's financing operations the Board says "in view of the large amount of short-term debt that will need to be refunded in the next few years each full percentage point of increase in the level of interest rates would add up to a billion dollars a year in the nation's tax bill." This is then followed by "proposals . . . for increasing interest rates, as an anti-inflationary influence raise(d) more fundamental questions affecting the Federal Budget, the levels of taxation and the amounts paid on the debt to the banking system than was the case only a few years ago."

Apparently a good portion of the first quotation is predicated on the increased costs "in the next few years" of an upward revision of 1% in "the level of interest rates." Apparently full justification would require that the "next few years" total between 5 and 6 and must include an assumption that no reduction in the total debt would be accomplished throughout that period.

The weight of the second quotation re fundamental questions depends upon whether it is correct to say that these are more ponderous today than was the case only "a few years ago." I. E. Again how many years are a "few"? *One* or *two* years ago the prospective total debt, and the size of the short-term debt, held promise of being much larger than is true today. A 300 billion prospective total debt was a popular assumption for analytical purposes. The unexpected termination of both Wars last year changed the prospects materially. We now are able to look hopefully toward a debt total of only 250-260 billions without giving effect to any long-range debt reduction program. In addition, the current debt repayment program (which is essentially one part of a large-scale refunding program) will reduce the proportion of short-term marketable debt materially more than may have been anticipated. The combined result, therefore, is to reduce the potential increase in interest costs that could be attributed to a higher level of short-term rates.

In specifically disapproving the increase in the rates carried by short-term government securities the Board states that "this would be undesirable because it would increase the cost to the government of carrying the public debt." Appendix E includes our calculations on that score. This table shows on the basis of Treasury figures the peak annual interest cost on the debt was 5.48 billions as of February 1946. As of June 30, 1946 the annual cost was at the rate of 5.35 billions. Also that if the debt repayment program continues as outlined and estimated, and if Treasury refundings are made solely in the form of one year certificates at 1¼%, then as of December 1947 the annual cost of interest would be 5.40 billions, or 80 millions below the peak cost of February 1946, and only 50 millions above the costs of June 30, 1946.

It is pertinent to point out that these costs are prior to receipt by the Treasury of taxes on the interest paid, as is the reported annual interest charge on the entire debt. It unquestionably would would be helpful to a general understanding of the burden of interest on the economy if the government were to report both the actual cost of interest on the public debt and the estimated taxes received by the Treasury on these interest payments. It is the net of the two which is the real cost of the interest to the Treasury.

As regards the banking system and the amounts paid to it in the form of interest on public debt. The bulk of the debt repaid by the Treasury has come from bank holdings. This will, and should continue to be true. To the extent, therefore, that bank holdings have declined under this program increased rates would not cause an increase in payments heretofore received. The total would probably continue to be a lesser sum. To the extent that higher short-term rates make it less profitable for banks to shift into "longer" securities future increases in the amounts of interest payments coming about from this source would be of minor concern. Obviously the reversal of the Treasury's fiscal position is the most important factor in this picture. Then, too, the structure of the debt is such that future retirements will more or less *have* to come from bank holdings. Thus *current* concern about *increasing* bank income from Treasury interest payments by a moderate increase in short-term rates must be considered as (a) an item of quite short-run duration or (b) one which is far less justifiable today than may have been true *one* or *two* years ago.

The Dissimilarity of Our Situation With That of "Other Countries."

After a relatively full discussion of our monetary and credit situation, etc. the Board brings up the following: "In other countries, governments have been better able to exercise effective control over the amounts of government securities purchased by banks and over the rates paid to banks for this financing."

This criticism seems to have been effectively answered, however, by the Board immediately thereafter when it says: "The differences between the situation in the United States and in other countries arise because there are more than 14,000 commercial banks in the United States, operating under highly competitive conditions, and with three Federal and forty-eight State bank supervisory agencies. In England and Canada, the countries usually cited in connection with voluntary agreements, competitive and other conditions are entirely dissimilar. Each of these countries has but one bank supervisory authority. There are but 10 chartered banks in Canada, while in England about a dozen banks do most of the banking business."

Nevertheless in the process of outlining the first of its "alternative measures" the Board states that "the voluntary agreement adoped in Canada is similar to this limitation." Since the relative situations are so dissimilar what is there in the similarity of the two limitations to recommend either of them as appropriate alternatives for this country?

What is the General Outline of Our Monetary and Credit Situation?

The general outlines of our monetary and credit situations are clear. We achieved an average cost of public debt to the Treasury of "less than 2% gross cost." We achieved this, however, by adopting a "pattern of rates" with a "wide differential between the short and long-term issues." We issued a substantial volume of the "short-term low-yield" securities and this was primarily responsible for the low average borrowing rate which we attained. This was accomplished by "close Wartime cooperation between the Treasury Department and the Federal Reserve System." The general result was a "chain of causation" which unnecessarily served to increase "one cause" of our inflationary dangers, namely, "the volume of money." This War condition has now been carried into the Peacetime period by the *unnecessary* assurance by the Board that it will continue to cooperate and maintain the relatively low short-term rate.

It is this situation which the Board characterizes as one which "cannot be a matter of indifference" to those "charged with monetary responsibility." But, based on the above summation of our monetary and credit situations, and based on the character of the Board's report, one finds it difficult to approach the "alternative measures" suggested and the enlarged powers that they entail without considerable misgiving.

The Board's First "Alternative Measure."

The first of the "alternative measures" suggested would empower the Board of Governors to place a maximum on the amounts of "long-term marketable securities, both public and private" that commercial banks may hold against their net demand deposits. "This measure would serve to restrict the banks' demand for long-term Government securities and to strengthen their demand for short-term securities." In other words, having eliminated one device (the ½% preferential rate) which unsuccessfully endeavored to popularize the lower of our widely divergent financing rates, the Board would now substitute a "power" in its place primarily because of debatable assumptions with respect to gross costs of interest on the public debt. The Board adds that "it would not restrict the banks' ability to make loans or to purchase long-term securities against savings deposits."

At no point is a definition of "long-term securities" provided. Generally "long-term" Treasury securities are shorter than so-called "long-term" corporate securities. A commonplace definition in investment circles for "long-term" Treasury securities is those "over five years." If this were the definition which the Board had in mind when it made the above suggestion then an analysis of Appendices A, B and C will illustrate how ineffectual such a restriction would be. This is because the bulk of bank purchases in so-called "longer-term" issues have been in securities which are or shortly will be of a term less than five years.

Furthermore, since the Board specifically states that it "would not restrict the banks' ability to make loans or to purchase long-term securities against savings deposits" it is questionable whether the suggestion would have any material effect. This is clearly evidenced by Appendices B and C. These show that by June 30, 1947 the effect of time on bank portfolios is to reduce the amount of "over five year" obligations so that only about one billion of such currently held securities might be allocated against the demand deposits of the Weekly Reporting Member Banks as of that date. Further, that if there were no restrictions on the ability of banks to invest savings deposits along similar lines to those employed by mutual savings banks, the normal shortening of the combined portfolio is such that the banks might well be able to justify (under this measure) a substantially greater volume of purchases of "over five year" securities than that which has taken place in recent years. It seems questionable, therefore, that the Board would have in mind the customary definition of "longer-term securities."

It *might be* that the Board would define such securities as those "over one year," or perhaps by using the words "bonds" and "notes" as interchangeable synonyms for the phrase "longer-term securities." In any event, it is quite easy to envision the tremendous amount of administrative difficulties and individual hardships that could result.

The Board refers to the fact that "some administrative flexibility should be authorized" with either of the two measures outlined in order to meet differences among banks or the changing needs for credit expansion or contraction. There can be no question but that any such "alternative measures" would be so replete with administrative and practical difficulties as to make the red tape and restrictions of a wartime OPA relatively simple by comparison.

The Board's Second "Alternative Measure"

The second measure is a counterpart of the first in that it would empower the Board to require that all commercial banks hold a "specified percentage of Treasury bills and certificates" as secondary reserves against their demand deposits. To this, however, the Board says that the banks should be permitted to hold vault cash or excess reserves in lieu of government securities. The only specific advantages which are advanced for this "alternative measure" are that it would result in stability of interest yields on

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Allen & Co. Offers General Builders Stock

Allen & Co. on July 17 offered 28,762 shares of 5% cumulative convertible preferred stock ($25 par) and 170,000 shares of common stock, ($1 par) of General Builders Supply Corp. The preferred stock was priced at $25 a share, plus accrued dividends, and the common stock at $4 a share.

The preferred stock is part of an original issue of 40,000 shares. Holders of previously outstanding senior shares have accepted an offer of the corporation to exchange their stock for 11,238 shares of the new preferred stock. Proceeds from the sale of the 28,762 preferred shares and from the sale of 100,000 shares of common stock will accrue to the corporation. The balance of 70,000 common shares is already outstanding and being sold for the account of stockholders who will continue to own substantial amounts of common stock.

Funds received by the corporation will be used to reimburse the treasury for expenditures incident to the recent purchase of two additional brick manufacturing plants and two warehouses, and to finance the cost of improvements to and expansion of facilities. The increased working capital also will be required in the anticipated growth of the company's business.

General Builders Supply Corp. is one of the largest companies in the builders' supplies field in the New York City area. Its principal business is the sale of masons' and plasterers' materials, including brick, cement, lime, terra cotta, concrete blocks, gypsum products, tile lath and wall-board.

"Our Reporter on Governments"

By JOHN T. CHIPPENDALE, JR.

The government securities markets were upset again last week as the commercial banks announced a general upward revision in interest rates on loans to brokers and dealers for carrying government securities, and on loans to brokers for the purpose of relending to customers for carrying securities on margin. . . . The higher rates to government securities dealers, which will become effective July 22, raises from ¾% to ⅞% the rate on borrowings secured by Treasury certificates, while on all other government securities regardless of maturity, it will be increased from ¾% to 1%. . . . The new charges to brokers, making loans on their customers' collateral, from 1% to 1½%, will be in force on July 31. . . . It is expected that brokers will generally pass on to customers the higher costs, which have been at least ½% more than the lending rate of the banks. . . .

Following almost immediately the loan increases by the commercial institutions, was the Federal Reserve Bank of New York announcement that the buying rate for bankers' acceptances with maturities up to 90 days would be ¾%, compared with ½%, and on three to four months' maturities it was raised to ⅞% against ¾%. . . . Maturities of four to six months were unchanged at 1%. . . .

EFFECT ON MARKET

This tightening of short-term money rates had its effects on the government bond market as prices gave way under somewhat heavier volume. . . . A jittery, nervous market was the result as bids were hit or pulled, and quotations were lowered, as dealers and traders tried to figure out the results of this latest development in the money markets. . . . Commercial banks and institutional investors are watching price changes closely but are not inclined to build up holdings until there is further clarification of the effects of the loan rate hardening on intermediate and longer-term maturities. . . .

GAINS WIPED OUT

The ineligible bonds in the last few days have given up practically all of the gains made in the last two months, showing that the technical position of the market was not as strong as had been indicated, by the recent display of firmness. . . . Bank eligible bonds likewise moved down, but were not as adversely affected as the restricted issues. . . . The market for government securities, is so sensitive because of the absence of a clear cut policy on postwar debt problems, that it does not take much to cause dealers and investors to cease their operations and move to the sidelines, to see what will happen. . . .

There is no doubt that the monetary authorities do not want to have the market go into another of its upward spirals, yet at the same time the holding of debt service within the limits of ⅞% to 2½% does not allow for increases in short-term rates to make them more attractive than the yields on long-term securities. . . .

PROBABLE EFFECTS

What are the probable effects of this recent stiffening of loaning rates by the commercial banks and the raising of the bankers' acceptance buying rate by the Federal Reserve Bank of New York? . . . It seems as though the increase in rates on loans to dealers secured by certificates of indebtedness from ¾% to ⅞%, means that they will not be interested in this security, as in the past, and positions will be liquidated, as will their loans for carrying this obligation. . . . This cuts dealers' loans and will decrease deposits to that extent. . . . Mildly deflationary, because if dealers' loans were eliminated in their entirety it would be only a fractional reduction in outstanding bank credit. . . . Some of the demand for certificates will be taken out of the market by this development, which may mean this type of obligation may go to 0.875% yield basis. . . .

LONG-TERMS SEEN UNDISTURBED

Will an increase in the income of a one-year obligation to ⅞% make it more attractive to the commercial banks (principally), than certain of the intermediate and longer-term eligible issues? . . . Government bonds due in 1949 and 1950, may be sold or the deposit institutions may refrain from buying them, to some extent, with certificates yielding 0.875%. . . .

While the longer securities of eligible obligations will fluctuate with unsettled market conditions it is not likely that there will be any lasting effects marketwise on them from an increase in the yield of certificates from 0.83% to 0.875%. . . . There will have to be a larger increase in income from certificates before longer-term securities will be noticeably affected. . . .

WILL DEALERS LIQUIDATE?

Will the increase in loans to dealers for carrying longer-term government issues result in liquidation of holdings? . . . It is likely that there will be some cutting of positions due to higher loan rate, but dealers have not been too heavy in the longer-term issues for quite some time. . . . Probably this will lead to selling of ineligible bonds, and this along with the reluctance to rebuild positions could mean temporary irregularity in prices for the restricted obligations. . . . It will increase somewhat the floating supply of the ineligible securities that the market will have to digest. . . . Reduction of these loans will decrease deposits and will have a very minor deflationary effect. . . .

POSITION OF CUSTOMERS

The higher rates that brokers will pay for loans secured by customers' collateral, could make the carrying of government bonds by their clients less profitable and this could bring about selling of longer-term issues. . . . Due to the warnings of the Federal Reserve Banks it is not likely that the member banks will take over these loans from brokers, but there will no doubt be instances where customer relations are important enough to have some of this take place. . . .

The amount of loans that will be liquidated because of these higher rates, will increase the market supply of securities, probably largely Victory Loan issues. . . . Again this will be mildly deflationary because loan decreases will reduce deposits. . . .

HIGHER ACCEPTANCE RATES

The higher acceptance purchase rate by the Federal Reserve Bank of New York does not seem to be of immediate importance, because of the small amount of this paper presently outstanding. . . . It does, however, indicate that the monetary authorities, by upping the bankers' acceptance rate, appear to be in sympathy with the action of the commercial banks in increasing their security loan rates. . . .

HIGHER PRICES?

Are the commercial banks, by increasing loaning rates, taking steps to curb the buying of long-term issues, with resultant higher prices? . . . Liquidation of loans through the sale of government securities, increases the supply, and depresses the prices for these obligations. . . . This will no doubt be more noticeable in the restricted obligations than in the eligible issues. . . .

Nevertheless, this seems to be largely a temporary situation, and the floating supply that will be put in the market will be digested, because the larger savings deposits and record income from life insurance sales will be put to work eventually. . . . It may mean some price irregularity, but that affords good buying opportunities for shrewd purchasers who will take advantage of these market movements to pick up needed issues. . . .

Unless there is a complete change in debt policy, and this increase in loan rates is a forerunner of such a development, which is not generally known, weakness in government securities should be a buying opportunity. . . . This means that scale buying of desired obligations should still be continued. . . .

An Analysis of the Federal Reserve Board Report

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short-term government securities (and therefore of the cost to the public debt) and that it would provide a measure for regulating commercial banks' demands for short-term securities relative to their demands for longer-term issues.

Aside from affecting the cost of the public debt by serving to maintain "the wide differential" between rates to which the Board refers, the principal unexplained gain from this proposal might be to prevent further monetization of public debt. It must be recognized, however, that the "shifting from the shorter to longer-term government securities" which was deemed "conducive to bank credit expansion" has in some major degree been a shifting from one year or less securities (primarily certificates) to securities of 3, 4 or 5-year term. Since the Board thoroughly understands this we may be *justified* in assuming that the definition of "longer-term securities" which is a key phrase in each suggestion might ultimately be defined as "securities over one year" or "bonds and notes" to the benefit of "bills and certificates." Thus the real apprehension with which these "alternative measures" might be viewed includes all of the administrative and market complications that narrow definitions of "longer-term securities" might imply.

The Adoption of Such "Alternative Measures" Is Not Justified.

It is difficult to reach any conclusion with respect to the Board's report and its suggestions for "alternative measures" except the following: The Board apparently wished to be on record that it considers itself impotent under a situation which has been aggravated by certain of its own actions. There are no reasonable grounds, in the light of the circumstances as outlined by the Board itself, which could be properly seized upon as justification for approval of the Board's suggestions. If measures such as these were approved it would be possible for the Board, either by definition of terms or by changing the percentages which it would be empowered to impose, to create practically any interest rate on Treasury short and long-term issues that it wished. In doing so, however, it could and *probably would* so confuse and obstruct the normal functioning of our credit and banking machinery as to make it virtually impossible for American industry, commerce and agriculture to attain any reasonable degree of satisfactory production and employment.

The circumstances which have been created in the monetary and credit fields as a result of war financings and wartime fiscal policy are difficult ones. It may well be that "traditional interest rate policies" may no longer be adequate to meet the tasks imposed, but the Board by its own description of the mechanics and of the "chain of causation" advances strong arguments in favor of *first* attempting to reduce the stress that results from this situation by resorting to traditional methods *before* attempting radical "alternative measures" such as these.

A Relaxation of the Rigid Controls Over Short-Term Interest Rates is the Preferable and Practical First Alternative.

It would be impractical to attempt to return to "traditional interest rate policies" to the extent of fully releasing the short-term interest rate from the intervention of government controls. There is, however, every reason why we should attempt some relaxation in the rigidity of these controls. Some months ago the "longer-term" Treasury security markets were released from an unwritten wartime restriction which had confined the variation in their daily price fluctuation to 8/32nds of one point per day. The result was favorable even though the timing at the moment seemed to be questionable. Since the only "alternative measures" which the board suggests call for further radical government intervention, should we not try out some comparable relaxation in the area of short-term interest rates?

It would appear to be wholly consistent with the real logic of the Board's report for the government (the Treasury and the Federal Reserve Board) to state that its near-term peacetime policy would be to permit a freely fluctuating short-term rate on Treasury issues of up to one year, providing that the financing cost to the Treasury were not increased beyond 1½%.

There are a number of students of the money market who believe that under present-day conditions a freely established level for such securities might steady within a range of 1 to 1¼%. If this happened to be the case then the open-market activity of the Federal Reserve Banks could be confined appropriately to actions which would tend to adjust the needs for bank credit expansion or contraction as the case might be.

If, for any reason or at any time, the open-market rate tended to exceed 1½% then the "cooperation" of the Federal Reserve Board in "maintaining" this rate would be no different than the position to which it has already pledged "assurance," except that "the wide differential between short-term and long-term interest rates" which has been "conducive" to unnecessary expansion of bank credit may have been reduced.

It is also the opinion of some students of Treasury finance that the interest rate on Treasury securities of up-to-one year term could advance to 1½% without causing the 2½% long-term Treasury financing rate to be endangered. If this proved to be the case then the "shifting from shorter to the longer-term Government securities . . . would no longer be profitable . . ." (or as profitable).

If, however, such restrained resort to "traditional interest rate policies" should prove ineffective or should endanger *necessary* Treasury financing considerations then the open-market activity of the Federal Reserve Banks and public statements on the part of the Treasury should prove adequate to the occasion. If however, events proved this to be in error *then* radical measures such as those suggested by the Board (or other more suitable ones) could be adopted. Whatever subsequent adjustments in interest rates that might then be desired or necessary could be effected.

New York Curb Exch. Employees Outing

Approximately sixty employees of the New York Curb Exchange, including reporters and pages from the floor of the exchange as well as members of the administrative staff, are looking forward to a full day of fishing and swimming off Fire Island this Saturday as guests of certain of the exchange members.

The party will put out from Bayshore, Long Island, aboard the power boat Kismet at an early hour Saturday in charge of Harold A. Baker, an exchange member. Those of the group not interested in fishing will go ashore at Fire Island upon arrival there to swim at the Fire Island State Park, while the rest will stay aboard to spend the morning fishing for fluke in Great South Bay. Lunch will be served aboard the Kismet for the entire party early in the afternoon and the remainder of the day will be spent with more fishing and swimming from the boat.

Among the Curb Exchange employees to be on hand for the outing are several members of the exchange twenty-five year club including Charles Vernon, manager of the exchange trading floor. George Johnson, assistant floor manager, is in charge of organizing the outing group.

J. M. Saunders Now With Benjamin Lewis

CHICAGO, ILL. — Benjamin Lewis & Co., Field Building, announce the association with them of John M. Saunders.

Mr. Saunders has recently completed two years with the Army Air Forces and U. S. Engineers as civilian negotiator in War Contract Terminations. Prior to entering government service, Mr. Saunders was an active partner of Saunders & Company, and was also partner of Saunders, Olsen & Lyons, and Bennett Bros. & Johnson. He has been well known on La Salle Street for some years.

Joe H. Davis, V. P. Of Memphis First Nat'l.

MEMPHIS, TENN. — Joe H. Davis, Manager of the Bond Department of the First National Bank of Memphis, Tenn., has been elected Vice-President of the bank and will continue to manage the department in that capacity. Mr. Davis, a native Tennessean, is widely known in bond and investment circles, having traveled extensively for the bank before his appointment as Manager of the Bond Department two years ago. He joined the First National staff in 1928, and served in the commercial banking division for a number of years before being assigned to the Bond Department. In 1939 he was Mississippi representative with headquarters at Jackson and in 1942 was made Assistant Manager. In January, 1944, he was elected Assistant Vice-President of the First National and six months later became Manager of the Department.

