Final Edition ESTABLISHED 1839 In 2 Sections—Section 1

The COMMERCIAL and FINANCIAL CHRONICLE

Reg. U. S. Pat. Office

Volume 164 Number 4516 New York, N. Y., Thursday, August 15, 1946 Price 60 Cents a Copy

Confusion in International Affairs

By HON. ARTHUR CAPPER*

U. S. Senator from Kansas

Republican Senator contends Great Britain is not following lines of Anglo-American Loan Agreement toward breaking down world trade barriers. Cites British-Canadian Wheat Agreement and other bilateral pacts of Britain as proof.

Two statements in the current issue of "World Report," David Lawrence's latest venture in the governmenetal reporting field, typify the confusion that prevails in international relations these days.

Sen. Arthur Capper

War-born tensions in the economic life of Great Britain, that tightened mainsprings of trade in many corners of the world, have been considerably relaxed by the $3,750,000,000 credit estab-

(Continued on page 918)

*A radio address delivered by Senator Capper over Station WIBW, Aug. 11, 1946.

INDEX

For detailed index of contents see page 879.

Main Street Says—

By DALE KRAMER

Publicist lists views of small-town Iowa banker as typifying current grass roots psychology—as follows: (1) General near-term optimism; (2) Expectation of leveling-off of prices, followed by a post-war "bust"; (3) Opposition to Federal subsidies and government extravagance; (4) Mild internationalism, tempered by bewilderment; (5) Caution about the land boom, but determent from profit-taking by taxes thereon; and (6) Political leaning toward Bricker, with Stassen's initial strength waning.

Main Street is prosperous and optimistic. Banks are loaded with deposits, safety deposit boxes stuffed with war bonds. A man had to be incompetent or lazy indeed to escape solvency during the war, and conditions today are better than ever.

Charles E. Baylor
Grass Roots Banker

That is the picture given by Charles E. Baylor, president for a quarter century of the First Trust & Union Savings Bank of Sigourney, Iowa. County seat of Keokuk County, Sigourney is about as typical a Main Street town as can be found anywhere. In the heart of a rich corn and hog region 80 miles east of Des Moines, it is not far from the famous Middlewestern place names of What Cheer and Oskaloosa.

Mr. Baylor fits the picture exactly. At 58 his neatly brushed hair is whitening. Steel-rimmed spectacles add a benign touch to a face growing a bit rounder with the years. His greetings, inside the bank or on the street, have the traditional small town heartiness, and a good-sized percentage of the county residents are known to him by their first names.

(Continued on page 903)

Keynes' Posthumous Message

By PHILIP CORTNEY

Economist and President, Coty Inc.

American economist contends Lord Keynes actually, if unwittingly, sowed the seeds of nationalism and collectivisim. Asserts his ideas have influenced United States destructively, in getting blind acceptance by economists and politicians, in creating appalling confusion in uncritical minds, and in misinterpreting 1929 depression. Mr. Cortney cites his recent correspondence with Keynes to show necessity for complete clarification of his theories to eliminate public's misinterpretation.

In commenting on Lord Keynes' article, posthumously published in the June issue of the "Economic Journal," the London correspondent of the New York "Times" cabled the following significant observation:

Philip Cortney

"An interesting feature of this last work of the great English economist is a criticism, in the final paragraphs, of the so-called neo-Keynesian school of economists, who have tried to extend Lord Keynes' analysis of the working of economic systems to produce conclusions of decidedly nationalistic and unliberal character."

The more I read Lord Keynes' writings, the more I am perplexed. This is not due merely to the fact that he is often difficult to under-

Editor's Note: A contrary approach in evaluating Lord Keynes influence, written by Frank P. Breckenridge, will appear in the next issue of "The Chronicle."

(Continued on page 896)

The Balance Sheet of Liberalism

By HON. JAMES M. MEAD*

U. S. Senator from New York

Democratic New Deal adherent, asserting forces of reaction are bent on rooting out Roosevelt reforms, accuses Republican opponents of wrapping themselves in mantle of Jeffersonian ideas. Claims Republican Party has never sponsored a major liberal reform measure since Lincoln, but admits opposition to New Deal has cut across party lines. Says liberalism means all mankind shall be politically, economically and spiritually free to enjoy fruits of earth, and scores Congressional opposition to President Truman's program. Holds all has not gone well with liberal cause in past year and advocates continued price controls, Fair Labor Standards Act and Wagner-Ellender-Taft Housing Bill. Upholds Economic planning.

Sen. James M. Mead

Today the United States of America stands at the crossroads. We must choose between the liberal political forces and the conservative party line. Perhaps I should more truly say between the American way of life and the reactionary way of life, for the American way in reality is the liberal way. Throughout our long and glorious history we have always been in the vanguard of the nations in the fight for human progress. We have always stood as a bulwark between the aspirations and hopes of the common man, and the evil machinations of those who would seek to enslave and exploit him.

(Continued on page 914)

*An address by Senator Mead before the 73rd Assembly of the Chautauqua Institution, Chautauqua, N. Y., Aug. 10, 1946.

New Exchange Rates—First Task Of International Monetary Fund

By MAX J. WASSERMAN*
U. S. Department of Commerce

Commerce Department expert stresses importance to world trade in reestablishment of sound and stable foreign exchange rates. Shows effects of abandonment of "inflexible" international gold standard and race for exchange devaluation. Points out conditions facing International Monetary Fund in arriving at fair exchange rates for its members, and analyzes two bases; viz.: (1) the Purchasing Parity basis; and (2) Balance of Payments basis. Says problem today is not one of free exchange vs. Fund-controlled exchange, but one of freeing foreign trade from government restrictive practices. Forecasts little opportunity for exchange speculation with International Monetary Fund.

The recent rise in United States prices incidental to the death and rebirth of OPA have brought many countries to review their exchange rates and price structure. One of these countries, Canada, has recently shifted its rate of dollar exchange from 91 United States cents to $1.00. Other countries, notably in Latin America, are at present considering similar changes.

Max Wasserman

The International Monetary Fund very shortly must face the task of bringing some order into the present structure of world exchange rates. It has adequate authority to do this and this work will doubtless constitute its first operational task.

(Continued on page 904)

*The opinions expressed in this article are the personal views of the author and do not necessarily reflect the opinions of the Department of Commerce, any other Federal Department or agency, or the International Monetary Fund.

Observations

By A. WILFRED MAY

The Russians master the technique of the *filibuster*. Soviet and her satellites stall at Paris, while actively carrying on their world-wide military, political, and economic infiltration. Moscow's economic offensives throughout the Continent. Paris peacemaking proceeds without consistent principle. The need for a genuine International Civil Service.