Joe H. Davis

Wall Street Soft Ball League Standings

The F. V. Foster team in the Wall Street Softball League took both ends of a doubleheader from Carl M. Loeb, Rhoades & Co., Monday night (July 15), thereby tying the New York Curb Exchange for the lead in the "Longs" Division of the league with eight wins and two losses. The tie will be played off Thursday, July 22, to determine the pennant winer of that division.

The play-off winner will then meet Hirsch & Co., pennant winners in the "Shorts" Division, in a three game series to decide the Wall Street championship. The three games are scheduled for July 25, 29 and Aug. 1, in the evening at Croke Field, 240th Street and Broadway, near Van Cortlandt Park. Hirsch & Co., captured the "Shorts" Division pennant with ten straight victories and no losses.

LEAGUE STANDING

"SHORTS" DIVISION

	Won	Lost	Pct.
N. Y. Curb Exchange	8	2	.800
F. V. Foster	8	2	.800
C. M. Loeb, Rhoades	6	4	.600
N. Y. S. E. Bond Brokers	4	6	.400
Carlisle & Jacquelin	3	7	.300
Goldman, Sachs & Co.	1	9	.100

"LONGS" DIVISION

	Won	Lost	Pct.
Hirsch & Co.	10	0	1.000
DeCoppet & 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
Orwis Bros.	1	7	.125

Bonus to Employees Of Curb Exchange

The New York Curb Exchange paid to employees during the week of July 10 a bonus of 9% for the second quarter of 1946 under its incentive compensation bonus plan. A total of 353 persons employed during the quarter participated in the bonus. The Curb Exchange plan, which was inaugurated in 1945, provides for quarterly incentive payments based on the relation of the total number of employees of the exchange and its affiliates to the average reported volume of trading in stocks on the exchange excluding all rights as well as warrants selling under $1.00.

Canada Restores Dollar Parity

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—and will merely force her to pay that much more for what she buys.

In a sellers' market, however, she will also get that much more of what she sells and will be hurt only as the latter excess falls short of the former one. So-called "invisible" items enter both sides of this account. So that to find out how much she is hurt we must ask ourselves what the probable deficit will be in her balance of payments.

Fairly recent figures are given by the "Economist" of May 25, 1946. For the four months ending April 30, 1946 imports of 378 million pounds exceeded exports of 253 million pounds by only 125 million pounds. In view of British wartime devastation, dislocation, and the absence of tourist trade on the one hand and of her urgent needs for food, etc., on the other, that does not seem bad. Neither does comparison of the export figures with those for 1945 when the exports were only 109 million pounds, nor even with the pre-war years of 1938 when they were less than those for 1946 by 96 million pounds. Assuming that England retains some of her traditional advantage in the field of invisible exports and that that advantage is subtracted from her trade deficit she should come out reasonably well except as she creates a trade deficit by her spending of the $3,750,000,000 now about to be lent her by us.

If she uses this money prodigally at a rapid rate she can accelerate a price rise here and pay high prices and then, when the money has been used and the time comes to repay it and she starts selling an excess of her goods to us, as she ultimately must, the combined effect of our sudden loss of the market for our goods created by this loan coupled with the increase of competition from her goods shipped here is bound to hurt employment here and cause some fall in prices, perhaps a disastrous fall. So that what Britain fears is that she will have to buy in an inflated high market and, when the time comes for repayment, sell at low prices. The intelligent tapering off of the use of this borrowed money, under these circumstances, would present serious problems. And the mildly inflationary effect of the recent Canadian action would add somewhat to her troubles.

If, on the other hand, she is able to keep her purchases down and to use much of this money to pay off other creditors from whom she has borrowed on less favorable terms and balance purchases largely or wholly by receipts, then high prices across the Atlantic will do her no immediate harm and will ultimately be beneficial.

Effect on Canada

As to Canada herself the action, as already noted in our newspapers, will be deflationary. Appreciation of her dollar, by curbing exports and stimulating her imports, will tend toward an initial adverse shift in her balance of trade. The resulting decrease in employment and payrolls and purchasing power below what they otherwise would have been, simultaneously with an increase of goods available for purchase, will combine toward deflation as will also the increased cost of paying income on Canadian securiteis and other property owned abroad.

As between the United States and Canada, for instance, these evils can be removed and the burden of the relative appreciation of her dollar can be neutralized provided only that our prices rise above hers—faster than hers—by 10% or more. In that case, for illustration, the U. S. tourist, while he will not get 10% more Canadian dollars for his money, will get 10% more Canadian goods. Without some such considerable rise in prices here relative to Canadian prices, without some such neutralization of the "unfavorable" effect which her voluntary appreciation of her dollar would otherwise have on her trade balance and on her gold and foreign exchange resources, Canada might be unable to maintain her high price for her dollar. She would then resemble England when, atfer appreciating her pound to traditional parity in 1925 on the faith that our prices would rise enough to help her out she was disappointed in her hope and, in 1931, was forced off gold again.

How far can Canada succeed where England failed? Several factors favor her. Her upward revaluation is a modest one. She has the benefit of wartime price controls in established working order. She will have the benefit of any price rise in this country which follows the interregnum in our price controls. And finally, as has been said, her action puts in motion automatic forces tending somewhat to hold down her prices and to raise ours.

If prices rise throughout the world then the benefits of this action by Canada will be largely lost. But she will have done what she can. If other countries cut their own throats that is up to them. But if they want to sell in the Canadian market, if they want to employ their idle labor and their idle factories, if they want to regain their credit, if they want to be able to buy food for their starving populations, they will do well to cooperate—and must hope that we will cooperate—with this salutary program.

The Political Aspect

There is a political side to all this. The politically easy program would be to subsidize gold and silver mining by high prices for the metal, to subsidize exports both directly and by unsound foreign loans, to shut out competing foreign goods by tariffs and depreciated money. Canada has *appreciated* her money. Thereby she discourages her exports instead of subsidizing them. Thereby she hurts her mines for gold and hurts her prices and employment.

Can a government which accepts such political risks expect to stay in office? Fortunately employment is currently heavy and the political risk of deflation is somewhat less than normal. But it is an added risk. Presumably, Canada has weighed these risks, balanced them against world starvation, unemployment, misery, despair, weighed them against the risk of inflation in Canada, and has decided to accept them. In so doing she has shown courage and a quality of leadership such as we are beginning to look for from our northern neighbor.

Nevada Goldfield Mining Stock Publicly Offered

Lionel A. West, 40 Exchange Place, New York, on July 11, offered 250,000 shares of capital stock (par 10c) of Nevada Goldfield Mining Co. at $1 per share. Of the total shares offered, 200,000 are on behalf of the company and 25,000 shares on behalf of the underwriters. Proceeds will be used to rehabilitate mining and milling plants, for general development and for operations. Company was incorporated in Nevada May 20, 1940. The company's property was in operation at the time the government closed all gold mines for the duration of the war. In peacetime, the company's properties produced over $1,000,000 gross in gold-silver bullion, based on present prices, largely from one of many veins indicated on the property. The property is equipped with mine plants, electric power and mill, with a capacity of 100 tons per day.

Burying "Inflation Bugaboo"

(Continued from page 335)

propaganda to instill fear in the minds of a people already bewildered by our discordant Democratic Administration. Certainly, there is no evidence to support President Truman or Mr. Bowles' prediction that unless total OPA were continued there would be chaos."

A More Tempered Attitude

Now, after the President's veto of the OPA bill, and after Chester Bowles, the arch propagandist of bureaucratic price control, has stepped down, a more tempered and scientific attitude is being taken of the whole subject. No longer need we look for the vague predictions of chaos and disaster, if price controls are removed, as were announced by Secretary Henry A. Wallace and others of his coterie. No longer are we likely to hear of soaring wage-price spirals, of inflationary "booms and bust," of black markets, of swollen profits and of "gouging manufacturers," if those in authority and those who labor, who produce, and who distribute, exercise sound and realistic judgement before taking action or adopting policies contrary to public interest. The natural tendency in economic and social adjustments is toward stability—a condition of equilibrium which may be fostered, but not permanently interfered with, by laws, edicts or preconceived administrative policies. History has taught us all this — but mankind, particularly law makers and government administrators, forget or ignore history.

II

Saner Views

An indication of the recognition that administrative edicts cannot offset the workng out of economic laws is the recent attitude expressed by William Green, President of the American Federation of Labor. It will be recalled that Mr. Green, along with Philip Murray, head of the CIO, supported price control to the utmost, and predicted widespread labor disturbances if such controls were removed. Yet, only recently, and at a time when Congress was debating a new measure of control to take the place of the one vetoed by the President, Mr. Green comes out in his monthly publication, urging American workers to increase the volume of their production "as the only means of wiping out scarcities and eliminating the danger of runaway inflation," and adding further that "our safety lies in getting through this period of transition with no major increases in costs or stoppages of producton." He urges labor not to make excessive demands on Congress but to cooperate with management to increase production and efficiency and concludes that although "prices and living costs will rise substantially for a few months, an all-out effort to increase production and productivity can flood the market with goods, bring prices back to normal, and create the income to pay wage increases."

Mr. Bowles' Tempered Tone

Another apparent change from a vociferous and inflexible to a more tempered attitude toward the effectiveness of bureaucratic price controls has come from the pen of the arch supporter and propagandist, Chester Bowles. Let it be remembered, it was Mr. Bowles, along with Secretary Wallace, who was largely instrumental in creating the inflation psychology among the American people. They harped upon the rapacity of producers and the scarcity of commodities as the basis of inflation, but ignored or belittled the fundamental cause, namely, the creation of currency through swollen government expenditures, wartime excessive workers' earnings, low interest rates, and national debt monetization. Yet, in a letter to the New York "Times," as reproduced in last week's "Chronicle," Mr. Bowles was bold enough to indirectly admit that price controls merely attacked the symptoms and not the causes of inflation. In this missive, he speaks as follows:

"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 directed solely to the objective of economic stabilization.

"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 ont 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."

Prof. Hansen Speaks

Another authoritative voice for a temperate outlook on inflationary pressures comes from a former Federal Reserve Board advisor and an advocate of "public spending" as an economic stabilizer, Professor Alvin H. Hansen of Harvard University. In an article, entitled, "Can We Meet the Challenge of Inflation?" published in the New York "Times" Magazine, of July 7, he writes:

"The current inflationary pressures do not come mainly from the cost side; they come from the side of demand. Nor is inflation inevitable because of the current money supply. The money supply is no longer increasing. The Treasury has been reducing its general fund balance largely by retiring securities held by the commercial banks. We are rapidly moving into a budgetary surplus.

"Large continued purchases of government securities are in prospect by insurance companies, savings banks and government trust funds. These are likely to exceed any net liquidation by individuals or business; and thus we may see some further reduction of the securities held by commercial banks. Commercial loans are not likely to be large in view of the high liquidity of business concerns. In general, the control of the money supply appears by now to be pretty well in hand."

Dr. Hardy Gives Scientific Explanation

Lastly, as further evidence that the inflation complex is being tempered to a sounder and saner degree, there is the article of the economist, Dr. Charles Hardy, prepared under the auspices of the Federal Reserve Board, but not necessarily representing the opinions of that governmental authority. (See the "Chronicle" of July 11, p. 189.) Dr. Hardy, who is Vice-President of the Federal Reserve Bank of Kansas City, has demonstrated his capacity as a careful and painstaking investigator in his studies relating to the effects of interest rates on stock prices, the effects of tax exemptions on securities and effects of wartime price controls. His analysis of inflation, though not thoroughgoing in all details, has brought out clearly the complex character of this economic phenomenon. Inflation, like the common term "disease," has a variety of causes and aspects, and these causes and aspects are not necessarily connected or related to one another. Each arises in a different way and to each, a different remedy should be applied.

III

Misconceptions of Inflation

The term "inflation" as applying to changes in price levels or purchasing power of the monetary unit was practically unheard of in economic literature a century ago. Yet, its nature and its causes were well understood. The quantity theory of money was developed from this knowledge. David Ricardo, more than a century ago, wrote learnedly of paper money inflation—but he never used the term "inflation" in his writings. He called it "currency depreciation." When the late Andrew D. White published in 1876 his pamphlet on the history of the French assignats as a document to combat the wave of "greenbackism" in the United States, he was careful to entitle it "Paper Money Inflation in France" so as to limit its contents to the one aspect to which the term "inflation" could be applied, mainly, excessive issue of inconvertible paper money. He probably would have denied that changes in the price level due to goods scarcity or higher production costs was a species of inflation. Yet this aspect of price changes we have come to erroneously call "inflation." And when prices fall from whatever cause, we speak of it—usually erroneously — as "deflation." Some writers, notably Irving Fisher, have gone so far as to invent the term "reflation" — whatever that means.

Dr. Hardy, in his review of the various aspects of the term "inflation," so widely applied at the present time, holds to the idea of restriction of the use of the term to its proper limits. As a footnote in his essay he states:

"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."

It is the curse of economic science that terms are invented and used that are not given a fixed or definite meaning. This evil has been long recognized by the economists themselves, though many have not troubled themselves much about it. Both Thomas Robert Malthus and John Stuart Mill contributed essays dealing with the difficulties of definitions in economics. But since their time —more than a century ago—little has been accomplished in the way of clearness and fixity of economic concepts. "Capital" is variously defined, and the distinctions between "money" and "currency" is sometimes outlined, but more generally neglected. The complaint against economists is that each uses the same terms, but gives them different meanings, and these meanings are not differentiated in their texts. It is not surprising, therefore, that the term "inflation" has been so badly misused—so much so, that as suggested by Dr. Walter Spahr, Mr. Frank Rathje and others, it should be dropped from the economists' vocabulary altogether. If care had been used in the last decade in the proper application of the term, there would be less confusion about it now not only on the part of political administrators and legislators, but on the part of the general public. There would be less miscomprehension of the terms "supply" and "demand," and a better attitude on the part of all as to proper steps to promote economic stability and progress.

IV

Inflation Is Heavily Redundant Money Supply

In any discussion of "inflation," a clear distinction should be made, as pointed out by Dr. Hardy, between the concept of: (1) a condition where the purchasing power of the monetary unit declines (or rises, as in the so-called "deflation") because of a change in the ratio of money supply to goods and services available for exchange; and (2) a condition where the money supply becomes excessively redundant or depreciated because of government bankruptcy or loss of confidence in its future stability and purchasing power. The first concept merely results in a changing or fluctuating price level. It may affect certain commodities or services and not others. A general index of prices (regarding which there has been so much controversy lately) does not always measure its extent or its character, but it is something that goes on continuously in good times and bad. It has its cyclical or long-term trends and its short-term fluctuations. It is comprised and studied in the many histories of prices which have been produced in the past several centuries.

The second concept, to which the term "inflation" should be strictly confined, is illustrated by sudden increases in the supply of the precious metals (as happened in Spain after the discovery of America) or, more generally, through the excessive issues of inconvertible paper currency, as occurred during the French Revolution, the American Revolution and Civil War, the Napoleonic Wars, and during and after the First World War. All modern major wars, when financed on a large scale through borrowing to cover government deficits, will result in price increases and higher living costs, just as certain diseases are bound to produce a fever in the body. It may be alleviated for a time, but it cannot be altogether avoided. But as to the effects of price controls in alleviating the fever, I can merely repeat what Dr. Hardy has written:

"It is to be emphasized 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."

Halsey Stuart & Co. Offering Bonds of Albany & Susquehanna

Halsey, Stuart & Co. Inc. made a public offering July 17 of $4,087,000 Albany and Susquehanna RR. first mortgage bonds, due by extension April 1, 1971, interest at 2¾%, at 100½%. These bonds are guaranteed as to principal and interest by Delaware & Hudson Co. Since 1870 the properties of the Albany and Susquehanna have been operated as an integral part of the Delaware and Hudson System. On July 2, 1945, The Albany and Susquehanna was merged into The Delaware and Hudson RR. Corp., and the latter assumed the former's obligations.

The bankers underwrote an offer of extension by The Delaware and Hudson Railroad Corp. to holders of the $10,000,000 3½% The Albany and Susquehanna RR. first mortgage bonds due April 1, 1946. All interest on the latter bonds has been regularly paid when due.

Of the $10,000,000 of old bonds which were outstanding $5,047,000 were extended by the bondholders. The bankers purchased and extended $4,887,000, of which $4,087,000 are being publicly offered. The remaining old bonds, amounting to $66,000, are being paid by The Delaware and Hudson Railroad Corp. upon presentation.

The extended bonds will continue to be secured by the lien of the first mortgage on all properties owned by Albany and Susquehanna immediately prior to its merger into The Delaware and Hudson Railroad Corp.

OPA Removal and Stock Prices

(Continued from page 339)
next several months, but that would be a reflection of the higher costs already grafted into the economy by recent wage increases. If only we get production there is no need to worry about a run-away inflation, at least for a span of years.

Reasons are lacking for current concern over the posi ion of the dollar as a currency, and the producing capacity of this country puts it in a far different position than that of most European nations, where the economies are largely dependent upon importation of raw materials.

One of the effects of war is greatly to stimulate effort in all sorts of directions; it is typical for production, prices, wages, income payments and consumption to hold at a higher postwar than prewar plateau and this is especially likely to be true of the period following the recent war, not only because far greater potential demands for goods were created than during World War I, but because the recent war followed a whole decade of depressed business conditions and activity with all the demands and wants therein accumulated. One should therefore not assume that rising prices, wages and consumption *per se* are evidences of rampant inflation, despite the publicity likely to be given inflation as election day approaches.

Labor Difficulties

There is the possibility that, with the higher commodity prices likely to be registered in any case over coming months, organized labor would make such exorbitant wage demands as to recreate the chaotic conditions obtaining in the second quarter of this year. This could, of course, occur, but the imminence of the fall elections and the natural desire of labor to woo public sympathy in the interim seem likely to make for a labor strategy of placating, rather than intesifying, the resentment against organized labor that flared so suddenly only a few months ago.

Backwash of War

The nation, the whole world in fact is in process of ironing out, or making adjustments to, the inevitable distortion of relationships always created by war. War brings in its wake big changes—economic, social and political—and it is wholly natural for a period after actual warfare terminates for various groups to engage in a struggle for position that more often than not affects bystanders as well as participants.

This jockeying for position among nations, groups, classes and companies makes for an appearance of turmoil, unsettlement and uncertainty that can at times be very trying for businessmen and investors. In retrospect these periods will seem like no more than important ripples, but while they are going on they assume the importance of all current events. The economy may be confidently expected to survive without major impairment this postwar environment even though some fairly wide swings in stock prices and business activity may occur prior to emergence of a period of full blown postwar world prosperity.

War vs. Peace Markets

The uncertainties of war place a low ceiling on markets. While the war was on it appeared reasonable to believe that industrial stock prices would probably not move above an approximate 4% yield basis and that proved to be the case. Once the war ended it appeared likely that the market would move up to around a 3% yield basis, which for years had been the approximate ceiling of peacetime markets.

That is just what the market proceeded to do in no uncertain fashion in the second half of last year, but the upward price adjustment was halted early this year when it became increasingly evident that we might not go back to a peacetime basis, that the economy might stay on a partial wartime basis of part slave and part free with a continuation of many Government controls and regulations. The point is that if a further long step toward a free economy is to result from OPA discussion, the market will forthwith resume its advance toward a 3% basis.

Investment Policy

Investors should keep in mind, however, that this bull market is no longer young, that stocks are no longer on the bargain counter, that historically prices are on the high rather than on the low side and that from point of time we are much nearer the presumable end than the beginning of an intermediate swing. Thus assumption of large scale risks at this stage of the market is not justified and would not be justified even if, because of OPA and other news, the market should break out on volume on the upside.

With favorable news out of Washington we could get a rise in the market that would last through the summer, and further impetus from the fall elections could carry the rise through the balance of the year, but even so the further advance is not likely to exceed 12% to 15% of current prices which would not be large in comparison with the approximate 33% advance following VJ-Day or the 130% advance since 1942 lows.

If stock prices move up from here we will probbaly see a broader market in the sense of more groups and individual issues participating than we have thus far this year. In the first half of the year the Dow-Jones Industrial averages advanced about 7%, whereas in the same interval drug stocks moved up by more than 50%, such groups as chemical, grocery, liquor, motion picture, textile and steel stocks moved up by about 20%, while groups such as automobiles, air transport, banks, foods and beverages were virtually stationery or showed losses. The reason was, of course, that actual earnings results as well as earnings prospects of various groups showed great variations.

With return to a free economy the market may be expected to move more as a unit and those groups that have been laggards since last summer should meet with increasing investment demand. Those typical "tail-enders," steels, coppers and rails, should be prominent in any strength and stocks in the labor-vulnerable manufacturing groups that have had so much difficulty getting into production, such as autos, farm implement, railroad and electrical equipment and machinery shares should do well. Among commodity shares sugars and coal stocks should be in better demand. Oil, building and chemical shares are still among the most attractive long range holdings. Groups and individual issues believed to offer above-average value at this time are listed below:

	Recent Price
Agriculturaal Machinery	
Case	51½
Deere	54¾
International Harvester	96
Minneapolis-Moline	17⅜
Oliver Corporation	33
Building	
Central Foundry	16¼
Minn.-Honeywell Reg.	63
Pittsburgh Plate Glass	40¼
Chemicals	
American Cyanamid	57
Dow Chemical	183½
DuPont	218½
Monsanto	166¼
Union Carbide	112⅞
Foods	
Beatrice Foods	67⅛
Best Foods	30¼
A. E. Staley Mfg. Co.	42-3½
National Dairy	42
Machinery	
Allis-Chalmers	56¾
Caterpillar Tractor	79
Joy Mfg.	32⅝
Sundstrand Mach. Tool	32¾-33¼
Meat Packing	
Armour	17
Cudahy	59½
Swift	40¼
Wilson	19
Non-Ferrous Metals	
American Metal	39¼
Kennecott Copper	57¾
New Jersey Zinc	75
Sunshine Mining	20¼
Oils	
Gulf Oil	74⅛
Lion Oil	42½
Ohio Oil	28¼
Standard Oil of Calif.	55⅛
Standard Oil (N. J.)	78¼
Miscellaneous	
Bendix Aviation	49
Food Machinery	91
Francisco Sugar	29½
Meyercord Company	18¼-¾
Pittsburgh Cons. Coal	25⅝
Square D	22
Thomas Steel	20⅜-⅞
Truax Traer	19¼
West Indies Sugar	38¼

Halsey, Stuart & Co. Offering Portland Gas & Electric Bonds

Halsey, Stuart & Co. Inc. headed a group that made a public offering July 12 of $10,000,000 first mortgage bonds, 3⅛% series due 1976 of Portland Gas & Coke Co., at 101.46% and accrued interest. The bonds were awarded to the bankers July 10 with a bid of 100.2839.

The bonds are redeemable in whole or part at prices ranging from 104.46% to par. Special redemption prices commence at 101.47% scaled down to par in the last year.

Net proceeds from the sale fo the bonds will be used to redeem and retire $5,751,000 first and refunding mortgage 5% gold bonds, due 1940, extended to 1950, and $2,625,000 first lien and general mortgage gold bonds, series 4½s due 1940, extended to 1950, at 100% and accrued interest in both cases. Also to be redeemed are $371,000 of Portland Gas Co. non-callable first mortgage 5% gold bonds, due 1951, at 100% and accrued interest to maturity. The remainder of the proceeds, together with the proceeds of $500,000 principal amount of serial notes, will be used to provide additional production, transmission, and distribution facilities.

Portland Gas & Coke Co. and its predecessors have been in the business of supplying manufactured gas for over 86 years. The territory now served by the company consists of 440 square miles of area supplied through 2,343 miles of mains serving 81 communities. Basic industries in the territory include processing of fruit and agricultural products, forest products, paper, aluminum reduction and shipping. The population of the area served is estimated to be in excess of 600,000.

Halpern Opens

NEWARK, N. J.—Ed. M. Halpern is engaging in the securities business from offices at 730 Broad Street.

McLain Gen'l Counsel For World Bank

Eugene Meyer, President of the International Bank for Reconstruction and Development, announced on July 12 the appointment of Chester A. McLain as General Counsel of the Bank. Mr. McLain was graduated from the Melrose, Mass. high school in 1909 and from Harvard College in 1913 with the degree of AB. (magna cum laude). He received from Harvard Law School the degree of LLB. (cum laude) in 1915 and the degree of SJD. in 1917. He lectured at Harvard Law School from 1915 to 1916 and was Thayer Teaching Fellow there from 1916 to 1917.

In June 1917 Mr. McLain enlisted in the Fourteenth Railway Engineers and served in the A.E.F in France and Italy from July 1917 to April 1919, having been commissioned a Second Lieutenant of Infantry in June 1918. He was a member of the War Loan Staff of the U. S. Treasury Department from May 1919 to September 1920, and Assistant Professor Harvard Law School from 1920 to 1923.

Since July 1926 he has been a member of the New York firm of Cravath, Swaine & Moore and its predecessors, having served as associate from 1923 to 1926. He was partner in charge of the European office of the firm from December 1926 to November 1928 and from July 1931 to May 1933. Mr. McLain will assume his duties as Geneal Counsel of the Bank about August 1.

Merrill Lynch, Pierce Offers Dana Corp. Stock

A public offering of 100,000 shares of $100 par 3¾% Series A cumulative preferred stock of Dana Corp. (formerly Spicer Manufacturing Corp.) was made July 17 by an underwriting syndicate headed by Merrill Lynch, Pierce, Fenner & Beane. The stock was priced at $102 per share.

Proceeds from the sale will be used by the company to prepay $10,000,000 of bank loans which were acquired for plant expansion in the fiscal year ending August 31, 1946. The bank loans were incurred on March 4, 1946, maturinging in five equal instalments of $2,000,000 each on March 4 in each of the years 1948 to 1952, inclusive.

Dana Corp., until this month known as Spicer Manufacturing Corp., was organized under Virginia laws on October 12, 1916, succeeding a New Jersey corporation whose business started in 1904. Its principal office is located in Toledo, Ohio. The company is both an operating and a holding company, and with its subsidiaries primarily produces parts for the automotive industry. It is one of the largest manufacturers of universal joints and propeller shafts and an important factor in the production of axles, frames, gears, transmission devices and drop forgings.

Unfilled orders of the company and its subsidiaries as of May 31, 1946, amounted to approximately $45,000,000.

A Layman's Approach to Our Post-War Tax Problems

(Continued from page 337)

White House not only under tragic circumstances but also under great handicaps. He fell heir to the mistakes of his predecessor as well as to a series of policies, which no longer had the glamorous appeal they once had possessed. When Mr. Truman sent to Congress a "must" legislative program of 21 points, Congress was little interested in these new blueprints with their face lifted.

In the midst of all this, however, there was one constructive development. Early this year the President announced his intention of pressing for the immediate balancing of the federal budget. This was to be accomplished—not by sharply pruning swollen wartime expenditures, or through any special consideration of the taxpayers—but simply because, as the President declared, "federal revenues were greater than had been anticipated."

Thus the waste of public monies went on while President Truman continued to rely on doubtful economic and monetary theories to provide a painless transition from war to peace. Completely misjudging postwar economic trends, the Administration has initiated policies which accelerate inflationary forces. To ward off an expected sharp reduction in postwar employment, the Administration embarked upon the dubious experiment of stimulating wage increases while, at the same time, holding down prices and industry profits.

Thus goods became even scarcer while the so-called "inflationary gap" grew wider and wider. Without any mandate from the people on so controversial an issue, the Administration launched a far-reaching program to bring about a "managed" national economy. Through the unlimited expenditure of government money, a new postwar Utopia was to be created. This was justified by the slogan heard so often these days: "If we achieved such unprecedented goals of production during the war, why shouldn't peacetime objectives be just as easy to achieve?"

Today, to a degree that is now highly dangerous, the American people have been taught to "lean" on the government. Local responsibility and local problems disappear by the simple device of transferring them to Washington. Having deposited these local problems on the doorstep of the White House or the Capitol, they now become magnified into "national" problems. The result has been the growth of an unprecedented federal bureaucracy that now totals nearly 3,000,000 persons.

Dr. Allan V. Heely, headmaster of Lawrenceville, said in a speech:

"No school or college can give its students what it does not have. If there is no institutional or corporate morality; if what an institution stands for is merely the sum of the individual opinions of its faculty; then it ought not to surprise anyone if undergraduates emerge from their formal academic training confused, uncertain, without compass or rudder."

This same statement seems apropos at the moment in our nation. We might paraphrase by saying the United States of America has lost its "institutional morality" and substituted the "sum of individual opinions." As a result, if there is any one word which could describe the United States of America today, that word would be "confusion." We seem to be without a rudder for our present, without a compass for our future, and we are confused and uncertain about the fundamental principles which governed our past.

What is the cause of this confusion? The answer is leadership; the wrong kind of leadership. For 12 years our American leadership has tampered with our constitutional republic. Executive orders were issued by the score affecting management, labor and agriculture—orders which had the full force and effect of law—that were neither sanctioned by the people nor passed by the constitutional lawmaking body of the government. This has served to bring about confusion and doubt in the minds of many people, not only as to the ability but even as to the desirability of the Congress of the United States. It has brought confusion into the one principle that has always been the foundation stone of our system, which was contemplated as a government of laws rather than of men. The philosophy of class hatred, when we need understanding, the beating down of that creative urge in men, all this has added tremendously to the great American illness—"confusion."

Today the federal debt stands at approximately $275 billion. There is no positive assurance that the total will not go still higher. Economic developments over the next few years will determine whether the debt goes up or down. Our policies of debt management will determine whether a brake can be applied to the present inflationary forces. With regard to debt and policies of taxation, many fallacious ideas are already being advanced. There is the argument that the debt total doesn't matter since "we owe it to ourselves." There is the view, that under our new "managed economy" setup "debt" and "taxes" have acquired quite different economic functions which are difficult to understand.

The essence of this new economic theory is that since governments now control the central banks (in our case, the Federal Reserve Board) they need no longer "borrow"—in the accepted sense of that word—but merely "draw" on the central bank for whatever sums they need. Taxation, as a means of raising revenue, would be obsolete for the same reason. Stripped of their economic jargon, these proposals merely mean a financial "sleight-of-hand" kind of bookkeeping, which all countries resort to when inflation enters its final and most vicious stage. Strangely enough, two leading economists — advisers of the Federal Reserve Banks at New York and Chicago—advocate this kind of fiscal manipulation.

In a recent address before the American Bar Association, Beardsley Ruml, Chairman of the board of the New York Federal Reserve Bank, explained these proposed changes in policy:

"The necessity for a government to tax in order to maintain both its independence and its solvency is true for state and local governments, but it is not true for a national government.

"Two changes of the greatest consequence have occurred in the last 25 years which have substantially altered the position of the national state with respect to the financing of its current requirements.

"The first of these changes is the gaining of vast new experience in the management of central banks.

"The second change is the elimination, for domestic purposes, of the convertibility of the currency into gold."

Stripped of their professional verbiage, this simply means two things:

1. The federal government would no longer "borrow" from commercial banks but, in future, would get cash for its IOU's from the Federal Reserve System.

2. By eliminating the convertibility of the currency into gold—a privilege suspended back in the spring of 1933—the government would operate on "fiat money," prevent the flight of capital from the dollar, and destroy the only real gauge for measuring the depreciation of money and the increase in inflation.

Confronted with this unprecedented proposal for "easy" money, is it any wonder that the business community should now feel fresh uncertainties? While struggling to get back to some sound economic base after the strain of war on the nation's industrial and financial resources, is America to be plunged once more into a new era of economic experimentalism? From the past 14 years of unbalanced budgets and attempts at deficit financing, hasn't any lesson been learned? Is there no stopping point for price or monetary "inflation" once it has gained a foothold in the economic habits of the American people?

It is against this background of fiscal developments over the past decade or more that I wish to focus our discussion today. I want to emphasize two points in particular. Because, on the decisions we make, and on the road we choose, will depend whether the nation is to maintain its financial solvency or slip once more into treacherous financial quicksands.

The choice before us is just that simple. We can stop, while there is yet time, dangerous spending which, in turn, will ease the mounting pressures on dwindling supplies of goods and price levels that no longer are an economic function of balancing supply and demand.

To escape from the financial morass in which we are soon likely to find ourselves, a realistic and courageous Secretary of the Treasury must take three important and basic steps. First and foremost, the taxpayers of the nation are entitled to a far more "sympathetic" administration of the Internal Revenue Bureau than they have had in recent years. We must end the prevailing practice of regarding all citizens—particularly those in the higher income brackets—as though they were tax evaders or crooks.

Against the gauntlet of examiners, special agents, "review" authorities, and the like, who today administer complicated and obscure tax statutes, it is increasingly difficult for the taxpayer—whether of high or low degree—to obtain simple and expeditious justice.

He is caught in a maze of bureaucratic red tape from which the only escape seems to be to pay whatever sum is demanded—a systematic and tyrannical form of blackmail.

Second, we must return to elemental common sense policies of taxation.

This means abandonment of punitive attacks on business and fresh emphasis on restoring those incentives which stimulate and release the creative energies of men.

Without oats, the horse won't work; and without some recognition of managerial brains and ability and their importance to the national economy, we can never, as a nation, pull the heavy load to which we are now committed.

This means a courageous determination to reduce the present overburdensome income tax on all classes—the high brackets and the low—without special political favoritism for the more numerous low-income groups. For while in normal times, "ability to pay" may be a sound yardstick for tax rates, the policy can, when carried to extremes, have a reverse action on the economy disastrous in the extreme.

Third, we must face frankly the unprecedented problems created by the present Federal debt.

We must proceed to correct at once the highly inflationary potentialities which arise from the high percentage of these loans that are now carried by the commercial banks. These create idle capital in deposit accounts which, at present levels, are highly dangerous and explosive.

Many businessmen and bankers would sleep easier nights if our debt "problem," for example, were properly settled for the next 75 or 100 years. As one means to this end, I have advocated the issuance of a new class of government securities somewhat akin to British "consols." Such long-term bonds would tend to free the capital markets of present huge excess funds, besides permanently funding large amounts of the Federal government's huge outstanding short-term obligations.

I particularly want to stress the fact that today this problem of sound and equitable taxation is not something abstract, or remote from the average citizen. Here, more than any other sector of the home front, we need a high degree of citizen vigilance. In this day of pressure group activity, the extent to which we are willing to mobilize in defense of the integrity of the dollar may determine the entire future of the nation. We are at one of those decisive crossroads where a left turn or a right turn will influence national fiscal policy for generations to come. Those who would continue our monetary experimentalism are numerous and persuasive. For those not versed in the intricacies of public finance, the pictures they paint are very alluring indeed.

What program do we who are more conservative by nature have to offer against these bright, glowing promises for tomorrow? We must make our stand—so it seems to me—on practical common sense—on protecting the seed corn from this year's crop so that next year we may expect still another harvest. I therefore urge that business and professional men everywhere interest themselves in this ever-present problem of taxation.

There is a very simple way to begin. That is to get hold of a copy of a very important report recently issued by the Committee on Postwar Tax Policy called "A Tax Program for a Solvent America." Note the emphasis on the phrase "solvent America," a condition that is now highly precarious.

As Undersecretary of the Treasury, in charge of taxation and the Internal Revenue Bureau, I succeeded a very distinguished lawyer and teacher, Roswell Magill, the Chairman of the Committee on Postwar Tax Policy. I believe firmly in the principles advocated by him.

I outline the following program as a specific formula for a constructive postwar program:

(1) I believe wholeheartedly and unreservedly in the American capitalistic system. That system cannot function successfully without a high volume of production and employment.

(2) Without the hope of profit, the necessary flow of capital funds into old or new enterprise simply will not occur.

(3) There can never be any hope of profit or any confidence in our business future without fiscal and monetary stability in government.

(4) There will be no hope of keeping for one's self any substantial part of that profit unless we revise drastically our present-day thinking on taxation.

(5a) Since our budget must be very much higher than any we knew in peacetime (perhaps $20 billion to $35 billion) and since we must get a substantial part of this revenue from income taxes (corporation and individual) the initial or basic rate upon all taxpayers must be high. I think this rate should be a minimum of 20% upon all.

(5b) Since we are dealing with human beings—human behaviorism must be considered—and the incentive to venture, to produce and to earn, and thus to create new jobs is seriously threatened by a confiscatory system of taxation. I urge a more moderate scale of rates starting at 20% and rising to 45% at the $50,000 bracket—54% at the $200,000 bracket and 70% maximum at the $1,000,000-and-above bracket.

(5c) Corporate dividends should not be subject to double taxation.

(5d) Capital gains and losses should be continued as at present.

(5e) Earned income should be treated much more generously than is presently the case.

(5f) Corporation taxes should never be progressive, and the double tax on inter-company dividends should be eliminated.

(5g) The Treasury should allow the widest latitude to the corporation in figuring depreciation of plant and equipment. I say this because taxes always seem to go up. Therefore the government cannot lose on a policy of hastening the day when the corporation will have no value on their books to depreciate as a deduction from income. Furthermore, research expenditures should receive the most sympathetic treatment from the Treasury because of the great contribution made to the economy from year to year by research.

(5h) The Federal government only has five sources of revenue open to it. These are customs taxes, estate and gift taxes, personal taxes, corporation income taxes and the excise taxes. It is my belief that the estate and gift tax division should be returned to the States. A very important variable in this group of taxes is the excise tax. These taxes which are nothing more nor less than sales taxes should vary in accordance with the revenue needs of the country at a given moment. They have become a very vital source of revenue to the Federal government, and in my opinion should be widely extended. While I am not a great believer in incentive taxation as such, I think I know the human animal well enough to state with some conviction that you may not be able to force him to work by creating incentives, but you can certainly put a heavy damper upon his energies by taking from him the fruits of his labor.

It is my humble conviction that such a far-reaching program of taxation would have a most beneficial effect upon our capitalistic economy.

Alvin Baker Rejoins Hornblower & Weeks

DETROIT, MICH.—Hornblower & Weeks reports that Colonel Alvin R. Baker will return to the firm's employ in their Detroit Office, Penobscot Building, after five years of active duty in the Army.

Colonel Baker was with Hornblower & Weeks from 1928 until 1940 when, as a Major in the Cavalry Reserve, he was called to active duty as instructor of the Organized Reserves in Detroit. After a tour of duty on the staff of the Second Army, he was promoted to Colonel of the General Staff, and assigned to the "Amphibious Eighth" Army under General Robert Eichelberger, which saw action in New Guinea, the Philippines, and participated in 53 amphibious operations. During the later days of the war, he was Chief of the Eighth Army Planning Committee, for which he received the Legion of Merit. Colonel Baker also wears the Bronze Star and the Air Medal.

Our Loan to Ethiopia

(Continued from page 338)

The soil is extremely rich throughout the country. With wide variations in temperatures and rainfall, due to varying altitudes, Ethiopia raises a much larger variety of agricultural products than might be expected from a territory lying so near the Equator. The plateau region is intensively cultivated and produces far more than can be consumed locally. The problem is transporting the surplus to outside markets.

During the past three years exports have been limited by the lack of transport facilities and not by the country's ability to produce or to find a market for its products. The railroad has been unable to carry half of the cargo available at Addis Ababa. A large portion of products for export, even those shipments coming from the south, have had to be moved by trucks to Assab or Massawa. Last July the local Chamber of Commerce made a survey in Addis Ababa and estimated there were 12,000 tons of goods ready for shipment which the railroad would not be able to move in the foreseeable future. This problem of transportation can be solved when Ethiopia is able again to import new trucks and rolling stock for the railroad.

During the next few years a concentrated effort will be made to develop the following crops:

1. **Cotton**—Cotton is now grown in Ethiopia, but because of the lack of gins, it has been produced only on a small scale to supply local household needs. Considerable experimentation in the cultivation of cotton has been carried out and it has been found that Texas Highland cotton grows exceedingly well in many sections of the country. It is the hope of the Government that by encouraging the cultivation of cotton, within five years, to be able to produce 50% of the country's requirements. The importance of this program can be realized when one considers that cotton goods account for 75% of Ethiopian imports. There is already in production at Dire Dawa a cotton mill with 4,000 spindles and sufficient looms to weave into cloth all the yarn produced locally. It has been in operation for three years and has developed a trained labor force of sufficient numbers to be in a position now to double the number of spindles. This mill has been very profitable, and now that the greatest difficulty, that of developing a labor force, has been overcome, it is expected to continue to operate at a profit. The government, which owns a half interest in this mill, intends to go on doubling the capacity as fast as labor can be trained and new equipment obtained.

2. **Tobacco**—With the help of American experts, it is hoped to increase the cultivation of tobacco to 500,000 acres during the next five years. The preliminary experimental steps have already been taken, and it is now known that nearly every type of tobacco can be grown in Ethiopia. Experts assure the government that there will be a market for all the tobacco produced. Taking a very low price of 20 cents per pound and an expected yield of 1,000 pounds an acre, it is hoped to develop a crop having a gross yearly value of United States $100 million.

3. **Meat**—The American Economic Mission to Ethiopia estimated that the country has a livestock population of 22 million head and that, with the proper equipment, meat exports to the value of U. S. $9,000,000 per year are possible. As stated above, the Ethiopian farmers are not now selling their livestock but are building up their herds. There has been no incentive for them to sell since the farmer could not use the proceeds to buy cotton goods because of the very limited supply of textiles.

4. **Edible and Essential Oils**—Exports of these products are already increasing but are limited by the lack of oil expelling machinery. Local plants now have on order in the United States several oil-expelling machines and there is a demand for a great many more. These expellers are at present obtainable only in the United States and purchases have been limited by the lack of United States dollars.

These programs cannot be carried through successfully unless the government is certain that the technicians and materials required can be obtained. This is in large part a problem of dollar exchange because it is only in the United States that much of the necessary equipment can be purchased.

Efforts to diversify agriculture and increase the number of items for export have already met with considerable success. This will be apparent from the fact that last year the following products appeared in Ethiopia's customs return for the first time and were exported in the following quantities:

	Kilos
Sesame seeds	295,166
Mellon seeds	10,697
Peanuts	251,556
Beer (bottles)	278,256
Soap	32,350
Candles	86,170
Castor oil	8,536
Mica	487
Hay	35,400
Rubber	15,058
Lard	7,102
Cheese	4,453

Exports of other new products are increasing as can be seen from the following comparison of exports for the Ethiopian calendar years 1937 and 1938:

	Sept. 10, '43 to Sept. 10, '44 Kilos	Sept. 10, '44 to Sept. 10, '45 Kilos
Edible oils	21,158	653,032
Macaroni	153,596	596,705
Wheat flour	6,869,600	13,872,490
Caster oil seeds	12,740	402,951
Cement	868,000	3,099,750
Rope	49,967	94,425
Tobacco	10,550	79,079
Tanned leather	10,895	179,373

It thus appears certain that Ethiopia's exports will increase considerably during the coming years and will permit a large investment in capital goods purchased abroad.