While we and the Russians may be mutually inscrutable, the esoteric art of *filibuster* presents an outstanding exception. For the Soviet at Paris is continuing to demonstrate its complete mastery of this strictly American custom. With their tutelage in this esoteric American technique quite amateurishly started at San Francisco, and pursuing advanced studies at the Hunter College embroglios, the Moscow diplomats are now at Paris about to win their "final degrees *summa cum laude*." Thus Foreign Minister Molotov was able to chortle this week that "the Conference will run on until Christmas!"

A. Wilfred May

As with our own Congressional filibusterers, the purposes of the Russians have varied from occasion to occasion. At San Francisco they would stall and compromise over relatively minor matters, to gain more important objectives. At Hunter they delayed in some instances (as over Iran) to win time for a *fait accompli*, and sometimes over purely routine matters, just to underline their general "tough" role. Now at Paris they are blocking the peacemaking while they are concurrently extending their military occupations throughout the Continent, and extending their economic pincers-movement and political infiltration throughout the world. An outstanding example of the latter was Tuesday's Communistic-line address of M. Molotov to the Conference, in which he used it as a sounding-board for a direct appeal to the Italian people to go anti-capitalism, anti-America, anti-British, and pro-Pan-Slavism. Wholly due to the super-blocking tactics by Moscow and her "stooging" satellites, the Peace (?) Conference after more than a fortnight of continuous sessions has remained exasperatingly stalled on the procedural level, and already the necessity for another postponement of UN's General Assembly from Sept. 23 is indicated.

If the childish behavior of M. Molotov, his deputy M. Vishinsky, and White Russian Foreign Minister Kisselev were not so injurious, it would be laugh-provoking. For example, at the end of last week they lengthily argued against the rules which had been actually adopted by the rules committees. An example of M. Molotov's ridiculous forensics was furnished by his objections at the full conference to rules which the rules committee, of which he is a leading member, had adopted the day before, and whose subsequent adoption by the full committee had been taken for granted to be only a matter of formal routine. But he saw fit to reiterate once more his peculiar basic philosophy that "The Soviet delegation cannot agree that the conference should adopt recommendations by a majority of one vote." Therefore the Soviet delegation considers the rule which had been adopted by the Rules Commission an error, and insists on a revision of this erroneous report."

Then on Saturday they wrangled two hours over the agenda for the meeting that was actually going on. Then M. Vishinsky questioned M. Bidault's conduct as Chairman. Then the Russians and

(Continued on page 913)

INDEX

Articles and News — Page

Keynes' Posthumous Message—Philip Cortney — Cover
Main Street Says—Dale Kramer — Cover
The Balance Sheet of Liberalism—Senator Mead — Cover
Confusion in International Affairs—Senator Capper — Cover
New Exchange Rates—First Task of International Monetary Fund—Max Wasserman — 873
U. S. Int'l Commitments May Lead to Disaster—Congressman Crawford — 879
The Business Man's Role in Directing Our Economic Future—Benjamin Graham — 880
The Coming Rise in Bank Stocks—Louis Stone — 880
Barter and Bulk Buying—Paul Einzig — 881
Differential Wage Rates Lead to Statism—Professor Rogers Fairchild — 883
Co-Trusteeships Objectionable?—L. B. Staver — 883
Exercising Trustees Discretionary Power—Leo Steinhardt — 883
Market Background Likely to Produce New Vigor—G. Y. Billard — 884
Higher Profit Margins Forecast Larger Dividends—Edson B. Gould — 884
Looking Ahead for the Railroads—Clark Hungerford — 885
Demoralization in the Commerce Department—Herbert Bratter — 886
Observations on World Outlook—Herbert Hoover — 889
Atomic Power—It Must Be Controlled—Senator McMahon — 890
"Economic Fumbling" in Tale of Jackson's Attack on Bank of U. S.—Bray Hammond — 890

* * * *

Permissive Incorporation Issue Potent Subject Among NYSE Firms — 879
652 Employees of NYSE Authorize Strike Vote, Says Union — 881
Production Record Since V-J Day—John Steelman — 881
Urges That Business Explain Reasons for Price Increases—William K. Jackson — 882
As CIO Views Price Rises — 882
Quick Action, No Red Tap, in Making Price Adjustments—Paul Porter — 882
Dr. Anderson Is Connell Professor of Banking at California University — 883
Justice Dept. Reported Speeding Plans for Investigation of Underwriting Houses — 883
International "Ever-Normal" Granary Approved—Wallace — 888
More Restrictions on Instalment Credit — 891
Ohio Ends Controversy With New York Curb Exchange — 892
Foresees 20% Income Tax Cut in GOP Victory — 893
Says Gold and Silver Cost Government Nothing — 893
Opposition to Congressional Reorganization Still Smoulders — 893
Freight Car Shortage—J. J. Pelley — 894
Truman Kills Railroad Reorganization Bill — 895
Free Market for Crude Rubber Advocated—John Collyer — 932

Regular Features

Bank and Insurance Stocks — 890
Canadian Securities — 898
Dealer-Broker Investment Recommendations — 886
Mutual Funds — 902
NSTA Notes — 887
New Security Issues Calendar — 925
Observations—A. Wilfred May — 878
Our Reporter on Governments — 909
Our Reporter's Report — 931
Public Utility Securities — 885
Railroad Securities — 894
Real Estate Securities — 892
Securities Salesman's Corner — 904
Securities Now in Registration — 922
Tomorrow's Markets (Walter Whyte Says) — 921

Published Twice Weekly

The COMMERCIAL and FINANCIAL CHRONICLE

Reg. U. S. Patent Office

WILLIAM B. DANA COMPANY, Publishers
25 Park Place, New York 8, N. Y.
REctor 2-9570 to 9576

HERBERT D. SEIBERT, Editor & Publisher
WILLIAM DANA SEIBERT, President
WILLIAM D. RIGGS, Business Manager

Thursday, August 15, 1946

Every Thursday (general news and advertising issue) and every Monday (complete statistical issue—market quotation records, corporation news, bank clearings, state and city news, etc.)

Other Offices: 135 S. La Salle St., Chicago 3, Ill. (Telephone: State 0613); 1 Drapers' Gardens, London, E. C., England, c/o Edwards & Smith.

Reentered as second-class matter February 25, 1942, at the post office at New York, N. Y., under the Act of March 3, 1879.

Subscription Rates

Subscriptions in United States and Possessions, $26.00 per year; in Dominion of Canada, $29.00 per year; South and Central America, Spain, Mexico and Cuba, $29.50 per year; Great Britain, Continental Europe (except Spain), Asia, Australia and Africa, $31.00 per year.