The budgetary position of the government is sound. The Minister of Finance, His Excellency Yilma Deressa, a graduate of the London School of Economics, has done a most outstanding job in rebuilding and reestablishing the financial machinery of Ethiopia. A review of the finances of the Imperial Ethiopian Government for the four years since the reoccupation reveals a determined policy on the part of the government to hold current expenditure well within current receipts and to build up a surplus for emergencies. As a result of this policy, the government ended the year 1944-1945 with a substantial surplus after meeting all current expenditures. In addition, the government has considerable assets in the form of a large estate of government land, subsoil rights throughout the country, operating gold and platinum mines, complete ownership of the State Bank and the Agricultural Bank and part ownership in various industries.

To evaluate properly the accomplishments of the government in the field of finance, one must bear in mind the difficulties under which they have been achieved. The government took over a country ravaged by six years of war. In this war three-quarters of its educated citizens were killed in battle or wantonly murdered. A large portion of the population had been displaced from their homes and deprived of means of livelihood. According to official estimates, 760,300 persons lost their lives, 525,000 homes were destroyed and 13,700,000 head of livestock slaughtered. Upon the return of the government in 1941, the Ethiopians were faced with the necessity of carrying on, with a mere handful of technicians, an economy which had previously employed many thousand trained Italians. The whole economy was handicapped by the lack of technicians, spare parts and replacements.

In spite of these and many more difficulties, the government at the end of four years finds itself in a sound financial position, with a very small foreign indebtedness and no internal debt.

Ethiopia's fiscal year begins Sept. 11 of each year and ends the following Sept. 10. The Emperor returned to his throne in 1941 and during the first year all government departments operated on an allocation system, allocations being made monthly as funds were required and revenue collections permitted. Under this system, the treasury was able to carry forward a surplus of $6,693,250.17 at the end of the first year.

The information and experience gained during the first year enabled the government to establish a budget for the 1942-1943 period. Revenue for the period was estimated at $23,291,690 and the parliament approved a budget providing for expenditures of $24,642,822. Revenue collected greatly exceeded estimates and the treasury ended the second year with an accumulated surplus of $9,156,568.95. Again, for the 1943-1944 period, collections exceeded expenditures and the accumulated surplus at the end of the period amounted to $11,896,706.

During the year 1944-45 a drastic change was made in the tax laws of the country. A new land tax was inaugurated which taxes all privately held land within the country whether this land is cultivated or not. At the same time, 26 miscellaneous taxes were abolished. The net result of this action has been to simplify the collection of taxes and increase the amount of tax collected. On the other hand, the tax burden is lessened for the large majority of taxpayers who are the peasants having small holdings of land and who previously paid a percentage of their produce to the government. The new land tax will have the additional effect of breaking up large landed estates which have been held from generation to generation without being put to productive use.

An increase of $14,000,000 over the revenue of the previous year was anticipated; but this was exceeded. The treasury accounts for the financial year 1944-45 show a total revenue from all sources of $41,253,786 with expenditures of $41,099,234. During this year, the treasury had substantial income from other sources which was not considered as revenue and was not included in the above figure. At the end of this period the accumulated surplus of the government amounted to $18,608,178, invested as follows:

Cash and gold in hand	$9,925,080
Credits with the State Bank	5,079,880
Investments:	
State Bank capital & surplus	1,500,000
Sabean Utility Corp.	700,000
Garage and workshops, Minister of Finance	745,567
Advances	441,722
Coffee plantations	100,000
Tobacco Monopoly Reserve	115,929
Total	$18,608,178

Officials of the Ministry of Finance expect revenues to continue to increase by substantial amounts for the next three years. The estimated revenue figure for 1945-46 was Eth. $44,120,000, but in the light of collections for the first quarter this has now been increased to Eth. $48,000,000 (U. S., $19,200,000).

In view of the fact that revenues are constantly increasing and expenditures are kept below receipts, there is widespread optimism regarding the government's future financial stability.

Harriman Ripley & Co. Offers Seagram Debs.

A nationwide group of 81 underwriters headed by Harriman Ripley & Co., Inc. is offering today $50,000,000 of Joseph E. Seagram & Sons, Inc. 20-year 2½% Debentures, due June 1, 1966, at 99½% and accrued interest.

The debentures are direct obligations of Joseph E. Seagram & Sons, Inc., an Indiana corporation, which is a wholly-owned subsidiary of Distillers Corporation-Seagrams Limited. The Indiana corporation controls, through stock ownership, all the affiliated Seagrams operating and sales companies in this country.

Net proceeds from the sale of the debentures will be used to retire $50,000,000 of the 20-year 3¼% debentures, due May 1, 1965, at 105% and accrued interest. Immediately after the delivery of the 20-year 2½% debentures, due June 1, 1966 (which is expected to occur on July 19, 1946), the company will give the holders of the 20-year 3¼% debentures, due May 1, 1965, the privilege of presenting their debentures for prepayment at the full redemption price together with accrued interest.

The consolidated funded debt of the company and its subsidiaries will consist of the 2½% debentures and approximately $13,000,000 of debentures which are subordinated to the 2½% debentures. All subordinated indebtedness and all of the capital stocks of the company are owned by its parent, Distillers Corporation - Seagrams Limited.

Net sales of the company and all subsidiaries amounted to $375,181,198 for the fiscal year ending July 31, 1945 and net profit, after interest and income and profits taxes, was $10,244,827. The corresponding figures for the 1944 fiscal year were $296,034,109 and $7,796,097.

The Indenture provides for sinking fund to retire, through purchase or redemption, by June 1, 1948 and by each June 1 thereafter, $2,000,000 of debentures and will operate to retire 76% of the issue by maturity.

The optional redemption price is 103% to and including June 1, 1953 after which it is to be reduced on a scale to a price of 100% after June 1, 1964. The sinking fund redemption price commences at 101½% and also declines on a scale after June 1, 1950.

Sterling Elec. Motors Securities on Market

Maxwell, Marshall & Co. is today offering to the public $500,000 15-year 5% sinking fund debentures, due 1961, and 29,709 shares common stock (par $1). The debentures are being sold at $1,000 each and the common stock at $3.50 a share. Each $1,000 of debentures has attached a detachable stock purchase warrant for the 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 will be used to finance construction of additional factory building; purchase equipment and machine tools, retire current bank loans and working capital.

The Administration's Economic Cannibalism

(Continued from first page)

reform and to make war on the manners and customs of the people under the pretext of progress.

This is accomplished by following the three Marxian commandments of the so-called liberal apostles of totalitarianism, which are, first, confuse the language, second, debase the currency, and third, undermine confidence in the institutions. The chaos that results forces the people to accept an all-powerful state.

Now let's get back to the original political meaning of the word liberal, a meannig which can be judged by actions rather than speeches.

Historically, the liberal has been a person who opposed arbitrary power on the part of the State and defended the liberty of the individual to behave as an individual in his own interest stopping only at the point where his actions infringe the equal rights of others to do the same thing.

Today the true liberal is one who opposes the encroachment of bureaucracy.

However, so-called liberalism of the present Administration has been just the opposite. Under the guidance of a top-flight staff of a group of radicals this "liberalism" has consisted of strengthening the power of the State and curtailing the rights of the individual.

To borrow a phrase from Mr. Norman Thomas, the New Deal Administration is made up of what he calls "Totalitarian liberals," whom he fears "will do more to bring us Fascism than some of the people whom they justly denounce."

The truth of Mr. Thomas' statement is found in an analysis of the Democrat Party, if it can be called a party, which is made up of three distinct and mutually antagonistic elements.

There is the South which is held captive in the Democrat Party by the chains of an archaic tradition.

Then there is the radical group which has been aptly called the Red-Fascists. It is a group which seeks, through the medium of the Democrat Party to fasten upon this Nation the very form of government against which we have just waged a great and victorious war. It is this group, beholden to the political ideology of Moscow, which is the most important element in the Democrat Party. It is the most important because, for all intents and purposes, it has captured control of the Party. It is the group which directs Administration policy.

I do not for a moment suggest that a majority, or even a major fraction of Democrats, believe in this Red-Fascism which seeks to mask itself under the label of liberalism. What I do mean, however, is that members of this radical group have insinuated themselves into positions of great power on the policy-making level in the Democrat Party and in the present Administration in Washington. They call the tune to which the Administration dances, and the tune is strangely like the Internationale.

Radical Infiltration

The seriousness of this radical infiltration is admitted by no less an authority than Mr. Tom Clark, Attorney General of the United States, who said recently:

"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 made this statement in an address before the Chicago Bar Association in which, speaking to his fellow members of the Bar, he also said:

"One of the greatest dangers, in my opinion, to civil liberties of our fellow citizens, and one which should be taken literally by all the members of our profession, is the method of Communism and Fascism to shackle democracy by indirection." Mr. Clark added that "no one but a complete crack-pot can be deluded by what we see going on today."

It is encouraging that at least one official of the Administration now in power has the intelligence to recognize this radical assault upon our form of government and the honesty to admit it publicly. I am sure the American people will want to know why the Administration has not done something about it during the past fourteen years. The answer is, of course, that politicians do not bite the hands that feed them, and the Administration has been receiving political sustenance from the radicals ever since it came into power.

The Road to Authoritarianism

The road down which they are taking us leads to one inevitable end—a one-party system and a police state. We have already traveled dangerously far. The Democrat Party, as now constituted, is powerless to change its ideological direction. It knows full well that it has no remote chance to retain power without the vote of those controlled by these radical groups. So, the only alternative presented to those who wish to preserve our system of government is to take advantage of the crossroad which will present itself in November and elect a Republican Congress, free of embarrassing alliances.

The success of the New Deal in confusing the language accounts for its success in buying the people's votes with the people's own money.

This political shell-game, in which the hand of the tax collector is quicker than the eye of the citizen, requires a fast patter of trick phrases to distract the attention of the people.

The patter goes something like this:

> Fight the forces of reaction!
> Down with property rights!
> Up with human rights!
> You can't eat the Constitution!
> The Century of the Common Man!
> The Abundant Life!
> The Forgotten Man!

I understand that a new one is being groomed for action. It is "the Welfare State."

All these are for the purpose of hiding from the people the fact that everything that the government gives them must first be taken from them. The technique is something like the hypnotic chant of the so-called painless dentist who keeps repeating "it doesn't hurt yet, does it?" But sooner or later the anesthetic wears off and then it does hurt.

During the last fourteen years, the American people have been exposed to this elaborate array of slogans and catch-words, all calculated to achieve this end.

It has resulted in the false illusion that in some magic manner the Federal Government has become the great provider in whom our trust must be placed and to whom our liberty should be surrendered in the name of economic security.

Artful Language Confusing Public on Currency Debasement

Confusion of language, resulting in confusion of economic thought, sets the stage for the second step in the Marxian formula for the destruction of free government—namely the debasement of the currency through deficit spending.

This the New Dealers have done to the slow soothing chant of

> "it really doesn't matter: we owe it to ourselves."

Many Americans have said that it can't happen here, that the basic virtues of thrift, industry and individual liberty, are so deeply rooted in the American citizen that no government would dare suck out the sustenance of the people.

But it is happening here and the process has already reached a point where the value of the people's savings is in real jeopardy.

Deficit spending means spending money that you do not have. The Administration embarked upon that course as soon as it came into power in 1933 and during the eight peace-time years preceding Pearl Harbor it spent 34 Billion Dollars more than it took in. It accomplished this by devising an ingenious method of creating what it called money by trading pieces of paper. It sold bonds to banks and then authorized the Federal Reserve Banks to issue currency against the bonds, thus one piece of paper formed the basis for the value of another piece of paper and this process is still going on. Of course, during the war deficit spending was expanded to astronomical figures, but what I am talking about now is peacetime deficit spending, the same kind of spending which always produces bankruptcy if practiced by an individual. The net result, of course, has been to bring about a tremendous increase in the volume of currency in circulation and a corresponding decrease in the real value of that currency. That, coupled with policies resulting in curtailed production, is the basic and real reason for high prices today.

The Government's Betrayal of a Sacred Trust

One of the most sacred trusts of government is the purchasing power of the people's money and the fantastic peace-time deficit spending of the Democrat Party is a flagrant betrayal of that trust.

As a result, our nation now faces the serious threat of disastrous inflation which would wipe out most of the value of the people's savings.

Having flooded the country with additional money, the government now seeks by artificial price controls to conceal from the people the reduced purchasing power of their savings and of their income.

This is about as practical as turning up the fire under a steam boiler and then clamping down on the safety valve.

You will remember that the third Marxian commandment for the destruction of orderly government consists of undermining the people's confidence in their own institutions.

This commandment has been faithfully followed by the disciples of the New Deal.

They have made success appear to be a social crime.

They have made private property appear to be an evil thing.

They have made thrift and hard work a laughing stock.

And finally they have sought with some degree of success to make the Supreme Court into a subservient and partisan political tool of the Administration in power, and use it to distort the traditional law of the land for ideological purposes and lend the prestige of the Court to political errands and partisan objectives. The recent public brawl between members of the Court illustrates the success they have attained in this endeavor. I can think of no more effective method of destroying the people's confidence in our government.

Three steps in the Marxian formula have been followed:

> They have confused the language.
>
> They have debased the currency.
>
> They have undermined public confidence in the traditional institutions of personal liberty and self-government.

Those who have protested against these attempts to undermine our republican form of government have been denounced as Reactionaries, as Fascists, and as enemies of some of our allies in the late war. This is the customary Marxian technique, based upon the theory that "when you can't attack the message—attack the messenger." We glory in these denunciations. The opposition has been following the radical "party line," and we propose to follow "the American line."

Socialism in Britain is Britain's business.

Socialism in France is France's business.

Communism in Russia is Russia's business.

But, by all that is holy, a republican form of government in America is America's business!

Marxian Socialism the Base

The ideology of the radical group which is largely directing policy in the Democrat Administration is essentially based upon Marxian socialism and is a deviation from everything the Democrat and Republican Parties have stood for in their long histories. Heretofore both parties have recognized that 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 the 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 conscious and considerate of the rights of helpless minorities; a government bound to respect certain inalienable rights of the individual. The radical idea that the people belong to the government violates the essence of American liberalism. The American government belongs to the people, and the people belong only to God.

When viewed in proper perspective, the Administration method is simple.

Its so-called liberal aspects all conform to the age-old political pattern of promising somethnig for nothing.

There is no fraud more reprehensible than deceiving the voters into the belief that government can give anything to the people without first taking it from the people.

This deception is a relatively easy one to practice as long as there is something to be taken from one group and given to another.

But there is a bottom to every barrel, and when the incentive to thrift has been destroyed by the legalized confiscation of savings there is nothing to distribute and the fraud is exposed.

There are the 40 or 50 millions of citizens who own life insurance policies whose value depends upon the earnings of the property in which the premiums were invested.

The millions of thrifty Americans who have money in interest-bearing savings accounts are in the same boat with the holders of life insurance.

They are the ones who suffer most when property earnings are depressed and discouraged.

The type of liberalism practiced by the Democrat Administration is economic cannibalism because under its restrictions factories, railroads, power plants and other tools of production, which are the source of the people's comfort welfare and national strength, are being consumed and are not being replaced.

We all know why America became strong and prosperous: it is because over the last 150 years we accumulated a vast stock of tools through the thrift and self-denial of hundreds of millions of our citizens.

We all know that it was the productivity of these tools that saved not only America but the entire world from Hitler and Hirohito.

Our form of economic and industrial organization was able to out-produce any other nation on the face of the earth. It was not a question of manpower; it was not a question of natural resources—the Russians have far more of both than we have. It was not solely a question of experience—other nations had accumulated industrial experience before the United States was born. The explanation of this production miracle lies in the nature of our free American economy; of the American system of private enterprise which has provided the stimulus to our people to make the most of their opportunities and to enjoy the fruits of their own labors.

There also was the knowledge that once a person had accumulated any surplus beyond what he needed for security, he was free to do with it what he might choose. This was the element which provided the surplus capital and tools of production which made possible the development of many enterprises, the opening of new frontiers, and the provision of new job opportunities for millions of Americans. You may call that system 'Capitalism" if you choose. You may call it anything you choose. But the fact remains that it has worked, and it has worked better than any other system ever devised by man. That was America's real secret weapon in this war which saved the world.

Anti-Capitalist Countries Asking for Hand-Outs

The proof of what I have said lies in the fact that the very nations who are most vociferous in sneering at our so-called "Capitalism" are the ones which are standing in line for handouts in money, in goods, and in food, from the United States. If their systems are superior to ours, why do they come to us for aid? They have more manpower than we have. They have more natural resources than we have. They have had more years in which to develop. Yet they come. There must be a reason for this, and, to my mind, the reason is that our system is better than theirs. That system must be preserved if we are to maintain our place in the world. There is no group better qualified to protect that system than the Republican Party, which has known it from infancy and has consistently protected and nurtured it.

The Truth About Planning

One of the false charges made by the reformers is that the traditional American economy is without a plan—so the government must set up a master plan.

Now as a matter of fact, the American economy has had the best planning in the world which explains why it is the best economy in the world.

America has always had hundreds of thousands of plans—every business has its own plan to compete for the good-will of the customer.

American business has also had the best control in the world because it has been controlled by the good-will of the customer.

Ever since the passage of the Clayton and Sherman Acts (under Republican Administrations) the customer has been the economic dictator of America—and a *good* dictator.

No business—however large—can exist without the good-will of its customers, and there is nothing as quick and ruthless as the action of a dissatisfied customer.

The freedom of the customer can only exist as long as government stays out of business and allows business to do its own planning because government plans are, of necessity, backed by force.

When there is a master plan, the planner must be the master.

The Constitution of the United States came into existence little more than 150 years ago. For two thousand years of recorded history and for tens of thousands of years before that, man had been struggling for a system of government which would guarantee his right as a free individual. It is significant that in the century and a half since our Constitution was adopted, we have made more progress in science, in the methods of producing the things needed for health, for comfort, and for protection, than in all of the centuries since the beginning of the Christian era to the adoption of our Constitution. At the time our Constitution was adopted, if men traveled by land, they walked or they rode on horseback, or perhaps they were drawn by horses in carriages. The same was true at the beginning of the Christian era. If men were traveling by water, they were propelled by oars or by sails, both in the year 1 A.D. and at the time the Constitutional Convention assembled in Philadelphia. If men wished to communicate with each other their messages were carried by the same means of transportation which I have just mentioned. Railroads, and steamboats, and electric power were unknown. The telephone, the telegraph, were in the same category. Surgeons performed operations without benefit of anesthetics, and without the slightest knowledge of the techniques of preventing infection. As someone so truly said, it was then the custom for the surgeon to wash his hands after the operation, but not before.

Compare the conditions which I have just described with those which prevail today. And remember that all of these advances made, have been made since our forefathers brought into being a new instrument of government, an instrument of government which was liberal because it provided for liberty, because it guaranteed the rights of individuals and protected individuals in the ownership and use of the results of their labor.

Republicans are attacked as reactionaries because in the name of *true* liberalism they wish to continue the forward march of American progress, while the radically controlled Democrat Party in the name of *false* liberalism, wants to take the nation back 2000 years to the arch-reactionary form of the total State.

From the time of Athens and Rome, this false liberalism has been a sure road to supreme political power, because at the end of the road all the citizens must depend upon the state for their right to earn and their right to spend and thus become completely subservient to the state.

You can always get an accurate reading of any nation's freedom by examining the freedom of its citizens to follow their own pursuits of industry and employment as long as they do not injure one another, and to develop themselves to the limit of their God-given capacities.

If that freedom is safe and strong, the people's freedom is safe and strong, and the nation itself is safe and strong.

We of the Republican Party propose to keep *America* safe and strong!

Caution Needed in Consumer Lending

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dream about pulling the strings on a perfect managed economy, but up to now that has only been the subject for intellectual conversation.

Regulation W is a good example of the non-effectiveness of credit controls. It became a regulation in September 1941. That month the outstandings in consumer instalment lending were at an all-time high—almost $6 billions. They contracted to less than $2 billions by July 1945—almost 70%. Was Regulation W responsible for the contraction? No, except in possibly a very minor degree. But stopping production was responsible. The reason consumer instalment loans fell off was because there were no automobiles, refrigerators, washing machines, and so forth, on which to make loans. Had production continued, Regulation W would have had very little effect.

What effect do credit regulations have? Automobile production is just beginning. We had two regulations covering the sale of automobiles to any person who buys one on time—one a regulation by OPA on price and the other Regulation W on terms. Could it be possible that with two government regulations there is a black market in new automobiles, here and there—even in North Carolina?

Just a few days ago the Board of Governors of the Federal Reserve System modified Regulation W to the extent of making all credits of over $1,500 exempt from the regulation. This means if a borrower is considered good by a lender for any amount over $1,500, he can avail himself of any terms the traffic will bear both as to down-payment and time to pay the balance. It means a buyer who, for example, wants an automobile selling for $1,450, would be obliged to conform to the regulation as to down-payment and time, but if he bought an additional $100 in accessories, he could shop for the best terms possible. This modification of the regulation appears to restrict the credit of only people with limited means and will encourage some of them to borrow more than they need in order to receive more favorable repayment terms.