Other Publications

Bank and Quotation Record—Monthly, $25.00 per year.

Monthly Earnings Record — Monthly, $25.00 per year.

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

U. S. International Commitments May Lead to Disaster

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

Representative Crawford, in reviewing inflation and poverty abroad, warns against tremendous burden of our international financial commitments. Cites oppressive policies followed in foreign lands that exploit and improverish people and holds we are asked to bear burden of these policies. Contends "to claim U. S. is arsenal of Democracy with respect to human beings and blood, dollars and materials is to overlook that God imposes on other peoples the same responsibilities imposed on us." Holds no nation strong enough to solve economic problems of all peoples, and warns unless National debt is properly managed, we also will have disastrous inflation.

If anyone has a doubt in their mind about how fast the peoples' buying power, in the form of their national currency, can depreciate, a trip around the world will thoroughly demonstrate what can happen. During the past 45 days I travelled 35,000 miles, visited with leaders in banking, finance, politics and military administration in 28 countries and had a chance to observe conditions in four additional areas. I brought back to the United States with me samples of currencies issued by many of these countries. These currencies only a few years ago ranked high in the trade channels of the world. But due primarily to too much government and too bad fiscal policies on the part of the popular administrations in power since that date, national debts have been monetized, printing press money has been resorted to, and in a number of instances the military forces of the United States have released in those countries such fantastic sums of American dollars that today the buying power of local currencies is nearing the bottom

F. L. Crawford

(Continued on page 912)

Permissive Incorporation Issue Potent Subject Among NYSE Firms

The proponents of Incorporation are enthusiastic over the whole proposition, but the opposition is strong. The Board of Governors of the Exchange will decide on September 12 whether to refer the question to the membership for a vote. The views of seven brokers are given below. The "Chronicle" will be glad to print the comments of other members of the Exchange, or of the partners with whom they are associated, on the subject.

Opinion is crystallizing fast among the member firms of the New York Stock Exchange on the issue of "permissive incorporation." While the proponents of incorporation are enthusiastic over the whole proposition, the opposition does seem strong indeed. The Board of Governors of the Exchange will decide on September 12 whether to refer the question to the membership for a vote and the next few weeks are likely to see the lines between the antagonists drawn even more sharply.

As evidenced from the expressions of the brokers themselves, both sides have marshalled potent arguments to bolster up their positions. Some of these thoughts are printed below. The "Chronicle" will be glad to print the views of other members of the Exchange and of the non-member partners with whom they are associ-

(Continued on page 917)

The Businessman's Role in Directing Our Economic Future

By BENJAMIN GRAHAM

In extremely complex control of our economic future, Mr. Graham cites mass unemployment during peacetime prosperity as chief complicating factor. Asserts such unemployment has originated not from slackening of National growth, but from expansion of working force relative to weighted population, and from long-term tendency of productivity to grow faster than per capita income. Declares American businessman must realize peacetime full employment will require practical and open-minded experimentation with new techniques; possibly including (1) continuing adjustment of basic work hours; (2) stockpiling primary commodities to stabilize price level; (3) broad public works development; and (4) dropping older people and married women from working force.

The central fact about the control of our economic future is that it will prove a complex rather than a simple task. Everyone wants to lead it in the direction of sustained high-level employment, free from serious cyclical depressions. Many economists suggest that this goal can be achieved rather readily by the application of policies which they recommend. Unfortunately, the measures advocated by one set of economists are often in direct conflict with those advanced by another set. This circumstance suggests that the problem is too generally viewed in a superficial and oversimplified manner; and that the diversity of prescriptions may grow out of the arbitrary selection of one rather than another of the surface aspects of our economy.

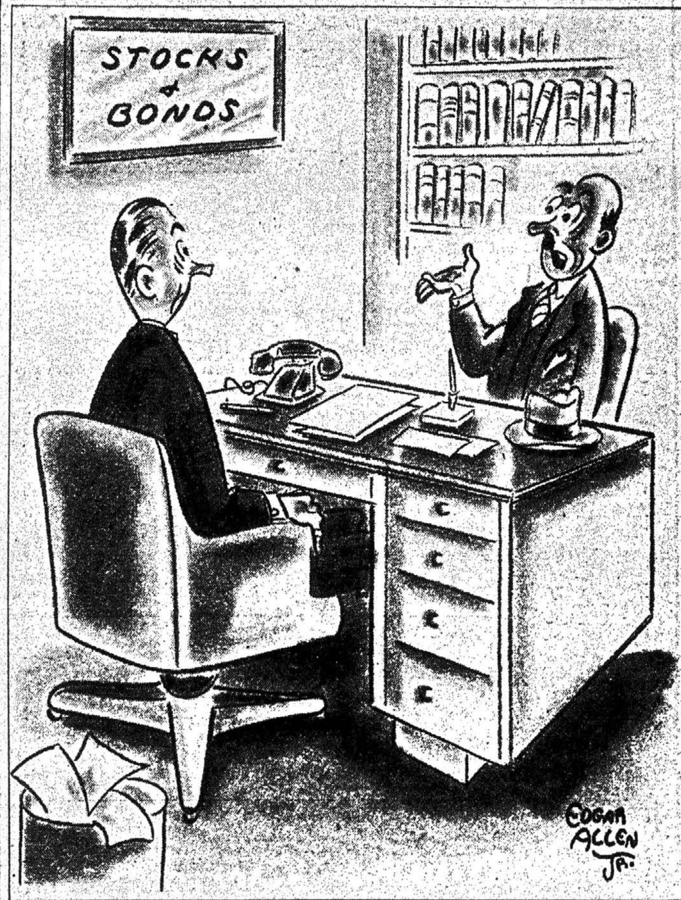

Benjamin Graham

A large sector of American business can still claim that encouragement of the enterprise incentive will by itself be sufficient to bring us sustained prosperity. Hence they call for "an atmosphere of confidence, sound money, a balanced budget, a stoppage of anti-business policies by Government"—and affirm that such "a revitalization of the profit motive" will solve the problem of unemployment. Labor leaders and their economists have a quite different but even simpler philosophy: What is needed, say they, is higher wages to create mass purchasing power and mass markets sufficient to absorb our productive capacity. The prescription of many of the so-called academic economists is again different and again simple: If Government will spend money to the extent required to make up deficiencies of consumer and busi-

(Note: Quoted matter from address of Murray Shields, Economist of the Bank of the Manhattan Co., of N. Y., published in the Chronicle 6/19/46, p. 3405.)

(Continued on page 900)

BUSINESS BUZZ



"Do You Have Something That John L. Lewis Couldn't Kick Around?"