The current interest of banks in consumer instalment lending and the close relationship they have with potential borrowers places a great responsibility on the individual banker. This is not a time to encourage consumer lending for the purpose of buying goods that are not available in any quantities. Additional pressure to the inflationary forces now at work could prove more devastating than a war itself. Billions of dollars loosed now in consumer credit to a buying public hungry for goods denied them the past five years and not yet available in quantity could do irreparable harm to our economy. The temptation to start early in consumer loans and gain volume quickly is great, but your responsibility as the chief lender in an economy as important to the world as ours, calls for restrained judgment. For competent consumers—all the credit we can make available when and as consumer goods are produced. See to it that terms do not get out of hand, and above all, do not let other lenders tempt you to compete for paper which your better judgment tells you is unsound. You are the most important consumer credit lender; yours is the greater responsibility.

As further evidence of the confusion that exists in the credit field today, I call your attention to an announcement made some time ago by one of the large finance companies, in which they stated that their rate on wholesale paper or floor plan loans would be 3%. The announcement "made" all the papers. Why? There is certainly nothing new or startling about this; many lenders had that rate in other years. The rate on inventory loans for this type of financing is one of negotiation and in past years was related to the volume of retail paper produced by the dealer. I know of cases where this type of loan was made at *no* interest.

Hardly a week goes by that we don't find statements in the papers made by this company or that company, announcing with great ceremony that they are going to do this or that. Of one thing we can be sure, no one engages in this business for the sheer love of it, and if they did it would destroy the business for legitimate lenders. To destroy legitimate private credit would be bad for our economy. I'm not afraid of anything like that happening. We are dealing here with people who are in business, and private business must pay its own way and make a little money besides. The only credit that would interfere with the banks' continued orderly development of consumer credit would be credit through some form of government subsidy. I don't think that can possibly happen now.

So I say to you bankers, make your plans; decide on your approach to the borrower, either direct or indirect. When your plans are made, stick to them; don't be discouraged, and above all don't be swayed by what Mr. X said of the Y company. Up to now he hasn't said anything and when he does it won't be startling. Consumer instalment credit is simple arithmetic. Your competitor deals in the same kind of dollars you do. At best he can do as well as you, he can't do better.

Perhaps the most difficult problem facing many bankers today is whether or not they should engage in automobile financing on a dealer basis. For some time after paper begins trickling into the market there is hardly any question but that it will be the dealer's choice of who his financing agent will be. The dealer will play an important role up to the time the supply of automobiles (or for that matter any other consumer durable goods) somewhere nearly equals the demand. When we reach that period, and it is some years away, it will not be financing that will be competitive but the selling of automobiles. That's the kind of period we had in 1940 and 1941. Although many banks that were engaged in a direct operation in those years found the dealer uncooperative, the figures showed that the trend of direct automobile financing was up. Federal Reserve figures at Sept. 1, 1941, showed that banks had outstandings in automobile loans of about $800,000,000. Of the banks' $800,000,000 about half were direct to public loans and the other half were dealer loans. All automobile loans since the war dropped to $482,000,000, of which banks held $290,000,000. Of this volume held by banks $193,000,000, or 67%, was on a direct basis and $97,000,000 was dealer paper as of May 1 of this year. This increase in percentage in direct loans during the war years can be explained partly by the great number of private transactions which took place on cars that were sold by individuals to other individuals, not through dealers.

Whether or not a bank should engage in automobile financing through dealers depends on a number of factors. (1) Does the territory to be served indicate a volume sufficient to warrant such an operation? (2) Are the dealers in the territory old customers of the bank? We find that many banks in the country have automobile dealer operations that are entirely different from what we usually have in mind when we use that term. (3) Do you have experienced personnel? If not, does the potential volume indicate sufficient returns for you to engage experienced personnel? (4) If the situation is highly competitive, are you willing to condone "packs" and other practices which, over the years, have become a part of automobile financing? *I don't think you should.* Borrowers are becoming more and more rate or cost conscious, and although the lender never gets any of the "pack" or extra charges, the borrower pays him the monthly instalment and the onus is on him.

It is a wonder to me that automobile manufacturers have not long ago interested themselves in this lending phase of the business and made an attempt at least to correct it. Actually automobile sales should be a matter of merchandising, and whatever profit the dealer is entitled to should be from the sale of the car and not some amount tucked into the finance charge which can never be satisfactorily explained. The dealer's reserve is something else and in my opinion legitimate. It is compensation to the dealer for originating the loan, being careful of his credits, and acting in general as the financing agent's representative.

The bad practices I have referred to are much more prevalent in the sale of used cars, and especially with dealers who handle only used cars. To you bankers interested in quick volume from automobile paper there is one way to approach this business and that is through the dealer. In developing dealer relations remember that you represent a bank, the reputation of which is something you cannot bargain with. To meet competition go as far as you must without permitting any practice which would reflect on the bank. Ethical dealers will understand the relationship you are trying to bring about, the others you don't want. Remember, I said that in a short period of maybe a year or a little more the competition will be in the sale of cars and not in the finance charge.

It appears now as though many banks over the country will engage in appliance financing as soon as paper is available. When a manufacturer wants a nationwide credit mechanism to take care of his distributors and dealers, nothing can quite compare with the banking system with its possible 15,000 outlets. Banks have all the necessary machinery but they do need more experience in handling this type of paper.

The American Bankers Association has two projects under way which will aid considerably in the development of instalment paper business in banks. One of these projects is the publication of a directory which will contain the name of every bank in the country doing an instalment loan business. Symbols will be used to indicate the various phases of the business in which each bank is engaged, for example, personal loans, automobile dealer plan, household equipment dealer plan, FHA modernization loans. This book when ready will be available to all banks. It will also be sent to all interested manufacturers and, if they so desire, to their distributors. A manufacturer can then turn to this book to find the bank in a given city or town which will handle this paper. The book will be revised once a year.

The second project will be the organization of a nationwide collection system for banks engaged in the instalment loan business. A questionnaire has recently been sent out to member banks, requesting them to inform the ABA whether or not they are interested in participating with other banks in a collection arrangement on a reciprocal fee basis. The interest in this idea already shown by banks indicates that the final arrangement will include over 8,000 participants. This plan will give the banking system a collection service for handling "skip" or other specially treated paper that is far superior to anything yet developed in the credit field.

How soon is consumer credit paper going to be available in any quantity? I wish I knew the answer. We have already reached the bottom in personal loans. February 1944 was the lowest period for outstandings with $213 millions. They now amount to about $377 millions.

Volume changes have also taken place in all other classifications, including dealer loans on both automobiles and household equipment. The increase is very small, but we have turned the corner. Our low point in all instalment loans was in January 1944 when all outstandings were $503 millions. Our outstandings now are well over $1 billion. This does not include industrial banks which would add another $210 millions.

When will paper become available in quantity? I think it will be some time—maybe a year, maybe more. Here are some factors that I believe will have a bearing on how soon paper will be available in quantity.

1. Strikes and labor unrest will delay production. They will also have an influence on purchases. People do not as a rule spend money or commit themselves to debt unless they feel fairly sure about the future.

2. Price and credit controls will have some influence. Up to now Regulation W has had very little influence on the contraction of consumer credit outstanding. As an anti-inflatonary instrument we shall now have a chance to see what it can do. Informed people tell us that we are already inflated 36% in this country in cost of commodities. Those of us who pay our bills can confirm the findings of the learned gentlemen. Regulation W advocates answer this by saying that if it were not for this regulation and other controls we would be inflated more. This is not a very satisfactory answer but probably true. The Association is on record as believing that Regulation W should be abandoned as soon as the supply of durable goods somewhere nearly equals the demand.

3. The extent to which money now in circulation—$28 billions—will be used for the purchase of consumer goods or services will discourage the use of loans.

4. The extent to which savings accounts at $45 billions and individual government bond holdings of $64 billions will be converted into consumer durable goods will have an effect on consumer credit volume.

But with all these factors, and perhaps others to the contrary notwithstanding, when the market does open there will be the biggest volume of consumer instalment paper this country has ever seen. Every family needs some new household equipment, or a car, or all of them. They will buy as soon as the goods become available. Millions of couples will be setting up homes for the first time. They will require everything to make a home, including a house. The equipment now in use in the homes, and most automobiles, will have to be replaced. It will take years to satisfy the demand. Add to this the new inventions in the field of electronics, and the airplanes soon to be in general use by an air-minded generation, and we get some idea of what a tremendous market lies ahead. To all this add the fact that the American people are instalment minded, and you can come to only one conclusion—consumer instalment paper will be an important part of bank earnings for many years ahead.

Five years ago, during the first year of its existence, the Consumer Credit Committee of the American Bankers Association adopted a consumer credit creed. As we enter into a new period of consumer lending and one that may very well turn out to be our greatest opportunity to influence this field, it might be well to refresh our minds with the phi-

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London's Reaction To Loan Ratification

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jection of the loan on American-British relations would have been easier to overcome than those of the granting of the loan in such humiliating circumstances.

Considerations of pride and prestige apart, the unpopularity of the loan has further increased as a result of the revaluation of the Canadian dollar, which move is widely regarded in part at least as an indirect consequence of the loan agreement. One of the main objections of the United States to the British-Canadian wheat deal has been the fact that the price of Canadian wheat has been fixed considerably below that of American wheat. Since it would have been difficult to meet this objection by putting up the price of Canadian wheat, the Canadian Government is said to have decided on the revaluation of the Canadian dollar as a means of reducing the discrepancy between the price of American and Canadian wheat. It is claimed in many British quarters that, since in the absence of the loan agreement the wheat deal with Canada would have gone through without regard to the attitude of the United States, the extra 10% cost of the wheat in terms of Sterling, resulting from the revaluation of the Canadian dollar, must now be added to the indirect burden of the loan.

Far-fetched as such arguments may appear, they certainly tend to increase the number of those who would have been relieved rather than otherwise if the House of Representatives had rejected the loan. All the more so as it is now evident that part of the proceeds at any rate would be spent on import of American goods which could easily be produced in Britain or which would be imported from countries which do not require payment in dollars or hard currencies. The list of American goods which the British Government has now agreed to import includes objects such as wooden cloth pegs, and even if the amount involved is small it is deplored that the dollars secured at the cost of such heavy sacrifices should be "wasted" on such unnecessary imports.

The British Government is also criticised for its decision to admit American cosmetics, especially since it has refused to admit French cosmetics which could have been paid for by reducing the French Government's debt of over £100,000,000. It is felt that France is in bad need of urgent economic assistance, and it is feared that French opinion will resent this discrimination in favor of the United States.

A great deal more is heard about these matters in private conversation than would appear from the extremely restrained tone of Parliament and the British press. However, the immediate reaction to the ratification of the loan produced a widespread feeling of relief over the conclusion of this prolonged controversy. Moreover, human nature being what it is, even the opponents of the loan will be pleased to benefit by the immediate increase of imports of newsprint, petrol, tobacco and other American goods which are in short supply.

R. K. Rowley Now With Skall, Joseph & Miller

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, O.—Russell K. Rowley has become associated with Skall, Joseph, Miller & Co., Union Commerce Building, members of the New York and Cleveland Stock Exchanges. Mr. Rowley was formerly with F. L. Dupree & Co. of Harlan, Kentucky and prior thereto was with Blyth & Co., Inc. in Cleveland.

Control of Spreads Highlighted By Herrick, Waddell Case

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the rules of fair practice of the NASD by engaging in conduct inconsistent with just and equitable principles of trade based upon an alleged violation of Sections 1 and 4 of Article 3 of the Rules of Fair Practice of that association. Both these sections relate to the fair pricing of securities in transactions with a customer.

Dealing with the same material the Business Conduct Committee of the Washington district and that of the New York district reached diametrically opposed decisions based upon identical reports.

After a hearing the New York disciplinary committee voted unanimously to dismiss its complaint.

The Washington committee, however, censured the respondent and imposed a fine of $250 towards the cost of the hearing.

On appeal to the Board of Governors of the NASD from the decision of its Business Conduct Committee for the Washington area, the decision of the Governors resulted in a stalemate.

We are informed that of the 20 members of the Board, 18 voted, resulting in a decision of 9 against 9.

The legal effect of this stalemate was that the decision below had been affirmed.

The recent release of the SEC set this up as follows:

"The Board of Governors, unable to agree on the merits of the controversy and being equally divided, sustained the Committee."

This stupidly contrasting result is no surprise to us.

When we waged our fight against the "5% spread philosophy and interpretation," we were aware that many evils would result from the attempt to control spreads.

We said that no good could come from this projected type of discipline.

We decried the use of the NASD questionnaire as a decoy.

That it has been so used, the record establishes abundantly.

To be moderate, this record on diametrically opposed decisions, and antithetical findings, based upon identical reports by the respondent, must be confounding to the securities industry.

It is all the more perplexing when these opposite results were arrived at by two District Business Conduct Committees functioning as a part of the same organization, the National Association of Securities Dealers.

It becomes still more involved and disconcerting when we consider that on review the Board of Governors was stalemated.

What becomes of the SEC determination when the "5% philosophy" was being contested, that the mere size of a spread in and of itself is in effect no evidence of wrong doing?

By what yardstick are the members of NASD to govern the conduct of their businesses?

Are they to be controlled by the holding of the Business Conduct Committee in the New York district, or are they to circumscribe their activities by the decision of the Business Conduct Committee in the Washington district?

At present there is only confusion, with more to follow.

This must result from the lack of uniformity in decision and determination.

As we pointed out editorially in our continuous opposition to the "5% spread interpretation," this un-American effort must result, and it is resulting, in an avalanche of woes for securities dealers.

The current SEC release to which we have adverted is only based upon an intermediate motion to open the record for the purpose of introducing additional testimony.

The SEC denial does not constitute a final disposition of the decision of the Washington Business Conduct Committee based upon the merits.

The review on the merits is still pending before the Commission and it has an opportunity of righting what we consider to be a grievous wrong and of completely exonerating the respondent by reversing the determination.

We feel that such reversal is in order and believe that amongst the many considerations which should lead to that result are the following:

1. The result arrived at by the New York District Business Conduct Committee;

2. The stalemate of the Board of Governors of the NASD in its review of the determination of the Washington District Business Conduct Committee;

3. The SEC precedent that from the size of a spread alone no wrong doing may be inferred;

4. To sustain the decision must result in utter confusion because it is irreconcilable with the one made in New York.

The rift in the NASD on the "5% philosophy" is one that we foresaw.

Many of the diehards are now coming around to our point of view, appreciating that the attempt to control spreads and profits is contrary to the American way, and that paternalism has no place in doing business.

UN's Future Will Follow Paris Meetings

(Continued from page 334)

but in the course of his protest against "the squeeze" of small nations.

The great common denominator of the diplomatic proceedings raging on both sides of the Atlantic is the growingly intransigeant position of Russia-versus-the-world. Universally, one is forced to believe, Moscow's representatives are operating under permanent instructions from "the main office," to filibuster against each and every idea advanced by their "Allies." For the Molotov and Gromyko techniques are alike in rising in violent opposition on every occasion, irrespective of the relevant merits, mechanistically and by rote. This technique is ascribed to variations of a psychological inferiority complex, by observers ranging from the veriest layman on the street to Secretary Byrnes, who this week reported to the nation that "our Soviet friends fear we would think them weak and soft if they agreed without a struggle on anything we wanted, even though they wanted it too."

* * * *

Mr. Gromyko's Latest Filibuster

This cantankerous attitude was epitomized in Mr. Gromyko's conduct at a meeting of the Security Council held 10 days ago—proving that in weather foul or fair and under any conceivable set of circumstances, there simply can be no diplomatic meeting without a Russian-instigated riot. Having lunched in the neighborhood, your correspondent on the day in question dropped in at a Security Council meeting in New York's Henry Hudson Hotel with the intention of spending a few moments to look over the physical layout of the hotel's converted ball room, and the presumably purely perfunctory proceedings attending the submission there of a cut-and-dried report from the Atomic Energy Commission. But with the meeting not two minutes old, Mr. Gromyko got into full blast as a minority of one, objecting to a seemingly routine and wholly harmless request that the Canadian atom representative be merely permitted to sit at the Council table. With all tempers fraying and perspiration flowing, through a loudspeaker system squeaking in disorder the Russian occupied a full hour in seeking to exercise a grand-scale veto over the unanimous will of his colleagues on a matter that was wholly inconsequential.

Andrei Gromyko

As an example of the absurd positions that have been, and no doubt will continue to be, assumed by the Russians, these circumstances are worth citing in some detail. Mr. Gromyko, in elaborate psuedo-legalistic sophistry, sought to maintain that the attendance of the Canadian was a weighty *substantive* veto-able matter, that is, a category of situation defined by the Charter as embracing "settlement of disputes, adjustment of situations likely to lead to disputes, determination of threats to the peace, removal of threats to the peace, and suppression of breaches of the peace." This stand was particularly remarkable as flying in the face of the fact that during the San Francisco Conference and in the midst of the veto controversy there, the Big Four Powers—U. S., USSR., UK. and China—on June 7, 1945 issued a formal memorandum specifically defining the category of questions that were non-substantive and *procedural*, and hence not carrying the veto privilege, as follows: "The Council will, by a vote of any seven of its members, adopt or alter its rules of procedure; . . . **invite a member of the Organization not represented on the Council to participate in its discussions when that member's interests are specially affected,**"; which definition exactly covered the situation in question, where the Canadian representative was standing by waiting to take the seat prepared for him. In view of Russia kicking up such a cosmic to-do over a school-room matter, what chance is there of cooperation on matters like atomic energy on this side of the Atlantic, or on the disposition of Germany at the Paris Peace Conference?

* * * *

The Trieste Firebrand

The settlement of Trieste represents another situation whose future repercussions will crucially pervade the United Nations' doings, wherever they may occur—if not the fate of humanity. The shot-gun compromise finally reached on this, the most thorny question on the Ministers' Paris agenda, is pleasing neither to Italy, nor to Yugoslavia, nor to any of the Big Powers. More so even than Danzig ever was, will the patched-up Trieste makeshift be the firebrand of another World War. Already Italian mobs have been demonstrating; and of greater portent, American troops guarding the Morgan Line in Venezia Giulia have clashed with Yugoslav patrols, with the latter ambushing and firing on our troops. Like nearly every other controversy coming before the UN, the disposition of Trieste has been considered by the Great Powers on a basis that is entirely political—and not economic or ethnographic. The Atlantic Charter solemnly promised that "we seek no aggrandizement, territorial or otherwise, and there shall be no territorial changes without the express wish of the people concerned." But Trieste and Venezia-Giulia, instead of properly being recognized as an Italian province and city with a protected Slavic minority, are ridiculously to be "internationalized" among powers who have inexorably demonstrated the impossibility of their getting along together on anything. **And it is provided that the area is to be protected by the United Nations, thus directly involving the organization.**

The present result differs radically and completely from our State Department's policy in regard thereto, as embraced all through the War. We had no intentions of ceding territories like Briga, Tenda, or Mont Cenis from Italy to France. And Italy was to retain both Trieste and Gorizia.

* * * *

The Unfair Italian Settlement

The net result of the peace negotiations thus far is that of all the countries which fought for the Axis, Italy which first became an Allied co-belligerent (to the accompaniment of copious Allied promises), now fares the very worst. To Greece she loses the Dodecanese Islands in the Aegean. To France she loses the Briga-Tenda territory around Nice. To UN, through Britain, she loses her colonies in Africa.

Furthermore our partial appeasement of Russia's absurd reparations demands there is economically unsound and otherwise unsatisfactory. The Soviets are to get $100,000,000 from a country desperately in need of a reconstruction loan from us—the tribute to come from production starting two years hence. Russia's great gesture of "concession" in the matter is agreement to a provision that the deliveries are to "avoid interference with economic reconstruction." The effect on the United Nations is derived from the net result being another case, like in Germany, of the United States actually acting as the once-removed subsidizer of tribute going to a fellow member (Russia).

* * * *

The Climactic German Problem

By far the most important problem before the victorious Allies, as such and as it affects the UN organization, is a German settlement. But hopes of a better settlement there after World War II than after the preceding conflicts surely seem unwarranted. As Senator Vandenberg reports, the disagreement is "appalling."

In the first place we have the current situation in Germany embodying a complete breakdown of the Potsdam Agreement. In place of the centralized administration as one economic unit, which was specified in that pact, the country is split into four completely closed and segregated compartments. With trade and all semblance of commerce automatically cut off between zones, and with the Soviet expropriating current German production, the United States and Great Britain, far from collecting reparations, are footing an annual bill of half a billion dollars in occupation costs.

Irrespective of M. Molotov's diabolical double talk pronouncement on Russian policy toward Germany, ostensibly making a grandstand plea for a unified Germany, it is certain that she is going to pin her policy on a unified Germany **under permanent Moscow domination.** It is this aim which is motivating her stalling on settlements with either Germany or Austria.

Specifically, apart from the complete demilitarization and de-Nazification provided under Potsdam, Moscow is demanding $10 billion in reparations and continuation of the present division into occupation zones until this fantastic amount is paid. It must be realized that Russia has already annexed a quarter of a million miles of territory with all its people and goods, and has turned 40,000 square miles additional over to Poland. The "net" of the Soviets' political and economic demands is the anomalous insistence on enormous reparations contradictorially accompanied by de-industrialization for perhaps a hundred years. This would entail permanent partition into separate zones, with complete Communization of the Russian zone—a 100-year armed truce between the victorious "Allies"!