The Coming Rise In Bank Stocks

By LOUIS STONE

Securities analyst demonstrates recent growth of banks' operating earnings, particularly from commercial loans. Predicts that assets and earnings will enjoy further large expansion, resulting from private rather than public financing.

Recent strength in the market for New York City bank stocks, in contrast to the generally poor action of the industrial averages, again calls attention to the overall banking situation, and to the relatively attractive prospects for leading bank shares. First-half earnings of the New York City banks, which are summarized in the table below, indicated an average 8.1% increase in net operating earnings, and there is good reason to believe that this rate of increase will rise substantially as the rise in expenses levels off and a greater proportion of the continuing improvement in gross is carried through to net. The 22½% increase in income from loans is of particular interest, since it marks the beginning of a trend which should carry bank earnings considerably higher in the course of the present cycle.


Louis Stone

Throughout the war period, the total of commercial loans remained practically unchanged at a level averaging only about $6 billion (commercial, industrial and agricultural loans of reporting Federal Reserve member banks). Since the end of the war, there has been a continuing and steady increase in the total to a present level of about $7,700 million, with the contra-seasonal increase in the first quarter of this year particularly impressive. Assuming that post-war business goes ahead with its present expansion plans, the loan total will continue to rise through the course of the cycle until the average bank's loan portfolio is at least double the present level. An increase of these proportions may strike some practical bankers as beyond reasonable expectation; it appears fairly obvious, however, that production in this country cannot achieve the dollar volume

(Continued on page 909)

652 Employees of Stock Exchange Authorize Strike, Says Union

Work of Exchange goes on, however, and Emil Schram, President of Exchange, promises in event of a real strike work of Exchange will similarly go on. Walkout had air of "show of strength" demonstrations with which CIO usually accompanied their initial efforts at collective bargaining in major industries in recent months. Union is having difficulty winning recognition from Harris Upham & Co. and one thought is union staged walkout to get Exchange to convince Harris, Upham & Co. it should do business with it.


Emil Schram

Union employees of the New York Stock Exchange left their jobs for a few hours yesterday morning to take a strike vote, but the work of the Exchange went on nevertheless. Supervisory personnel filled in the vacancies. It is true that the entire amchinery of the Exchange slowed down somewhat and even bogged down seriously in some departments, notably the Stock Clearing Corp. and the quotation, which are specialized functions, but the volume of trading during these troubled hours totaled 250,000 shares.

The union announced after the balloting, which was conducted at Oscar's Restaurant in the heart of the financial district, that its members had voted 652 to 5 in favor of calling a strike should the officers of the union believe such a step necessary as a corollary to negotiations for a new contract which will probably get under way in earnest in about a month. The contract which the union has with the Exchange expires on October 15 and there is a provision in the contract which calls for the opening of negotiations looking toward a new contract 30 days before the expiration date.

Emil Schram, President of the Exchange, said that the Exchange would remain open for business regardless of whether a real strike is actually called or not. The Stock Exchange isn't going to let a strike interfere with its functions. There was a time during the war when even the President thought the Exchange might have to close, he revealed, but it didn't.

Usually a union doesn't talk strike — much less vote on one — before opening negotiations with an employer. The strike weapon is generally the last instrument to be used in obtaining a contract. The United Financial Employees,

(Continued on page 918)

Granbery, Marache Open Phila. Office

PHILADELPHIA, PA.—Granbery, Marache & Lord, members of the New York Stock Exchange, announce the opening of a sales office at 1700 Walnut Street. The office will be under the management of Richard L. Weidenbacher.

Blair & Co. Adds Frank Lynch to Staff

Frank Lynch, formerly with Mellon Securities Corporation, has become associated with Blair & Co., Inc., 44 Wall Street, New York City, in their municipal bond department.

E. F. Gillespie Moving To Larger Quarters

E. F. Gillespie & Co., Inc., will move to larger quarters at 37 Wall Street on Aug. 16 in order to provide for expanding business and a substantial increase in personnel. Kenneth M. Smith, Vice-President and Syndicate Manager, stated that his firm was engaged in consummation of a number of new deals to be brought out in the fall.

Production Record Since V-J Day

John R. Steelman, recently appointed Director of War Mobilization and Reconversion, gives out optimistic statement of economic developments in past year. Holds inflation is greatest menace and reaffirms President Truman's policy of economy in public spending.

John R. Steelman, Director of Reconversion, and a close adviser of President Truman, on Aug. 13 issued the following Victory Day statement in which he outlined reconversion accomplishments and pointed out proposed future aims:


John R. Steelman

The text of the statement follows:

One year ago today Japan capitulated, and this Nation faced the task of redirecting the world's greatest industrial machine from war to peace. On this Victory Day, set aside by the President as a day of solemn commemoration, prayer, and high resolve, it is fitting that we pause to evaluate calmly and soberly the record we have made and the prospect before us.

On Aug. 15, 1945, the Director of War Mobilization and Reconversion stated our four major economic objectives:

"(1) Jobs for all those willing and able to work.

"(2) A steadily rising standard of living.

"(3) Stabilization of our economy to avoid disastrous inflation or deflation.

"(4) Increased opportunities for farmers and businessmen."

Here is the record of the progress we have made toward reaching those objectives in the 12 months since Japan surrendered:

(1) We have reached substantially full employment, and have created nearly five million new jobs in the process, in addition to two million which may be attributed to the normal seasonal increase. Civilian employment totals 58.1 million today as against

(Continued on page 915)

Barter and Bulk Buying

By PAUL EINZIG

London observer notes that resort of U. S. to bulk buying abroad represents an abandonment of multilateral free trade principle. Says British opinion is becoming conscious of trade discriminating practices by this country and points to Export-Import Bank terms in granting loans and to adverse trade effects of rising U. S. prices. Sees probability that Britain at forthcoming International Trade Conference will defend multilateral private trading against American policy of discrimination.


Paul Einzig

LONDON, ENG.—The report that the United States Government has decided to continue bulk purchases abroad aroused much comment in London. Those who are against a return to multilateral free trade quote it as evidence that even the United States does not seriously contemplate the abandonment of wartime devices with the aid of which foreign trade is diverted into "artificial" channels. British free traders, on the other hand, regard the American decision as a warning that unless Britain relinquishes the artificial methods fairly soon it may prove to be too late, for Isolationists in the United States may gain the upper hand.

In many quarters the announcement by the Department of Commerce that foreign buying on a

(Continued on page 913)

Quick Action, No Red Tape, to Govern OPA Price Adjustments

Price Administrator Porter assures industry OPA will carry out intent of Congress and will make on its own accord price adjustments. Sets up new supplementary price standards and says aim is increased production.

On Aug. 12, OPA Administrator, Paul A. Porter issues the following statement:

Paul Porter

Reports have been circulating in business circles and even in the press that the Office of Price Administration will prevent adjustments by requiring industry to jump through hoops of red tape. The time has arrived when such stories must be vigorously denied and the facts presented.

These misunderstandings may have arisen partly because we opposed some amendments to the Price Control Act under which we are now operating while the matter was up for debate. However, the Bill is now on the statute books. The decision has been made. We accept it.

The OPA is determined to follow both the letter and the spirit of the law. This agency has now settled down and is going full-steam-ahead to carry out the provisions of the Act. Our price people have been given orders to use every means possible to expedite the granting of legal price adjustments. If production is slowed up, it will certainly not be the fault of the OPA. We will grant all price increases called for by the law. We will withhold those which cannot be clearly justified under the standards set up according to the law.

We subscribe fully to Congress' statement in the preamble of the Price Control Act that "adequate prices are necessary stimulants to production," and also to the statement that we need price control "for the prevention of inflation and for the achievement of a reasonable stability in the general level of prices and rents, cost of living and costs of production."

The OPA will continue of its own accord to make prompt price adjustments under the general earnings standards which are still authorized under the law. This means, for instance, that when an industry's earnings fall below the minimum set forth in the law (normal peacetime earnings of an industry) price increases will be allowed. OPA will also remove price controls from non-agricultural commodities which are not important to business or living

(Continued on page 915)

Urges That Business Explain the Reasons For Price Increases

William K. Jackson, President of U. S. Chamber of Commerce, asserts it is inevitable that prices should go up when costs go up, and that business owes it to public to explain causes behind increased living costs. Expresses confidence in Decontrol Board.

Unless business gives to the public a clear explanation of the causes of inescapable price increases, it will be wrongly blamed for higher living costs brought on by a multitude of factors beyond its control, William K. Jackson, President of the Chamber of Commerce of the United States, said in a current statement.

William K. Jackson

"Business as a whole," said Mr. Jackson, "is to be commended for the restraint shown when price controls were dropped on June 30. As decontrols take place under operation of the newly created Price Decontrol Board producers and distributors should continue this policy in the public interest.

"If the Board takes the view that the time has come to end progressively these controls, which were imposed solely for the purpose of winning the war, OPA's renewed lease on life may foretell a period of helpful decontrol, rather than a continuance of restrictions that have hampered the processes of reconversion.

"The Decontrol Board will serve the public well if it will adopt a policy of ending controls as rapidly as circumstances permit. With the setting up of the Board, business can take a more hopeful look at the immediate future. The Board has the opportunity of ironing out many of the inequalities and distortions that afflict our economy following nearly four years of war.

"Overall price rises that fol-

(Continued on page 920)

OPA Should Be Abolished

By HON. ALEXANDER WILEY*
U. S. Senator from Wisconsin

Republican Senator, asserting that restoration of OPA has revived Gestapo tactics and is being used as political football by New Deal Administration, calls for its complete abolition by new Congress. Cites OPA maladministration of leather industry and proposes a special investigation to review OPA's record during war and postwar years.

Although it is only two weeks since the restoration of OPA, it is apparent that the chaos in industry, the revival of OPA Gestapo tactics, the OPA's ignoring of Congress' directives which the opponents of OPA predicted, have now unfortunately come to pass.

Alexander Wiley

The case for the outright abolition of this Agency at the convening of the 80th Congress has been proven once more. But the damage that OPA will do to our country between now and then is incalculably great.

Only the primary and election victories of conservative candidates can help put fear into OPA's heart and to reduce the damage that it will do. The American people can and should show at the polls that they will not be fooled via the OPA subsidy route which raids the Treasury of the taxpayers' money.

Based upon OPA's record in these last 14 days, I make these charges against this Agency:

(1) It is being used now more than ever as a political football by the New Deal Administration in this election year to punish and to regiment business, in order to placate the PAC Collectivists, in order to hold prices below their natural levels, which will give business a fair return on its investment. The unholy alliance of the present Administration with the PAC and the corrupt city machines is seen in the Missouri

(Continued on page 917)

*Statement made by Senator Wiley on Aug. 8, 1946.

As CIO Views Price Rises

July issue of "Economic Outlook" published by CIO's Department of Education and Research holds that a 20% rise in living costs would equal a 17c. hourly drop in wages. Denies increased production is "the sovereign cure for inflation" and holds accumulated savings will not maintain purchasing power. Calls for consumer resistance to curb inflation and predicts that by saving their dollars now, consumers will get more for their money later.

The following article is taken from the July issue of the CIO's "Economic Outlook":

Midway of the fourth week after suspension of OPA, Congress enacted a new law. It is designed to exempt many items from price control and to raise prices of those that remain under control. It carries assurance of profits to manufacturers and dealers well above normal peacetime levels. Only rent control is continued on the same basis as before July 1.

Price control of basic foods will not be restored before Aug. 20, and may not be restored then. A new Decontrol Board and the Secretary of Agriculture will make that decision. Food subsidies are severely reduced.

OPA becomes a subordinate agency under the new law. Its appropriation is cut in half. Food price control passes to the Secretary of Agriculture. The Decontrol Board, with final power to remove or retain price ceilings, may be expected to determine what kind of price control shall be exercised over those items on which ceilings remain.

The intent of Congress is clear. This is a law to slow down inflation, not to prevent it. Some of the inflationary drive will be restrained, but that which remains will have official sanction of government.

Authority to put ceilings on wage increases is continued by this law which makes a mockery of price control. Congress, however, prescribed no formula for wages, leaving this for the President to determine by executive order.

Outcome of this crisis furnishes

(Continued on page 910)

Co-Trusteeships Objectionable?

By L. B. STAVER*

Trust Officer, United States National Bank
Portland, Ore.

Noting the usual objections to co-trusteeships by trust officers, Mr. Staver points out motives of trustors in providing co-trustees or mandatory consultants are not antagonistic and may be of assistance. Describes these co-trusteeships as (1) "Special Appointment"; (2) "Family Appointment"; (3) "Censor Appointment"; and (4) "Bargain Price Appointment." States objectives as (1) concern about trustee's liability; (2) inadequate trustee's compensation; and (3) inefficiency and costliness in administration. Urges trust companies to consult with trustees regarding workability of trust provisions.

If trust men have any faults, jumping at conclusions is certainly not one of them. Nothing could be better evidence of this than the fact that we voluntarily take the time to arrive at an unprejudiced answer to a question on most of us already have very definite convictions.