Surely this situation and Germany's necessary disposition, will control the very existence of the international organization. As hinted at as a possibility by Secretary Byrnes, is German militarism tragically to become a political pawn between the East and West, that is, between the UN leaders? In any event, in immediate importance, it completely dwarfs all the diplomatic squabbling and maneuvering which may be staged under its august aegis.

Caution Needed in Consumer Lending

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losophy which this creed lays down. It is as follows:

Consumer Credit Creed

We believe, That, in order to justify its charter, a bank must serve the reasonable credit requirements of its territory as well as provide a safe depository for funds;

That the extension of credit to salaried or wage-earning individuals on a sound basis is an economically important part of such service;

That, while recognizing the importance of volume in the reduction of loan costs, a bank should endeavor to assist people to get out of debt rather than into it;

That, although a bank must be competitive, it must maintain its practices and policies on a plane which will not bring disrepute to banking, and keep all advertising restrained, truthful, and exact;

That a bank must determine for itself whether it will offer its services directly to the public or through others, but that no bank should uphold or assist such others when they indulge in unfair business practices;

That a bank should determine the costs and hazards inherent in such credit and establish its loan charges accordingly; and, finally,

That any bank which extends credit to individuals under these standards of practice will merit the good will and support of the general public.

First Boston Group Wins Two Issues Of Gatineau Power

The First Boston Corp. and associates on July 15 were awarded both of Gatineau Power Co.'s new American-pay issues—$45,000,000 of first mortgage bonds, series C, due June 15, 1970, and $9,500,000 of sinking fund debentures, due June 15, 1961. The winning bid on the bonds named a price of 103.679 for a 3% coupon and on the debentures 100.639 for a 2¾% coupon.

The First Boston Corp. and associates publicly reoffered the bonds July 17 at 104.37 and interest and the debentures at 101.23 and interest

Award of Gatineau Power Co.'s offering of $10,000,000 of series D (Canadian-pay) first mortgage bonds, maturing June 15, 1970, went to Dominion Securities, Ltd., and associates. The winning bid named a price of 103 for a 3¼% coupon. Reoffering of the bonds will be made by Dominion Securities at 104.50 and interest.

Announcement also was made that $7,000,00 of new debentures had been sold privately at a cost to the company of 2%.

Gatineau Power will apply proceeds from sale of the various issues, together with other funds, to retirement of its outstanding higher-cost debt.

Tomorrow's Markets Walter Whyte Says—

By WALTER WHYTE

Market action which led to column's bearish advice weeks ago still the same. Nearby technical base under 200 important level for decline to stop.

The market took another tumble Monday on one of the screwiest reasons I have yet heard. Whether the reason I got is widespread I don't know. In this neck of the woods where I'm spending a couple of weeks, I don't get much opportunity to hear rumors and whether they're widely accepted as facts. But if the boys who run the local brokerage office listen to, and peddle out the same sort of gobble-gobble I hear in the pine paneled customers' rooms in Wall Street, then the current excuse for the latest market crack is probably widespread.

* * *

The reason for the Monday spill, according to a Danbury financial pundit, is that the latest OPA bill concocted by Congress will be vetoed. I have said here time and time again that reasons never concern me. At best they are merely excuses for losses. It seems to me, however, that if the market is feeding on inflation fodder, a veto of the latest bill would give it so much additional food that instead of stocks moving up in fractions they would gallop up by points, or maybe better.

* * *

A couple of months ago I said here that the buyers who were pinning their hopes on profits on an inflation market didn't know the facts of life. Ever since I knew there was a thing like the market, I learned that one of its chief characteristics was its ability to forecast coming events in terms of dollars. Sometimes it acted so far in advance of the news that when the news became public the majority of traders forgot what started the whole thing. So the same traders were chagrined when the market refused to conform to the news, forgetting that its previous action had anticipated the news.

* * *

We have been seeing a one-way market for a long time. You may recall that while stocks were going up there were quite a large number of companies which reported losses, or at least smaller profits than generally anticipated, but still the market went up. It doesn't require any great amount of gray matter to realize that stocks went up on anticipation not reflection. This anticipation was some sort of inflation. So Congress let go the reins and gave the signal for inflation and oddly enough the market didn't go up. It didn't have to. It had already gone up plenty in expectation of the end of price control.

* * *

The problem now is why, if all ceilings are off, does the market go down. I don't know the answer. But I suspect that part of it can be found in a Congress more concerned with local than with national or international issues. For example it approved the British loan. But by its action re price control it also cut the purchasing power of this loan by at least 10%.

* * *

If we are to get our share of foreign markets it is obvious that we must have a stable dollar. We don't have it. There is sound belief we can attain stability by balancing the budget. Congress agrees in its public speeches. But while it beats its breast with one hand it is spending it faster than ever with the other.

* * *

At the beginning of the year the Federal budget was to be $35 billion. Last week we learned that the amount will have to be scaled up about 15% due to upped demands by the armed forces. This does not take into effect the new terminal leave allowances to vets. This will probably run to about $500 million in cash and $2,500,000,000 in bonds. Against this there is an anticipated national revenue of about $41 billion. If taxes are cut, personal or corporate, the revenue will be smaller.

* * *

We see the anticipated big buying of goods which was to take up the increased production dammed up by price control hasn't developed. For one thing production hasn't stepped up because the producer doesn't know from day to day what his raw materials will cost. So he's producing very slowly and not building up his inventory. The ultimate consumer, pinched by skyrocketing retail prices, is slowing up his buying. The cumulative effects will not be seen in income statements for many months. The market, being forehanded, is already anticipating them. How much lower it will go before it stages a rally I don't know. But I do know that nothing I have seen since I advised liquidation, leads me to change my advice.

* * *

W. G., Santa Monica: I am flattered that you ask my advice about how to handle your $600,000. I'm afraid you've come to the wrong man. I have neither the time or the inclination to solve personal problems. My advice to buy or sell is limited to this column. I have no interest in the size of any reader's bankroll. Sorry I can't help you.

* * *

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.]

Unsubscribed Shares of International Minerals & Chemical Corp. Sold on Exchange

Louis Ware, president of International Minerals & Chemical Corp., announced July 12 that stockholders have exercised their rights to purchase all but 6,761 shares of $5 par value common stock out of a total of 131,769 shares which were offered for subscription at $32.50 under a plan permitting each shareholder to buy one new share for each five shares held.

The stock was made available to shareholders of record June 24, with purchase rights expiring July 8. Trading in the rights also ceased July 8 on the New York Stock Exchange. The unsubscribed shares will be sold on the New York Stock Exchange in the regular manner by an underwriting group, headed by White, Weld & Co.

Securities Now in Registration

● INDICATES ADDITIONS SINCE PREVIOUS ISSUE

Abbott Laboratories, North Chicago, Ill. (8/14)

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**—Refunding and general corporate purposes.

Acme Electric Corp., Cuba, N. Y. (7/29-31)

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.

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.

● **All-American Drinks Corp., New York**

July 10 (letter of notification) 100,000 shares ($1 par) stock. **Offering**—Price $1 a share. No underwriting. For initial working capital.

American Broadcasting Co., Inc., N. Y.

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.

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

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 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 (7/23)

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.

● **Armour and Co., Chicago (7/31)**

July 12 filed 350,000 shares (no par) cumulative first preference stock, Series A; 300,000 shares of convertible second preference stock, Series A, and 1,355,240 shares common stock (par $5). **Underwriter**—Kuhn, Loeb & Co., New York. **Offering**—The 350,000 shares of first preference stock will be offered in exchange to holders of its 532,996 shares of $6 cumulative convertible prior preferred stock at the rate of 1.4 shares of first preference stock for each share of $6 prior preferred. Shares of first preference not issued in exchange will be sold to underwriters. The 300,000 shares of second preference stock will be offered publicly. The 1,355,240 shares of common will be offered for subscription to common stockholders of the company in the ratio of one-third of a new share for each common share held. Unsubscribed shares of common will be purchased by the underwriters. **Price**—Public offering prices by amendment. **Proceeds**—Net proceeds will be used to retire all unexchanged shares of $6 prior stock and to redeem its outstanding 7% preferred stock. **Business**—Meat packing business.

● **Associated Spring Corp., Bristol, Conn. (8/5)**

July 16 filed 119,690 shares ($10 par) common stock. **Underwriters**—Lee, Higginson Corp., New York. **Offering**—To the public. Price by amendment. **Proceeds**—Company will receive proceeds from the sale of 54,690 shares and six selling stockholders will receive proceeds from the sale of 65,000 shares. Company will use its proceeds, together with other funds, to build a $1,918,000 addition to its Bristol plant. **Business**—Manufacturer of precision springs.

Atlas Imperial Diesel Engine Co. (7/22-26)

Feb. 28 filed 30,000 shares of series A cumulative preferred stock ($50 par). Dividend rate by amendment. **Underwriters**—Blyth & Co., Inc., heads the underwriting group. **Proceeds**—Net proceeds will be used as part of the company's working capital to convert to and engage in peacetime manufacture of its normal products and of such new products as the company may hereafter determine.

● **Baltimore (Md.) Castings Corp.**

July 10 (letter of notification) 2,950 shares ($100 par) 2½% cumulative preferred stock and 4,950 shares ($1 par) common stock. **Offering price**—The 2,950 shares of preferred with a like number of common will be sold in units of one share each for $101. No underwriting. For equipping and operating business and other expenses.

● **Bates Manufacturing Co., Lewiston, Me. (8/6)**

July 17 filed 45,000 shares ($100 par) cumulative preferred stock. **Underwriters**—Coffin & Burr, Inc., Boston. **Offering**—To be offered initially for subscription to common stockholders at the rate of 0.11434 shares of preferred for each share of common held. Unsubscribed shares will be offered publicly. Price by amendment. **Proceeds**—Net proceeds, with other funds, will be used to pay off $4,600,000 bank loan. **Business**—Manufacture of cotton and rayon fabrics.

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.

● **Ben-Hur Products, Inc., Los Angeles (7/31)**

July 11 filed $1,000,000 of 5% sinking fund debentures (with detachable common stock warrants attached), due June 1, 1966. **Underwriter**—P. W. Brooks & Co., of New York. **Offering**—To be initially offered in exchange for a like principal amount of 10-year 5% convertible debentures, dated as of Feb. 1, 1941. Upon surrender of each $1,000 of old debentures company will issue $1,000 of new debentures and warrants and pay $50 to the holder of the old debenture surrendered together with accrued interest on the old debenture to June 1, 1946. Upon the expiration of the exchange period, new debentures not so exchanged will be publicly offered. Price by amendment. **Proceed**—To redeem old debentures and reduce bank loans. **Business**—Wholesale marketing of products manufactured and processed at its plant in Los Angeles.

Black Hills Power and Light Co., Rapid City, S. D. (7/23-24)

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.

● **Brewster Aeronautical Corp., New York**

July 11 (letter of notification) 8,000 shares of stock on behalf of James Work, Chairman of the board of directors of the company. **Offering**—Price at market. Hirsch & Co. will sell stock as brokers.

● **Bridgton Airport, Inc., of Bridgton, Maine**

July 10 (letter of notification) $10,000 aggregate amount of $100 par common stock and $10 par value preferred stock, to be sold at par. No underwriters—officers and directors will sell the stock. **Proceeds**—To be used to purchase, build and maintain a small airport.

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.

California Oregon Power Co.

May 24 filed 312,000 shares of common stock (no par). Stock will be sold through competitive bidding. **Underwriters**—Names by amendment. Probable bidders include Blyth & Co., Inc.; The First Boston Corp.; Harriman Ripley & Co. **Offering**—Stock is being sold by Standard Gas and Electric Co., parent, of California. **Bids Rejected**—Standard Gas & Electric Co. rejected June 25 two bids for the purchase of the stock as unsatisfactory. Blyth & Co., Inc., and First Boston Corp. bid of $28.33 a share, and Harriman Ripley & Co. bid of $24.031 a share. Stock will again be put up for sale when market conditions improve.

Candego Mines, Ltd., Montreal, Canada

May 31 filed 500,000 shares of common stock (par $1). **Underwriters**—Sabiston-Hughes, Ltd., Toronto. **Offering**—Shares will be offered to public at 75 cents a share. **Proceeds**—Net proceeds, estimated at $300,000, will be used for mining operations. **Business**—Exploring for ore.

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.

● **Carolina Casualty Insurance Co., Burlington, N. C.**

July 9 (letter of notification) 20,000 shares ($1 par) common stock. **Underwriter**—R. S. Dickson & Co., Charlotte, N. C. To be publicly offered at $3 a share. Proceeds go to selling stockholder (Percival Christie Baylor) who is President of the company. Issue subsequently withdrawn.

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.

● **Chemical Process Co., San Francisco (7/29)**

July 10 (letter of notification) 250,000 shares ($1 par) capital stock. **Offering**—Stockholders will be offered the right to subscribe for the stock at $1 a share in the ratio of 0.84 of a share for each share held. Unsubscribed shares will be offered publicly at $1.20 a share. **Underwriters**—Stone & Youngberg, San Francisco. **Proceeds**—For construction of new manufacturing plant at Redwood City, and for purchase of equipment and for working capital.

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 59,585½ shares for subscription to present common stockholders at $4.50 a share in the ratio of one share of preferred for each share of common held. The offering to common stockholders excludes the two principal stockholders who have waived their rights to subscribe. The remaining 90,414⅔ shares and any shares not subscribed to by common stockholders will be offered to the public through underwriters. **Price**—$5 a share. **Proceeds**—Approximately $55,000 for payment of Federal taxes; $250,000 for payment of a loan; $50,000 as a loan to Palmer Brothers Engines Inc., a subsidiary, balance working capital.

● **Columbia Empire Founders, Inc., Vancouver, Wash.**

July 1 (letter of notification) 23,015 shares of Class A and 9,206 shares of Class B stock. No underwriters. To be offered in units of 5 shares of Class A and 2 shares of Class B at $60 a unit, in cash on deferred payments through salesman employed on commission basis. **Proceeds**—To be used for the organization of a life insurance company and a fire and inland marine insurance company to operate in the State of Washington.

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; Stix & Co.; I. M. Simon & Co.; G. H. Walker & Co.; Stein Bros. & Boyce; Peltason, Tenenbaum & Co., and Scherck, Richter & Co. **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 and dividends accruing on the $2.75 stock. Common stockholders are offered the right to subscribe for the new stock at $52 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 (8/5-7)

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.

● **Cooper Tire & Rubber Co., Findlay, O. (8/6)**

July 17 filed 60,000 shares ($25 par) 4½% cumulative convertible preferred. **Underwriters**—Otis & Co. and Prescott & Co., Inc. **Offering**—To the public. **Price**—$25 a share. **Proceeds**—Estimated net proceeds of $1,356,200 will be used to redeem its outstanding 4% debentures, due 1967, to pay certain debts and for additional equipment, manufacturing space and working capital. **Business**—Company successor to Master Tire & Rubber Corp. by change of name. Manufactures automobile and truck tire and tubes.

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.

● **Davis Mfg., Inc., Wichita, Kans.**

July 12 (letter of notification) 26,600 shares of $1 par common stock. **Offering**—Price $11.25 a share. **Underwriter**—Nelson Douglass & Co., Los Angeles. **Proceeds**—To pay off loan and to provide funds for costs of additional manufacturing space, machinery and equipment and for working capital.

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.

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.

● **Digest Publishing Co., Inc., Sacramento, Calif.**

July 10 (letter of notification) 5,000 shares of common stock on behalf of Phillip M. Millspaugh, President; Sadie A. Bunte, Secy.-Treas.; and Martha Effie Holmes, Director. **Offering**—Price $1 a share. No underwriting

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 at $55.50 per share. 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.

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. (7/27-31)

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.

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(Continued from page 387)

Films Inc., New York (7/29-31)
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. (7/24)
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
May 6 filed 300,000 shares common stock (par $1). **Underwriters**—J. F. Reilly & Co., Inc., and Courts & Co. **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 (8/29)
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.

Frontier Refining Co., Denver, Colo. (7/18-19)
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.

● **Gabriel Steel Co., Detroit**
July 10 (letter of notification) 10,000 shares of common stock (no par). **Underwriter**—Crouse & Co., Detroit. **Offering price**—$15 a share. **Proceeds**—To provide additional working capital.

● **Gentry, Incorporated, Los Angeles (8/5)**
July 15 filed 210,000 shares ($1 par) capital stock. **Underwriter**—Lester & Co., Los Angeles. **Offering**—Of the total, the company is selling 120,000 shares to the underwriters and George E. Clausen, President, is selling 90,000 shares of which 60,000 will be sold to underwriters and 30,000 to employees of the company. **Price**—Public offering price $6 a share and price to employees will be $4.25 a share. **Proceeds**—Estimated net proceeds of $600,000 will be used by the company to construct a new plant at Oxnard, Calif., to purchase equipment and to pay off notes. **Business**—Manufacturer of dried food seasonings.

Graupner (Robert H.), Inc., Harrisburg, Pa. (7/29-31)
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 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.

Great Lakes Plating Co., Chicago (7/24-25)
June 17 filed 130,000 shares ($1 par) common stock. **Underwriters**—Dempsey & Co., and Ames, Emerich & Co. Dempsey & Co. owns the shares. **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 115,000 shares at $7 a share. 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.
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.

Hartfield Stores, Inc., Los Angeles
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.

● **Heller (Walter E.) & Co., Chicago (7/31)**
July 12 filed 80,000 shares of ($2 par) common and 10,000 shares ($100 par) 4% cumulative preferred. **Underwriter**—F. Eberstadt & Co., Inc., New York. Price by amendment. **Proceeds**—Company will receive proceeds from 70,000 shares of common and the 10,000 shares of preferred. Two stockholders will receive proceeds from 10,000 shares of common. Company will use its proceeds for general working funds. **Business**—Lending funds and giving financial aid to business concerns.

● **Herculair Products Corp., Los Angeles, Calif.**
July 10, (letter of notification) 300,000 shares of $1 par common stock. **Offering**—Price $1 a share. **Underwriter**—D. D. Pettit, Los Angeles. **Proceeds**—For operation of business.

Holt (Henry) & Co., Inc., New York (8/5-9)
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 (7/22-26)
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. (7/23-24)
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 (7/22)
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.

● **Janet's Apparel Shops, Inc., New York (7/20)**
July 12 (letter of notification) 30,000 shares (10¢ par) common and 30,000 shares ($5 par) preferred. **Offering Price**—$10 a unit. Consisting of one share of common and one share of preferred. **Underwriting** — Allan N. Young & Co., Inc., Philadelphia. For purchase of all of the outstanding stock of Janet's, Inc., a California corporation.

● **Kay Jewelry Co. of Los Angeles, Calif.**
July 10 (letter of notification) 2,000 shares ($100 par) class A preferred; 1,000 shares ($1 par) class B preferred; and 20,000 shares ($1 par) common. No public offering. The shares will be sold only to persons affiliated with the company. For establishing two jewelry stores in Los Angeles.

Kungsholm Baking Co., Inc., Chicago (8/5-9)
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. (7/23)
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.

● **Let's Go Publishing Corp., New York (7/19)**
July 15 (letter of notification) 250 of 3-year 5% sinking fund notes in the principal amount of $100 each and 7,900 shares (50 cents par) common stock. **Offering Price**—The notes and 2,500 shares of common will be offered publicly at $105 a unit consisting of one note and 10 shares of common. The terms of offering of the remaining shares of common were not disclosed. **Underwriters**—Amos, Treat & Co., New York. For general corporate purposes.

Lime Cola Co., Inc., Montgomery, Ala. (7/29-31)
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
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.

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.

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 (7/18-19)
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.