L. B. Staver

This is a scientific age. The atom bomb—radar—D.D.T.—Penicillin, and other like marvels have made the world conscious of the unbelievable achievements of our chemists and scientists. It seemed to me that it would be interesting to borrow something from their methods, and to approach our problem as they might do.

I propose, then, with your help, to perform an experiment here before you. I want you to visualize here on the table a pair of balance scales; then, I will attempt to make a chemical analysis of the elements of joint control trusts and to assemble them, both favorable and unfavorable, in separate little piles on the table.

(Continued on page 906)

*An address by Mr. Staver before the Pacific Coast Trust Conference, Los Angeles, Cal., Aug. 7, 1946.

Exercising Trustees Discretionary Powers

By LEO A. STEINHARDT*

President, International Trust Co., Denver, Colo.

Commenting on growing tendency to give broader discretionary trust powers, Mr. Steinhardt notes disfavor by some trust institutions to assume the greater responsibilities it imposes. Holds duty of banks and other trust organizations is to maintain expert staffs required by grants of discretionary powers. Sees increased confidence of public in trust companies and, since no trustee has foresight and judgment to forecast correctly future conditions affecting beneficiaries, holds a discretionary arrangement provides flexibility, adaptability and practicability.

The subject of this paper might logically be approached from two angles, viz.: (1) the legal standpoint, or (2) the business standpoint, and the paper will deal with the subject only from the business angle in that the legal factors are primarily those of draftsmanship.

It has been my experience that in the past trust institutions have been too lax in accepting trust business under instruments the terms of which were inadequate, poorly drawn, or too restricted although I do think that there has been substantial improvement along these lines in recent years and that more and more trust institutions are giving careful and special attention to the terms of the instruments under which they to act prior to time that they

(Continued on page 908)

*An address by Mr. Steinhardt before the Pacific Coast Trust Conference, Los Angeles, Calif., Aug. 7, 1946.

Dr. Anderson Is Connell Professor of Banking At California University

Nationally famous authority on money and banking expresses gratification at appointment and sees increased recognition of importance of teaching banking theory and practice.

Dr. Benjamin M. Anderson, Professor of Economics on the Los Angeles campus of the University of California and nationally-famous authority on banking, has been appointed to the newly-created Connell Professorship of Banking, it was announced by President Robert Gordon Sproul.

Benj. Anderson

Dr. Anderson was instructor in economics at Columbia University 1911-13, assistant professor of economics at Harvard 1913-18, economist of the National Bank of Commerce in New York 1918-20, economist of the Chase National Bank, New York, 1920-39, and editor and author of the Chase Economic Bulletin. In 1939 he became professor of economics on the Los Angeles campus of the University of California.

"Naturally I am very happy to receive the appointment," Dr. Anderson said. "Aside from the personal satisfaction, however, it is gratifying to see the University of California give increased recognition to the importance of teaching and research in the field of money and banking—a field which I construe broadly as covering both theory and practice, and as covering both public policy and a policy within the individual bank."

The new endowed professorship on the Los Angeles campus was created from the proceeds of a $1,000,000 estate willed the University of California several years ago by the late M. J. Connell, Chairman of the Board of the Citizens Nat'l Bank, Los Angeles.

"We are attempting to use the proceeds from it to carry on and develop the principles of sound banking in which Mr. Connell firmly believed," President Sproul said.

Differential Wage Rates Lead to Statism

By FRED ROGERS FAIRCHILD*

Knox Professor of Economics Emeritus, Yale University

Prominent economist, in attacking the "Ability to Pay" theory as a basis for wages, maintains that the plan would create different wage rates for same kind of labor; would make free markets impossible; would induce labor monopoly; lead to unstable wages, cause dissension in ranks of labor; and would require government adjustment of wages in each plant, and thus destroy a free economy.

Ability-to-Pay Policy Creates Discrimination

The ability-to-pay theory implies that there will be different wage rates for the same kind of labor. Since wage rates are to be based on the profits of particular employers, it follows that those with high profits will be paying higher wages than those whose profits are moderate or who are operating at a loss.

Fred R. Fairchild

This obviously is not the way prices in general are determined in a free economy. In fact it runs counter to the whole concept of the free market. In the normal operation of the free economy, the wage rate is determined by demand and supply in a competitive market, in the same general manner as the prices of other goods and services.

The ability-to-pay theory puts wage rates on a different footing. The employer is expected to pay, not the going rate set by the market, not what the services of labor may be worth to him, but a differential rate based upon his ability to pay.

This is as though the grocer, instead of having a set list of prices for his several products, applicable to all his customers, should undertake to set different prices for each customer based on his respective ability to pay. Butter would sell for 30 cents to Mrs. A., who is in moderate circumstances, 75 cents to well-to-do Mrs. B., and $1 to Mrs. C., whose husband is known to be a man of wealth. The banker would expect a high rate of interest from a wealthy borrower, a low rate from one less well-to-do—a whole scale of interest rates based on the per-

(Continued on pgae 907)

*Reprinted from "Profits and Ability to Pay Wages" by Prof. Fairchild, published by The Foundation for Economic Education, Inc., Irvington-on-Hudson, New York.

Justice Dept. Reported Speeding Plans for Investigation of Underwriting Houses

Has enlarged staff to handle inquiry which has been under way for two years. Not known yet if prosecution under anti-trust laws will develop.

According to a dispatch of the United Press on Aug. 14, the Justice Department has enlarged its staff to speed an investigation of the business practices of New York investment houses to determine whether antitrust laws are being violated.

The inquiry is not recent but has been going on for nearly two years and department officials state it is impossible to say at present whether any criminal or civil prosecutions would be the outcome. They said it might be "many months" before they would know whether violations existed.

According to the dispatch a Department official stated: "The Wall Street bank have been very co-operative in turning over their files to us," one official said. "We had to go before a (federal) grand jury, though, to get access to the files of some of their clients."

The object of the inquiry, it was said, is to determine the extent to which the large investment houses have eliminated competition in the underwriting of security issues.

"If you read the financial advertisements," one official said, "you'll find that the same banks are always handling the security issues. Competing banks can't participate in stock offerings, even though their offers might be more advantageous to the borrower."

Interlocking directorates among the large houses were blamed for eliminating smaller concerns in competing for underwriting.

In this connection it may be recalled that the Temporary National Economic Committee from 1939-40 heard testimony of a Securities and Exchange Commission lawyer that 18 leading New York firms managed 85% of all first-grade issues during an entire five-year period.

Market Background Likely To Produce New Vigor

By G. Y. BILLARD

Investment Research Department, J. R. Williston & Co.

Analyst contends present dullness is more typical of an over-sold than over-bought market, and looks for impending boom in capital goods industries. Blames "boom-bust" theory for cautious sentiment and holds demand for goods is still vastly greater than productive capacity.

Background

Scattered selling depressed stock prices to a minor extent during the past week but failed to bring about any substantial liquidation. To be sure, numerous issues recorded new lows for the year but were offset in goodly measure by those reaching new highs. Further continuation of this pattern appears in nearby prospect, but the effect of cumulative investment demand reflected in those issues scoring advances to new highs will most likely prove more contagious than the isolated speculative selling in new low territory.


Gordon Y. Billard

In short, the market background is one that seems likely to produce ultimately renewed vigor with respect to both price trend and activity.

Meaning of Dullness

Present dullness is more typical of an 'over-sold' than an 'over-bought' market position. This of course is predicated on the assumption that the main trend is upward rather than downward, since the old adage that dullness is always a buying opportunity in a bull market, and a selling opportunity in a bear market—meaning in the one case an 'over-sold' position and in the other case an 'over-bought' position—is as true as it ever was.

By all logic the principal bullish argument of an impending boom in the basic capital goods industries carries vastly greater weight than the valid, though shallow, argument of a dissipating boom in the consumer goods industries. What has been true in the past will be true in the future, namely, that the degree of lasting prosperity in this country will be measured by activity in the building, machinery, automobile, steel, railroad equipment, railroad, and metal industries rather than by feverish activity in the necktie, shirt, suit, shoe, jewelry, sporting goods and other similar industries. The theory of consumer rather than capital goods industries creating a relatively high degree of prosperity, except for periods of short duration, is a myth which was thor-

(Continued on page 899)

Higher Profit Margins Forecast Larger Dividends

By EDSON B. GOULD*

Member, Reserve Staff, Smith, Barney & Co.

Market analyst asserts recent development indicate restoration of manufacturing profit margins, which forecast higher dividend payments. Holds this should contribute to a higher stock market and bring individual stock prices into better balance. Says durable goods stocks are selling below prices justified by earnings potentials.

The big development of the past month was the restoration of unit margins of profit in manufacturing industry to a level that will permit profitable operations and that is an importantly favorable factor in the outlook for business and the stock market over the balance of the year.


Edson B. Gould

Toward the end of the war period unit margins of profit in manufacturing sank to very low levels, a fact which was hidden by the very large volume of business generated by war demands. Had such unit margins continued there would have been no chance of profitable operations on the part of manufacturing industry with a return to a peacetime level of production.

With the end of the war a year ago, however, profit margins began to expand back toward normal proportions as various extraordinary wartime expenditures were eliminated, but this salutary and quite necessary trend was halted abruptly by the wage demands of organized labor. As these demands were granted profit margins again plunged downward and the insistence of the politicians and some labor leaders that higher manufacturing costs resulting from increased wages must not find reflection in higher prices made the outlook for profits extremely dubious at times.

Now with the higher prices that have resulted from inevitable economic pressures, the economy has again achieved a sufficient degree of balance to hold forth the promise of truly profitable operations over the months ahead.

Labor demands have before, could again, and probably will eventually, upset this balance, but with production rising and the more conservative labor leaders laying emphasis on production rather than wages, it looks as though renewed labor difficulties of a major sort may be postponed at least until the early part of next year.

This business and earnings outlook is important to the market because of the effect that it is likely to have on dividend payments. The bull market since 1942 is unusual in that it has proceeded without the benefit of substantial dividend increases that normally accompany a major rise in stock prices. An index of in-

(Continued on page 911)

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

Public Utility Securities

Consolidated Edison Faced with Heavy Charge-off

Consolidated Edison for a year or more has been planning a huge refunding program, which will reduce interest rates on the greater part of its funded debt (excluding the small non-callable issues). Following the bond refunding the 11,477,000 shares of $5 preferred stock will probably be retired at 105 (the fact that the stock is currently quoted at 107½-8 indicates possible delay in accomplishing this part of the program.

There has already been a considerable delay in getting the program started, due in part to the large size of the refunding, but principally due to long-pending regulatory issues now brought to a focus by the refunding proposal. Under the uniform system of accounts prescribed by the Public Service Commission of New York, effective Jan. 1, 1938, approximately $64,000,000 has been written out of plant account, and some subsidiaries, items are being amortized in smaller amounts. Thus, utility plant account is now understood to be stated on the basis of "original cost to the person first devoting it to public service." A substantial part of the adjustment was made in 1945 in connection with the merger of the parent company with two large subsidiaries (merger of the three remaining subsidiaries was not allowed by the Commission).

However, the Edison balance sheet still did not conform to the best accounting standards as interpreted by the New York Public Service Commission. The Edison management prior to 1938 used the so-called "retirement" method of depreciation accounting, the amount of the reserve being largely dependent on the judgment of the management. The company was then opposed to "reserves for depreciation," but since 1938 has obeyed the orders of the Commission with respect to regular depreciation accruals. These accruals have been substantially larger than the retirement reserve provisions setup prior to 1938. Thus the accumulated reserve has been increasing as a result of the new method (in 1945 the consolidated reserve gained nearly $16,000,000 despite a drop in plant account of about $90,000,000). If this rate of increase were to continue for a few years, the reserve might eventually be large enough to satisfy the State Commission — in other words, it would measure the amount which would have accumulated if Consolidated Edison and its subsidiaries had followed depreciation accountnig prior to 1938. However, the Commission prefers to have the adjustment made out of past earnings (earned surplus), rather than out of current and future earnings.

While there may be some doubt regarding the Commission's legal power to force balance sheet readjustments of such a sweeping character, the member and refunding programs placed the Commission in a strong bargaining position to obtain concessions from the company with respect to such adjustments. At a hearing on July 3, 1946, the President of Consolidated Edison conceded that there was a difference between the company and the Commission as to the size of the reserve, and stated that the System had initiated a general investigation of the various factors which should determine the proper amount of the depreciation reserve. He also indicated that the company would set up a special surplus item to provide for the ultimate adjustment in the reserve.

At a hearing on Aug. 1, the consulting engineer for the Public Service Commission (Mr. George E. Goldthwaite) testified that he had made tentative estimates of accrued depreciation which indicated shortages for the Consolidated Company aggregating about $185,000,000. He also held that there were other questionable items such as the book cost of the East River Generating Station and of investments in subsidiary companies, and estimated that these items were overstated by about $27,000,000. In addition, the Commission took into account premiums and expenses in connection with the refunding program, so that the aggregate total of all these adjustments would approximate $238,800,000 (earned surplus currently amounts to only about $87,800,000). While the company has not accepted this estimate the management has under consideration the calling of a special meeting of stockholders to approve the reduction of capital account by approximately $160,000,000. In other words, earned surplus would be written off and the value as-

(Continued on page 893)

Looking Ahead for the Railroads

By CLARK HUNGERFORD*
Vice-President, Operations and Maintenance Dept.
Association of American Railroads

Railroads' expert on physical equipment, after recounting performance of carriers during war, calls attention to problems of rehabilitation and maintenance. Says price rises will increase annual operating costs by half billion, on 1939 basis, and higher labor and materials expenses will tax ingenuity of railroad managers. Sees serious freight car shortage despite reduced traffic and concludes, at present "the view is not too encouraging."