New Issue Calendar

(Showing probable date of offering)

July 18, 1946	
Frontier Refining Co.	Bonds Pfd. and Common
Meredith Publishing Co.	Common
July 19, 1946	
Consolidated Retail Stores, Inc.	Preferred
Let's Go Publishing Corp.	Notes and Common
July 20, 1946	
Janet's Apparel Shops, Inc.	Com. and Preferred
July 22, 1946	
Atlas Imperial Diesel Engine Co.	Preferred
Hoving Corp.	Common
Jack & Heintz Precision Industries, Inc.	Pfd. & Com.
Wek Sales Co.	Debentures
Sporting Goods, Inc.	Preferred and Common
Sullivan-Waldron Products Co.	Capital Stock
July 23, 1946	
Arkansas West. Gas Co.	Common
Black Hills Pwr. & Lt. Co.	Preferred and Common
Brooklyn Union Gas Co., 11:30 a.m. EDST	Pfd.
Industrial Brownhoist Corp.	Common
La Pointe-Plascomold Corp.	Common
Menasco Mfg. Co.	Common
National Airlines Inc.	Common
Neville Island Glass Co.	Class A and Common
Pennsylvania RR.	Equip. Trust Certificates
Rochester Telephone Co. 11 a.m. (EDST)	Bonds
United Cigar-Whelan Stores Corp.	Preferred
July 24, 1946	
Florida Public Utilities Co.	Common
Great Lakes Plating Co.	Common
July 26, 1946	
National Alfalfa Dehydr. & Mill. Co.	Pfd. & Com.
July 27, 1946	
Family Finance Corp.	Preferred and Common
July 29, 1946	
Acme Electric Corp.	Common
Admiral Corp.	Common
American Cladmetals Co.	Common
Butler's Inc.	Preferred and Common
Continental Motors Corp.	Preferred
Films Inc.	Class A and Common
Forest City Mfg. Co.	Common
Graupner (Robert H.), Inc.	Debs. Pref. & Common
Lime Cola Co.	Common
Maryland Casualty Co.	Preferred
Mathews Conveyor Co.	Common
Newmarket Mfg. Co.	Common
Newport Electric Corp.	Preferred
Nugents National Stores, Inc.	Common
Oberman & Co.	Preferred and Common
Pal Blade Co., Inc.	Capital Stock
Rich's Inc.	Preferred
Chemical Process Co.	Capital Stock
July 30, 1946	
S. & W. Fine Foods, Inc.	Preferred
July 31, 1946	
Armour & Co.	Preferred and Common
Ben-Hur Products, Inc.	Debentures
Heller (Walter E.) & Co.	Common and Preferred
Midwest Packaging & Materials Co.	Pfd. & Com.
Reporter Publications Inc.	Common
Spiegel Inc.	Common
United States Plywood Corp.	Preferred
August 1, 1946	
Greens Ready Built Homes Inc.	Common
Michigan Steel Casting Co.	Common
Sardik Food Products Corp.	Capital Stock
Sun Ray Drug Co.	Debentures
August 3, 1946	
Electric Auto Lite Co.	Common
August 5, 1946	
Associated Spring Corp.	Common
Container Corp. of America	Capital Stock
Gentry Inc.	Capital Stock
Holt (Henry) & Co., Inc.	Preferred and Common
Kungsholm Baking Co.	Common
Nekoosa-Edwards Paper Co.	Common
Pep Boys—Manny, Moe & Jack	Common
Weetamoe Corp.	Preferred and Common
August 6, 1946	
Street & Smith Publications Inc.	Common
August 8, 1946	
Bates Mfg. Co.	Preferred
Cooper Tire & Rubber Co.	Preferred
August 14, 1946	
Abbott Laboratories	Common
August 25, 1946	
Sunray Oil Corp.	Debentures and Common
Taylor-Graves Inc.	Preferred and Common
U. S. Spring & Bumper Co.	Pfd. and Common

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.

• **Midwest Packaging Materials Co., St. Louis (7/31)**
July 12 filed 15,000 shares ($10 par) 5% cumulative, convertible preferred stock and 85,000 shares ($1 par) common stock. **Underwriter**—Edward D. Jones & Co., St. Louis. **Offering**—The 15,000 shares of preferred and 30,000 shares of common will be offered publicly, and the remaining shares of common are reserved for purchase under assignable warrants exercisable until Aug. 1, 1951. **Price**—Public offering price preferred $10 per share; common $5 per share. **Proceeds**—Net proceeds will be used to purchase all outstanding common stock of Midwest Wax Paper Co. and to increase general funds. **Business**—Company was organized July 1, 1946, for the purpose of acquiring all the outstanding common capital stock of Midwest Wax Paper Co., which manufactures wax paper products.

• **Mississippi Investment Corp., Keokuk, Iowa**
July 13 (letter of notification) $25,000 each of class A preferred stock and common stock. **Offering Price**—$100 a share. No underwriting. To increase capital.

Modern Development Co., New York
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.
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. Postponed indefinitely.

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. Indefinitely postponed.

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.

• **Nekoosa-Edwards Paper Co., Port Edwards, Wis. (8/5)**
July 16 filed 63,000 shares ($25 par) common stock. **Underwriters**—Loewi & Co., Milwaukee, Wis. **Offering**—Shares initially will be offered for subscription to common stockholders at rate of one new share for each four held. Unsubscribed shares will be offered to the public. Price by amendment. **Proceeds**—Net proceeds will be used to purchase additional inventory equipment and to increase working funds. **Business**—Production of various types of writing, wrapping and industrial papers.

Neville Island Glass Co., Inc., Pittsburgh (7/23)
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

(Continued on page 390)

(Continued from page 389)

to the public in units of one share of class A and one share of common at $10.10 a unit. **Proceeds**—Net proceeds, together with $700,000 to be realized from the sale of series A and B bonds, will be used for construction of a plant on Neville Island (near Pittsburgh) and for equipment. Any remaining proceeds will go into working capital.

● New England Gas and Electric Association, Cambridge, Mass.

July 11 filed $22,500,000 20-year collateral trust sinking fund Series A bonds, and a maximum of 1,568,980 common shares ($5 par). **Underwriters**—By amendment. Bidders may include Halsey, Stuart & Co. Inc. (bonds only), Bear, Stearns & Co. (stock only), First Boston Corp., White, Weld & Co.-Kidder, Peabody & Co. (jointly). **Offering**—Bonds and common stock are being offered in connection with a compromise recapitalization plan approved by the SEC, on June 24, 1946, which among other things provides for the elimination of all outstanding debentures and preferred and common stocks, and for the issuance of $22,500,000 of bonds and 2,300,000 of new common shares. Price by amendement. **Proceeds**—To retire outstanding securities, aggregating $34,998,500. **Bidding**—Expected week of Aug. 5. **Business**—Public utility holding company.

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.

Newport (R. I.) Electric Corp. (7/29)

June 25, filed 7,732 shares ($100 par) cumulative preferred stock. **Underwriters**—Stone & Webster Securities Corp. **Offering**—Shares initially will be offered for subscription to common stockholders in ratio of 0.13 shares of preferred for each share of common held. Unsubscribed shares will be offered to public through the underwriters. **Price**—By amendment. **Proceeds**—Refunding.

● Nofog Corp., Reno, Nev.

July 10 (letter of notification) 100,000 shares of $1 par common. **Offering**—Price $1 a share. **Underwriting**—Milton A. Nevraumont and Clarence B. Jacobs, both of Reno. For construction of pilot plant, fog clearing units and for carrying on general business.

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, 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 Glass Co., Seattle, Wash.

July 9 (letter of notification) 40,056 shares of no par common. **Offering**—Price $3.50 a share. No underwriting. For plant improvements and additional working capital.

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. (7/29-31)

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. (7/29-31)

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.

● Pacific Power & Light Co., Portland, Ore.

July 10 filed 100,000 shares ($100 par) preferred stock. **Underwriters**—By amendment. Probable bidders include Blyth & Co., Inc., White, Weld & Co. and Smith, Barney & Co. (jointly); The First Boston Corp., W. C. Langley & Co.; Harriman Ripley & Co. **Offering**—Company proposes to issue the 100,000 shares of new preferred for the purpose of refinancing at a lower dividend rate the 67,009 outstanding preferred shares of Pacific and the 47,806 preferred shares of Northern Electric Co., in connection with the proposed merger of Northwestern into Pacific. In connection with the merger, the outstanding preferred stocks of Pacific and Northwestern will be exchanged share for share, with cash adjustments, for the new preferred stock of Pacific, the surviving corporation. **Offering price**—To be supplied by amendment. **Business**—Public utility company.

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.

● People's Service Corp., of Philadelphia

July 5 (letter of notification) $50,000 par amount ($10 par) common stock. **Underwriter**—People's Service Corp. **Offering price**—$14 a share. **Proceeds**—For the development of corporation purposes.

● Pep Boys—Manny, Moe & Jack, Philadelphia (8/5)

July 16 filed 200,000 shares ($1 par) common stock. **Underwriters** — Newburger & Hano, Philadelphia, and Kobbe, Gearhart & Co., Inc., New York. **Offering**—Of the total, 160,000 shares will be offered publicly and 40,000 shares will be offered to company employees. **Prices**—The stock to be sold to the public will be offered at $7.50 a share. The price to employees will be $6.85 a share. **Proceeds** — Proceeds go to two selling stockholders, Maurice L. Strauss, President, and Emanuel Rosenfeld, Vice-President and Treasurer. **Business** — Operates chain of 44 retail stores for automobile parts and accessories.

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.

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 (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.

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.

Radio-Keith-Orpheum Corp., New York

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.

● Ranchaven Industries Inc., Glenwood Springs, Colo.

July 11 (letter of notification) 500 shares ($100 par) capital stock. **Offering**—Price, $100 a share. No underwriting. For road building and other equipment and for payment of rents, real estate and other expenses.

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.

● Reporter Publications, Inc., New York (7/31)

July 12 filed 150,000 shares common stock (par 50c). **Underwriters**—Newburger & Hano, and Kobbe, Gearhart & Co. **Offering**—Price $3.50 a share. **Proceeds**—The stock is being sold by stockholders who will receive proceeds.

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.

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. (7/29-31)

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. (7/23)

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. **Bids Invited**—Bids for the purchase of the bonds will be received at company's office, 535 Main St., Rochester, N. Y., up to 11 a.m. (EDST) on July 23.

● S and W Fine Foods, Inc., San Francisco (7/30)

July 11 filed 40,000 shares ($50 par) 4% cumulative preferred stock, convertible series. **Underwriters**—Blyth & Co., Inc. **Offering**—To be offered on a share for share exchange basis for 10,400 shares of convertible 5% preferred stock. Shares not issued in exchange will be offered publicly. Price by amendment. **Proceeds** — For redemption of unexchanged shares of 5% preferred at $54.50 a share and for working capital. **Business**—Processing and distribution of food products.

● St. Elmo Mining Co., Inc., Porterville, Calif.

July 10 (letter of notification) 100,000 shares of stock. **Offering**—Price $1 a share. No underwriting. For installation of a mill and further development of mining properties.

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.

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

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. **Under-**

writers—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 1/5th of a share for each share held at $22 per share. Rights expire July 30. **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.

● **Sporting Goods, Inc., Springfield, Mass. (7/22)**
July 10 (letter of notification) 25,000 shares of 55-cent cumulative convertible preferred stock and 10,000 shares of common stock. **Underwriter**—R. H. Johnson & Co., New York. **Offering prices**—$10 a share for the preferred and $4.75 a share for the common. **Proceeds**—To be loaned to a subsidiary for purchase of building occupied by issuer, payment of bank loan, and for increased working capital.

State Street Exchange, Boston, Mass.
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.

● **Stonehenge Corp., Denver, Colo.**
July 11 (letter of notification) 775 shares ($100 par) common stock. **Offering**—Price $100 a share. No underwriting. For construction of a building, purchase of equipment and supplies, for working capital and other general corporate purposes.

● **Street & Smith Publications, Inc. (8/6)**
July 17 filed 197,500 shares of common stock. **Underwriters**—Glore, Forgan & Co. **Offering**—The offering represents a part of the holdings of the present stockholders. **Business**—Is one of the oldest publishing houses in the field, the company and its predecessors having been engaged in the business under the name of Street & Smith since 1855.

● **Sullivan-Waldron Products Co., Seattle (7/22)**
July 10 (letter of notification) 149,000 shares of $1 par common capital stock. **Offering**—Price $2 a share. **Underwriter**—F. H. Koller & Co., Inc. **Proceeds**—For general funds.

Sun Ray Drug Co., Philadelphia (8/1)
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.

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.

● **Taylor-Graves, Inc., Saybrook, Conn. (7/25)**
July 12 (letter of notification) 44,300 shares of ($5 par) cumulative convertible preferred stock and 44,300 shares common stock (par 50c). **Offering**—Price $6 a share for preferred and 75 cents a share for common. **Underwriter**—Amos Treat & Co. **Proceeds**—For payment of notes, mortgages and for general corporate purposes.

● **Texas Engineering and Manufacturing Co., Inc., Dallas, Texas**
July 15 (letter of notification) 31,250 shares of no par common. **Offering Price**—$8.50 a share. No underwriting. For additional working capital and to retire bank loans.

● **Tiemann Hardware & Supply Co., St. Louis**
July 10 (letter of notification) 1,000 shares of Class A stock (par $100). No underwriters. **Offering price**—$100 a share. **Proceeds**—To provide additional working capital.

● **Town and Country Gas Co., Inc., of Richmond, Va.**
July 5 (letter of notification) 3,000 shares of Class A common ($1 par) and $25,000 5% income notes, due Aug. 1, 1966. No underwriters. **Offering**—Price $3 a share for the common. The notes will not be of uniform amount but will be sold for full principal amount stated on face of each particular note. **Proceeds**—For the purpose of enabling corporation to establish and operate a propane gas business, including manufacture, distribution and sale.

Trailmobile Co., Cincinnati, Ohio
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.
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. (7/23)
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 were 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 Plywood Corp., New York (7/31)**
July 11 filed 60,000 shares of cumulative preferred stock, Series A ($100 par). Dividend rate by amendment. **Underwriter**—Eastman, Dillon & Co. Price by amendment. **Proceeds**—To redeem 13,824 shares of cumulative preferred stock, Series A, and 9,412 shares of cumulative preferred stock, Series B, at redemption prices of $106 and $105.50 a share, respectively. Balance to be added to treasury cash. **Business**—Engaged in the manufacture and sale of Douglas fir plywood, hardwood plywood, molded plywood, fabricated airplane parts, fabricated metal-covered plywood, and other laminated and related products.

United States Spring & Bumper Co., Los Angeles (7/25)
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
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.

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.

● **Weetamoe Corp., Nashua, N. H. (8/5)**
July 15 filed 200,000 shares ($25 par) $1.20 cumulative pfd. stock, 100,000 shares of ($1 par) convertible stock and 650,000 shares ($1 par) common stock. **Underwriters**—Blair & Co., Inc., Reynolds & Co., New York and Maxwell, Marshall & Co., Los Angeles. **Offering**—The preferred and convertible stocks will be offered in units of one share of preferred and one-half share of convertible. Price by amendment. **Proceeds**—Weetamoe Corp. (Name to be changed to Nashua Manufacturing Co. prior to effective date of registration) was incorporated June 27, 1946 to acquire the operating properties and certain other assets of Nashua Manufacturing Co. which was incorporated in 1823. The new company was organized at the instance of Textron, Inc., and is wholly-owned subsidiary, Textron Mills, Inc., which are promoters of the new company. Net proceeds, together with $2,300,000 representing the proceeds from the sale of 50,000 shares of convertible stock to the underwriters and 525,000 shares of convertible stock to Textron, Inc., at $4 a share, will be used as follows: approximately $13,000,000 for payment of a portion of the purchase price of the assets to be acquired from the old company, about $100,000 for organization expenses, and about $1,100,000 for working capital. **Business**—The company intends to carry on the business of the old company which is the manufacture of textiles.

● **Wek Sales Co., New York (7/22)**
July 12 (letter of notification) $249,000 of debenture bonds paying 4% interest a year. Due in 15 years. **Offering Price**—Smallest unit $500. No underwriting. For carrying on business of company.

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.

● **Workers Bank, Ltd., Tel Aviv, Palestine**
July 3 filed certificates of deposit representing term deposits of not less than five years bearing 5% to 6% interest, to Ampal American Palestine Trading Corp. in amount of $500,000; also certificates of deposit representing 10-year term deposits with interest at 6% to aggregate $750,000. Proceeds for advances to cooperatives.

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 Corp., New York**
July 11 (letter of notification) 200,000 shares ($1 par) 6% preferred stock and 2,000 shares ($1 par) common stock. **Offering**—Price $1 a preferred share and $25 a common share. No underwriting. For additional working capital.

Young Radiator Co., Racine, Wis.
Jan. 29 filed 100,000 shares of common stock (par $1); also registered 40,000 shares of common for issuance upon exercise of warrants. **Underwriters**—Van Alstyne, Noel & Co. **Offering**—Price to public $8.25 per share. Of 40,000 warrants to purchase common stock at $8.25 per share prior to Feb. 1, 1951, 20,000 were issue to stockholders on recapitalization and 20,000 are being sold to underwriters at 10 cents per warrant share. Offering postponed indefinitely. For details see issue of Feb. 7.

Prospective Security Offerings

(NOT YET IN REGISTRATION)

● INDICATES ADDITIONS SINCE PREVIOUS ISSUE

● Air Commuting, Inc.
July 16 possibility of same new financing seen if the Civil Aeronautical Board approves recommendations made by two of its examiners of company's plan to establish an extensive airplane commuting service radiating over the New York City metropolitan area of Westchester County, New Jersey, Staten Island, Long Island and Connecticut.

● Air Express International Agency, Inc.
July 17 reported company planning the issuance of common stock. Newburger & Hano probable underwriters.

● Allis-Chalmers Manufacturing Co.
Aug. 24 stockholders will vote on creating an issue of 500,000 shares of convertible preferred stock (par $100), of which it is proposed to offer 359,373 shares to stockholders at rate of one preferred for each seven common held. It is expected that the dividend rate will be 3⅛% and the offering price will be $100 per share. Blyth & Co., Inc., will be uderwriter.

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 Brake Shoe Co., New York
July 18 company is planning to offer 199,101 additional shares of common stock about Sept. 20. Proceeds from this issue are to be used principally to finance the company's plant expansion program. Unless present plans are changed common stockholders will be entitled to subscribe for additional shares of common stock at $35 per share on the basis of one additional share for each four shares held. The proposed record date for the determination of common stockholders entitled to receive rights is Sept. 11 and they will have approximately 30 daysf rom Sept. 20 in which to exercise their subscription rights.

● American Clay Forging Co.
July 14 stockholders voted a $275,000 bond issue to finance an expansion program at the Tiffin, O., plant and to build a new one in Tyler, Tex.

● Artloom Corp., Philadelphia
July 16 stockholders voted to increase authorized common stock from 300,000 shares to 600,000 shares (no par). Company proposes to offer to stockholders, without underwriting, one share of new stock at $10 a share for each two shares held, requiring the issuance of 148,-633 additional shares. Proceeds will be added to working capital.

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.
July 17, in connection with 3-for-1 split-up of 1,000,000 shares of capital stock 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 within the next few months 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.

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.

● 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.

Baltimore & Ohio RR.
June 22 it was reported that one effect of the railroad freight rate adjustment is expected to be a stimulation of bond refundings. Among the roads whose refinancing programs may then crystallize, the Baltimore & Ohio is named as a leading prospect, now that all barriers to the consummation of its $500,000,000 debt adjustment plan have been eliminated. Other portions of the debt now thought to be attractive possibilities for a refinancing operation besides the $76,900,000 of first mortgage 4s and the $67,800,000 first mortgage 5s. There are $37,200,000 of Southwestern Division 5% bonds, $36,800,-000 Pittsburgh, Lake Erie & Western 4s, and $10,000,000 Toledo-Cincinnati Division mortgage series A 4s. Probable bidders, if refunding operations crystallize, are Kuhn, Loeb & Co., and Halsey, Stuart & Co. Inc.

Bangor & Aroostook RR., Bangor, Me.
April 16 stockholders authorized new mortgage. Company contemplates refinancing one-third of outstanding funded debt (Dec. 31, 1945, $12,665,000) through sale of equal amount of bonds under new mortgage, through competitive bidding. Probable bidders include Harriman, Ripley & Co., Inc.; Lee Higginson Corp., and Halsey, Stuart & Co. Inc.

Bangor Hydro-Electric Co.
June 11 stockholders approved plans to retire 21,799 shares of 6% preferred stock through exchange for new 4% preferred, Under tentative plans, call date will be Oct. 1, next.

Beam (James B.) Distilling Co.
June 30 reported company planning some new financing with F. S. Yantis & Co., Chicago as probable underwriter.

● Birmingham Electric Co.
July 13 the SEC approved the company's proposal to amend its certificate of incorporation, subject to stockholder approval, to grant to its common stockholders preemptive rights in connection with the sale of any new common stock. Birmingham is a subsidiary of National Power & Light Co.

● Boston Store, Chicago
July 15 ownership of the Boston Store changed hands formally when a syndicate headed by Edgar L. Schnadig, Chicago, purchased all of the capital stock of the operating company, the Boston Store of Chicago, Inc., and certain real estate rights for $14,000,000. Funds for the purchase, in addition to the syndicate's own money, were furnished by a secured loan of $3,500,000 from Penn Mutual Life Insurance Co., a long term loan of $1,-500,000 from the First National Bank, Chicago, and $5,-000,000 in a short-term loan from the Union Securities Co., New York. To retire the short term loan the company, it is said will issue preferred and common shares to be sold publicly through a syndicate headed by Paul H. Davis & Co., Chicago and Stroud & Co., Philadelphia.

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 & Bigelow, St. Paul, Minn.
July 17 early registration covering the proposed offering of $3,500,00 4½% cumulative preferred stock and 427,558 shares ($1 par) common stock expected. The shares to be offered are subject to approval by stockholders of the proposed financing, including a 3-for-1 split-up of the presently outstanding common stock. Proceeds will be used for expansion purposes. Negotiations between the company and certain stockholders and Reynolds & Co., investment bankers, have been completed. Holders of approximately $1,908,000 outstanding 6% cumulative preferred stock will be offered right to exchange their shares for the new 4½% preferred. Of the 427,558 shares of new common to be offered, 67,-500 shares will be sold by the company and 304,881 shares are to be offered for the account of certain selling stockholders, including the heirs of the late Mr. Bigelow, and 55,177 shares will be offered to acquire the outstanding capital stock of three smaller companies. The company will receive approximately $3,000,000 in cash which it will use for the purpose of financing an expansion of plant facilities when practicable and to increase working capital.

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.

● Carolina Power & Light Co.
July 12 reported Nation Power & Light Co. (parent) plans the sale of 909,350 shares of common stock in compliance with Holding Company Act. Probable bidders include Kidder, Peabody & Co., and Dillon, Read & Co. Inc.

Central Electric & Gas Co.
June 11 stockholders voted replacement of the authorized but unissued 50,000 shares ($50 par) $2.25 preferred stock with an equal number of new no-par $2 preferred stock with a stated value of $50. Initially it is planned that 35,000 shares of the latter stock will be issued. Company plans to issue an additional 175,000 shares ($1 par) common stock of which there are now outstanding 797,600 shares. Proceeds of the preferred and common stock sales are to be used to repay a $3,000,000 bank loan and to augment working capital.

Central & Southwest Corp.
Pursuant to plan of Central & South West Utilities Co. and American Public Service Co. approved by the SEC a sufficient number of shares of Central & Southwest Corp., the new company, would be sold at competitive bidding to provide funds, not otherwise supplied, to retire outstanding preferred stocks of Central and American. Possible bidders: Glore, Forgan & Co.; Lehman Brothers-Lazard Freres & Co. (jointly); Smith, Barney & Co.-Harriman, Ripley & Co. (jointly); Blyth & Co., Inc.; Stone & Webster Securities Corp. and First Boston Corp. (jointly).

Century Manufacturing & Instrument Co.
May 29 reported Estes, Snyder & Co., may underwrite offering of common stock following merger of Century and Continental Geophysical Service Co.

Chesapeake & Ohio Ry.
June 18 reported that probably one of the early developments when and if the merger of Chesapeake & Ohio Ry. and the Pere Marquette Ry. is approved will be a refunding operation to take in the debt of both roads. C. & O., it is expected, will take steps to refinance the refunding and improvement 3½s, due in 1996, of which $37,500,000 series D and $27,600,000 series E were outstanding at the close of 1945. The Pere Marquette has outstanding $59,749,000 first mortgage 3⅜s, series D, due in 1980. At the ICC hearings in April on the merger proposal, W. H. Wenneman stated that refinancing of the Pere Marquette issue would be undertaken promptly following consummation of the merger.

Chicago Milwaukee St. Paul & Pacific RR.
Issuance by the road of $58,900,000 lower-coupon first mortgage bonds, proceeds from the sale of which would be used to redeem first mortgage 4% bonds. 1994, is expected to be postponed until late this year. Earlier plans were for the retirement of the bonds July 1. Three investment banking groups were set up to enter competition for any new offering, viz.: Kuhn, Loeb & Co.; Mellon Securities Corp., and Halsey, Stuart & Co., Inc.

● Cities Service Co., New York
July 17 it is suggested that when and if the outstanding debt is retired through proceeds of its utility equities, that preferred stockholders might be offered a new 4% preferred in exchange for the old issues, in the amount of call prices plus arrears (approximately $113,486,250).

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.

● El Canada Columbia Mine Co.
July 16 the Massachusetts Department of Public Utilities took under advisement, following a hearing, the petition of company which seeks permission to sell in Massachusetts 50,000 shares of capital stock at $1 a share. The Department also took under advisement the company's application for registration as a broker corporation to sell the stock and of A. O. Alden, the company's President, for registration as a salesman for the mining concern.

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.

● Feltman & Curme Shoe Stores, Inc.
July 17, the merger of the Utah subsidiary of Feltman & Curme Shoe Stores, Inc., into the parent company has been approved by stockholders at a special meeting in Chicago. Holders also voted to replace the company's $7 cumulative preferred stock, of which 13,465 shares are outstanding, with a new 5% ($50 par) cumulative preferred issue. Preferred holders will receive one share of the new stock plus five shares of common for each preferred share. All common stock of the subsidiary, wholly owned by the parent firm, will be canceled.

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 Corp., New York
Aug. 15 shareholders will consider authorization of 200,000 shares of serial preferred stock ($25 par) to provide for a $2,800,000 refinancing program and for additional working capital. An initial series of 115,000 shares will be cumulative preferred at a dividend rate not exceeding 4½% with provision for conversion into common for the first five years at approximately $30 a share. Negotiations for the underwriting have been conducted with W. C. Langley & Co. and Aronson, Hall & Co.

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.
July 12 reported company intends to file by notification 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).

● Jensen Manufacturing Co., Chicago
July 16 reported company plans early registration of 148,000 shares of common stock, with Doyle, O'Connor & Co., as probable underwriter.

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.

● Kimberly-Clark Corp., Neenah, Ohio
Aug. 9 stockholders will consider an increase in common and the issuance of a new preferred issue, the latter to consist of 125,000 shares, to be subordinate to the present 4½% preferred. Probable underwriters, if any new preferred issued, Lehman Brothers, and The Wisconsin Co.

● Kingdom of the Netherlands
July 11 it was stated that the forthcoming $50,000,000 bond issue to be floated by the Netherlands Government in the American market by a syndicate of investment banking houses headed by Kuhn, Loeb & Co. will carry an interest rate of 3½% and will run 25 years. Although it was intended to file the issue with the SEC this week, the filing has been delayed due to unsettled market conditions.

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.

● Mid Valley Distilling Co.
July 18 reported early filing of common stock, with E. F. Gillespie & Co. as probable underwriter.

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 pro-

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visions, 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.

● **Newburgh Steel Co.**

July 16 reported company plans early registration of 30,000 shares of 6% preferred stock and 30,000 shares of common, with O'Connell & Janareli as probable underwriters.

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 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.

● **Pennsylvania Power & Light Co.**

July 12 reported National Power & Light Co. (parent) plans the sale of 682,013 shares of common stock in compliance with Utility Holding Company Act. Probable bidders include Lehman Bros., and Kidder, Peabody & Co. (jointly); Dillon, Read & Co.; Smith, Barney & Co., and The First Boston Corp. (jointly).

● **Pennsylvania RR. (7/23)**

The company is inviting bids to be received July 23 for the purchase of $7,322,000 of equipment trust certificates, which are the remainder of an aggregate issue of $18,135,000 of 1⅞% certificates under equipment trust, series Q, to finance acquisition of 45 locomotives and tenders, 112 passengers-train cars, 300 covered hopper cars and 12 diesel electric switching locomotives. A previous issue of $10,290,000 of series Q certificates was sold in July, 1945. The certificates will be dated July 1, 1945, and will mature on July 1 in each year from July 1, 1947 to and including July 1, 1960. Probable bidders include Halsey, Stuart & Co. Inc., and Salomon Bros. & Hutzler.

● **Petersburg (Va.) & Hopewell Gas Co.**

July 11 the Securities and Exchange Commission approved a proposal of Pennsylvania Gas & Electric Corp. and two subsidiaries to carry out stock transactions as part of an integration program. Pennsylvania will sell 55,000 shares ($10 par) common of the Petersburg (Va.) & Hopewell Gas Co., a subsidiary, to Scott, Horner & Mason, Inc., Lynchburg, Va., for $600,000, plus 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.

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.

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 voted July 15 to split the common stock four shares for one and authorized an additional 104,428 shares of common stock which directors are 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.

● **Tucker Corp., Chicago**

July 11 the Securities and Exchange Commission appleted negotiations with an investment house to underwrite an initial public issue of about $20,000,000 to finance his venture into the automobile filed with a rear-engine passenger car. The name of the investment house was not made public but it was stated an announcement of the financing would be made public in about eight weeks.

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.

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.

● **Waterman Airlines**

July 17 reported company contemplates new financing. Company intends to conduct a non-stop air cruise between New Orleans, San Juan, Puerto Rico and San Juan and New York.

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 this year its holdings of 1,099,970 shares of common stock. Probable bidders include The Wisconsin Co.; The First Boston Corp.; Harriman Ripley & Co.

The Stranglehold of Monopoly in America

(Continued from page 346)

morning when we went shopping we witnessed the success of the monopolists in wrecking effective price control against the expressed wishes of the overwhelming majority of the American people. The handmaiden of monopoly—the National Association of Manufacturers—is asking for and deserves public credit for the wrecking of the Office of Price Administration. This is only its most recent assault upon our people. Here are a few other items in the record of monopoly's successes in the Congress of the United States:

1. Let them take credit for the passage of the carry-back, carry-forward tax law which guarantees profits to corporations for two years after the war. This charitable provision has financed worthy causes like General Motors and Westinghouse in their virtual lockouts of their striking workers. It has accounted for many delays in the resumption of peacetime production, for it guarantees profits to corporations out of the Treasury of the United States whether those corporations produce or not. It is a subsidy for selfishness.

2. Give the monopolis's credit for the emasculation of the 1944 Kilgore Reconversion bill and the 1945 Murray Full Employment bill. The Kilgore bill foresaw the possibility of economic turmoil in reconversion if no procedures were worked out. It provided an orderly plan, to last for two years after the war, to produce peacetime goods, housing, prices, wages and purchasing power, and other reconversion problems. The Murray bill provided a long-range plan for full employment. Both bills were violently attacked by the National Association of Manufacturers and by the United States Chamber of Commerce and they were gutted by Congress.

3. Give the electric power monopolists the credit for blocking the establishment of TVA's for the Columbia Valley and Missouri Valley and for crippling the post-war program of the Bureau of Reclamation of the Department of Interior. The people of my section need a Valley Authority. But the power lobby is fighting us to the last ditch. But I promise you this—the last ditch will be a big ditch and water will pour through it to turn giant turbines that will produce cheap power, under a Columbia River Authority.

4. Give the insurance, transportation and newspaper monopolists credit for a renewed attack designed to destroy the anti-trust laws—an attack launched after those monopolies were caught red-handed by the Department of Justice in collusive monopoly practices which were paid for out of the pockets of the people.

5. Add to the list of their accomplishments the pigeon-holing in the present session of Congress of the Minimum Wage bill, the pigeon-holing of the National Health program, the delay and crippling of the Veterans Housing program and similar onslaughts upon the standard of living of the people of America.

Monopoly in International Field

And while the program of the monopolists is creating economic turmoil at home, they are so influencing our foreign policy that it serves monopoly and monopolistic aims in the international field.

We must recognize that a new tolerance for monopoly in America was brought about by the war production record of our economy. Funds that would otherwise have gone into the public treasury have financed slick and colorful advertisements in the large magazines which have undertaken to prove that it was the Association of American Railroads, duPont, General Motors, Westinghouse and General Electric who were responsible for our great war effort and not the collective labor, skill and genius of the American people. Those of you who fought in the front lines will remember how you appreciated the ads that told you who was winning the war.

But time has begun to remove this colorful protective cloak and reveal that these monopolies—the same combines which the people of this country recognized as their enemy and set out to destroy more than 50 years ago—are more powerfully entrenched and more dangerous to America and to the world than ever before. As Roosevelt organized the defenses of the United States to meet the Nazi-Fascist aggression against the world, he was to learn the full price which was to be exacted by American monopoly for cooperation in the defense of the nation: enormous war profits plus a still greater control of the economy of the United States.

It was apparent that President Roosevelt and the people of America could not fight such a two-front war (as one) against the Axis abroad and the monopolies at home. The monopolies engaged in a sit-down strike against the security of the nation by refusing to accept war production orders until accelerated tax amortization laws were enacted. They waited until they were paid their own prices; their patriotism was cost-plus. Soon big business was in control of America's war production effort. The War Production Board was headed successively by Settinius, Knudsen, Nelson and Wilson. Representatives of the oil companies and of the owners of the railroads were in control of the wartime petroleum and railroad agencies. The result was that by the end of 1945, the 63 largest manufacturing corporations (as listed by the SEC) had increased their net working capital by $10 billion of highly liquid assets—or twice the net working capital of all manufacturing corporations in 1939. Mergers increased, government facilities were taken over and the concentration of power reached new heights. Profits reached an all-time peak.

Wealth Sought Center of Economic Activity

Those who had, got more. Wealth sought the center of economic gravity.

The Senate Small Business Committee has recently released a report which demonstrates the amazing degree of concentration which has taken place during the war. I commend it to you for close attention. When you wonder why your representatives in Congress are not responding to the popular will, ponder the strength of monopoly. Ponder particularly the monopoly picture in the newspaper publishing business.

Gentlemen, I submit that the problem of monopoly is a dire threat to our democratic way of life. The concentration of power which is occurring in the business world is threatening the sovereignty of the American people.

We can meet this threat only by intensive political activity on the part of every progressive in the country, particularly on the part of you lawyers who form the very spinal cord of a progressive popular movement.

As lawyers you are in a key position to advance a legislative program designed to halt the threat of monopoly and to assure a stable economy with full employment, whose prosperity will be shared by the farmer, the industrial worker, the white-collar worker, the professional and the independent businessman.

Has Legislative Program

In building such a legislative program I urge you to consider and espouse the following:

1. The Pepper-Kilgore 15-Point Economic program first proposed in July, 1945, and largely incorporated in President Truman's September, 1945, legislative program.

2. Honest, full-disclosure, lobby legislation, in which I include the Taylor-Mitchell bill requiring government officials to give full fidelity to the public trust, free of secret ties to corporate enterprise.

3. Rejection of all attempts to weaken the anti-trust laws, and strengthening of the Anti-Trust Division with increased appropriations. The Anti-Trust Division must never again be permitted to atrophy as it did under Harding, Coolidge and Hoover.

4. The enactment of the anti-monopoly legislation already proposed by the TNEC, together with the resumption of the investigation of monopoly.

5. Finally, I urge that we carry out the mandate thrust into our hands by Franklin D. Roosevelt when he urged Congress to study and halt the concentration of economic power. As he stated on that historic occasion:

"The first truth is that the liberty of a democracy is not safe if the people tolerate the growth of private power to a point where it becomes stronger than their democratic state itself. That, in its essence, is Fascism—ownership of government by an individual, by a group or by any other controlling private power.

"The second truth is that the liberty of a democracy is not safe if its business system does not provide employment and produce and distribute goods in such a way as to sustain an acceptable standard of living."

Our Sterile Policy Toward The Conquered Pacific Islands

(Continued from page 344)

phate, of which there is an acute shortage in Japan. This is the first time that Japanese have been permitted to return to any of the islands which formerly were part of their mandate from the League of Nations. The action taken in permitting this is a sharp departure from previously established American policy in the Pacific, and should focus our attention on the economic potential of the islands which we have acquired by conquest in the Pacific. There is real need for a formulation of definitive American policy, and an opportunity to provide a haven to many of the displaced persons in Europe, and an outlet for our own population surplus in Puerto Rico.

The islands formerly owned by Germany and acquired by Japan under mandate after World War I included all of the Marianas except Guam, the Palaus, Gilberts, Marshalls, and Carolines. During the period between the two wars in which these islands were administered by Japan, they were thoroughly exploited by the great Japanese South Sea Trading Company, the Kuhatsu. Colonization and immigration were undertaken, and large numbers of Japanese, Koreans, Okinawans, and Formosans were brought to the islands. To Saipan alone came some 40,000 immigrants. Phosphate works were established on Anguar and Rota—the latter only some 40 miles north of American owned Guam. Of the 1,500,000 tons of phosphates imported by Japan in 1939, approximately one fourth came from Anguar alone.

Large sugar plantations were established on Saipan, Tinian, and other islands. In 1937 sugar exports from Saipan alone amounted to more than $6,000,000. On all of these islands railroads, telephone systems, and other modern concomitants of commercialization were installed. Many of these islands (particularly in the Marianas and Palaus) are tropically abundant in the production of bananas, pineapple, coconuts, avocados, and other tropical and semi-tropical fruits and vegetables.

Our capture of the Marianas cut Japan off from its principal source of sugar, and has been directly accountable for the sugar shortage that exists throughout Japan today.

Prior to the war Babelthaup—near Anguar in the Palau group—had been a major Pacific resort for the Japanese, and had been considered the Japanese Honolulu.

In contrast to the Japanese policy of exploitation of these islands, we followed a program opposing any development at all on Guam, the only island held by us in the Central Pacific before the war. Three times as large as neighboring Saipan, and even more abundant, Guam was kept just as a naval station by the Navy, with its economic development held in a state of arrest. Commercial development was discouraged, and the visits of merchant shipping were kept at a minimum. In 1937 Guam's total exports amounted to but $100,000, mostly accounted for by copra. The possibilities in Guam's 206 square miles have had little opportunity for realization under naval administration.

The sterile policy which we applied in Guam seems to be the keynote of our attitude towards the other Pacific islands which we have taken by conquest. Since last fall naval and Japanese vessels have systematically removed all Japanese, Okinawans, Koreans, and Formosans from these islands, leaving on Saipan but a few hundred Chamorros, and small native groups on the other islands. The Japanese commercial improvements and the up-to-date roads and sewage systems introduced by our own Seabees have fallen into disuse on many of these islands, and are slowly being recaptured by the jungles. Not a single attempt has been made to resettle and develop these islands under American administration, although on Tinian alone there is an immediate need for 10,000 colonists to provide fresh foods for the American garrison forces in the Central Pacific.

As long ago as last October President Truman appointed a committee consisting of the Secretary of War, the Secretary of the Navy, the Secretary of the Interior, and the Secretary of State to formulate a unified American policy for these islands. Recently former Secretary Ickes revealed that this committee has not as yet met.

The climate and living conditions in the Marianas resembles closely that in the Hawaiians and in Puerto Rico. It would provide a suitable outlet for much of the surplus population which constitutes Puerto Rico's major problem. Or these islands would provide opportunity and refuge to many of the displaced persons who are now thronging Army camps in Europe. Unless the initiative is taken by the President's committee, it is not unlikely that the return of the Japanese to Anguar's phosphate works will be but the prelude to their return to the sugar fields of Saipan and Tinian. American business may yet have the enterprise to survey the commercial possibilities of these islands, and to sponsor the development which governmental inertia seems reluctant to undertake.

Let Free Enterprise Prove Its Worth!

(Continued from page 347)

Just as important, we had a **thrilling** demonstration of the **fundamental** patriotism of **American** industry, commerce and **agriculture**, of American **property owners**, of American retailers and **wholesalers**, with but few exceptions.

American industry has said over **the** radio and in advertisements **in the** press and **in actions** that:

(a) It will **not** start a ruinous price raising spiral to gouge the public; it will hold the line in so far as possible and in so far as consistent with its reasonable American margins of profit.

(b) It will curb small minorities of chiselers and racketeers in **its** own ranks, who will try to use **the** present situation to take advantage of the public.

(c) If given the chance, it will **disprove** the **fear-mongering** of **OPA's** bureaucrats and other **parlor** pinks and reds to the effect **that** American business was unpatriotic and would ruin the American consumer.

Yes, American industry in this past week has lived up to these points.

Price Rises

4. To be sure there have been many raises in prices. These are attributable to a number of factors. They are:

(a) Necessary in order to correct the abnormally low ceilings established by OPA which had crippled production.

(b) Necessary in order to realign the natural system of prices which has been artificially set for four years.

(c) Necessary in order to take up the gap left by the removal of the billion dollars in food subsidies.

The American public has shown admirable restraint and selection in its buying. It has once again demonstrated its common sense and shown that it will not allow itself to be gouged by a handful of racketeers. It has demonstrated its willingness to buy at prices that will afford manufacturers, wholesalers and retailers a reasonable profit.

My Present Position on OPA

5. May I now summarize my present position on OPA?

(a) I believe that in view of the fact that because of the President's action, OPA has been killed, **we should allow it to stay dead for a test period, during which the American system of free enterprise should be given a reasonable chance to further demonstrate its integrity without controls.** We should not rush pell mell into the restoration of controls before industry has been allowed a real chance to prove or disprove the value of free supply and demand.

(b) In a situation such as rents, which has given many people much concern, **the State governments should demonstrate their adequacy** by establishing necessary and equitable rent controls wherever necessary. I call attention to the fact that equity is necessary in the case of the landlord as well as in the case of the tenant. Let us not make a scapegoat of the American property owner—millions of humble men and women who are as patriotic as the rest of our population, but who have been terribly squeezed during the past years of rising maintenance charges, depreciation costs and fixed rental ceilings.

(c) I say that, in any case, **dairy and livestock products should not be brought back under controls.** In this situation I believe that the American farmer has already demonstrated his capacity to produce the necessary quantities of food if only he will be allowed freedom of action. I call attention to a report which I have just received from Mr. Charles W. Holman, Secretary of the National Cooperative Milk Producers Federation, in which he reports that since June 30th and the death of OPA, there has been little appreciable rise in milk prices other than those normally to be expected because of the removal of subsidies. In my own State of Wisconsin, there has been little or no change in dairy products prices. In Superior it is expected that a milk price advance of 1½ cents a quart will occur.

In this connection, I ask that there be reprinted, as a part of my remarks, a series of 10 reasons ably advanced by Mr. Holman on why dairy products should be kept free from price controls and subsidies.

Following this insertion, I ask that there be reprinted the text of numerous telegrams and other communications which I have received from many folks and organizations in my own State, supporting the various points which I have stated: namely,

(a) A test period for the free economy system;

(b) State government-action when necessary;

(c) Continued freedom for the dairy and livestock industry.

Conclusions

In this critical period, not only of our own Nation, but of the whole world, we must make sure that we do **not** put any restrictions or road blocks in the way of production. If we achieve full production, there will be some slight inequities, but the important thing is to achieve full production. And so, in conclusion I want to state three particular points regarding this matter:

(1) Economic common sense demands that if you want production in any one line, the producer must at least get the cost of production.

(2) Economic common sense and fair play demand that government must not play favorites with its citizens when under the guise of an emergency, it interferes with the production of its citizens.

(3) Economic common sense demands that subsidies are only justifiable in order to get production. When they are not needed for that purpose, there is no justification for the same unless there is some grave emergency factor affecting the whole economy.

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