As a member of the railroad industry which is most appreciative of the generous and effective work rendered by the Purchases and Stores Division and as a representative of the Operations and Maintenance Department of the Association of American Railroads, I would like to take this opportunity to express to you my appreciation for the privilege of participating in your program. While I am not here to talk about the past of the railroads, their contribution toward the building of this nation or even their part in the war just closed, a glance backward may be helpful in obtaining a clearer perspective of our railroad situation today.


Clark Hungerford

Just a few years ago, there were a good many people who seemed to have the idea that in the future of America there was no large place for the railroads. Newer forms of transport were absorbing popular interest. The airway, the highway and the waterway were receiving public acclaim and assistance. Then came the test of the second World War and the realization that, despite all that had been done by other forms of transportation, and all their fine services there was nothing which could do for this country what its railroads can.

As the transportation load increased, more and more of it was carried by the railroads. The nation rediscovered the vital importance of its railroads. Never, in any former conflict, was rail transportation more essential. Rail service established records never before known and then proceeded immediately to break those records. Passenger miles and ton miles reached unheard of figures. Nine-tenths of all military and war freight and 97% of all organized military travel moved by rail.

Such records were made possible by the close coordination of the railroads on the one hand and the fine cooperation of the shippers and receivers of freight on the other. It was through the combined efforts of all that your railroads were also to do the job this country called on them to do. That it was well done, the record speaks for itself, a record in which all can justly take pride and an achievement that immeasurably hastened the day of victory.

Such a victory is not without its price. In men and material—in cars and locomotives—in tracks and equipment, service miles and service life were run out of the plant with little or no chance for replacement or rehabilitation. Scarcities in the labor and material supply prevented the rebuilding and renewals so urgently needed to keep the transportation machine at its maximum capacity. Thus, the war years took their toll, depleting service capacity faster than it could be replaced or built back.

Problem of Modernization

With the end of the war, it was felt that a return to peacetime traffic would make it possible for the roads, within a reasonable time, to modernize their traffic handling plant either by making heavy repairs to existing equipment or replacing that which had become obsolete or worn out.

Subsequent events, however, portrayed an entirely different picture from the view held at the time of the Japanese surrender. Strikes in major industries tied up one plant after another that could have produced materials or new equipment for the railroads. Wage increases in the railroad and supplying industries increased railroad operating expenses to such an extent that the margin of profit which might assure the

(Continued on page 921)

*An address by Mr. Hungerford before the annual meeting of the Purchases and Stores Division, Association of American Railroads, Chicago, Aug. 8, 1946.

Dealer-Broker Investment Recommendations and Literature

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

Auto Stock Review and Forecast—Summer issue—includes a discussion of the Ford program to gain ground in the industry—Watling, Lerchen & Co., Ford Building, Detroit 26, Mich.

Geared to the News—Brochure of comment and review containing brief analyses of Rhinelander Paper Co.; Cleveland Worsted Mills; Gisholt Machine Co.; Northwest Engineering Co.; Plymouth Cordage Co.; La Plant-Choate Mfg. Co.; Mohawk Rubber Co.; Oneida, Ltd.; Nathan Straus-Duparquet; MacFadden Publications, Inc.—Strauss Bros., 32 Broadway, New York 4, N. Y.

Household Furnishings—Study of favorable earnings outlook—Ira Haupt & Co., 111 Broadway, New York 6, N. Y.

Quarterly Canadian Review—Summary and review—Dominion Securities Corporation, 40 Exchange Place, New York 5, N. Y.

Reorganization Rail Bulletin—Current developments in several situations—H. Hentz & Co., 60 Beaver Street, New York 4, N. Y.

Also available is a detailed study of **Chicago, Rock Island & Pacific.**

Steel Industry—Study of outlook for activity in the industry—in the "Fortnightly Market and Business Survey"—E. F. Hutton & Co., 61 Broadway, New York 6, N. Y.

American Power & Light Co.—Special report—Cohu & Torrey, 1 Wall Street, New York 5, N. Y.

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

Argo Oil Corp.—Descriptive circular—Seligman, Lubetkin & Co., Inc., 41 Broad Street, New York 4, N. Y.

Also available are circulars on **Tennessee Products, Temple Coal,** and **Wellman Engineering.**

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.**

Avondale Mills—Report—Luckhurst & Company, 40 Exchange Place, New York 5, N. Y.

California Consumers Corporation—Detailed report—J. S. Strauss & Co., 155 Montgomery Street, San Francisco 4, Calif.

Also available is a study of **Iowa Southern Utilities Company.**

Central Public Utility—Discussion—circular C1—Fred W. Fairman & Co., 208 South La Salle Street, Chicago 4, Ill.

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.

Chicago, Rock Island & Pacific Railway—Circular—Bendix, Luitweiler & Co., 52 Wall Street, New York 5, N. Y.

Consolidated Engineering Corporation—Study of leading manufacturer of mass spectrometer—Maxwell, Marshall & Co., 647 South Spring Street, Los Angeles 14, Calif.

Detroit International Bridge Company—Recent study—F. J. Young & Co., Inc., 52 Wall Street, New York 5, N. Y.

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.

Also available is an analysis of **Boston Wharf** and Purolator Products.

Eastern Corporation—Memorandum—Buckley Brothers, 1420 Walnut Street, Philadelphia 2, Pa.

Also available are circulars on **Standard Stoker** and **Western Light & Telephone.**

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

Kendall Company—Circular—Adams & Peck, 63 Wall Street, New York 5, N. Y.

Long-Bell Lumber Co.—New revised brochure—Comstock & Co., 231 South La Salle Street, Chicago 4, Ill.

Macon, Dublin & Savanna Railroad Co. — Memorandum on 1st mortgage 5s due Jan. 1, 1947 in the current issue of **"Railroad and Other Quotations"**—B. W. Pizzini & Co., 25 Broad Street, New York 4, N. Y.

Magor Car Corporation — Detailed circular for investment dealers on quality railroad equipment issue—ask for circular CC—Blair F. Claybaugh & Co., 52 Wall Street, New York 5, N. Y.

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

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

Also available is a detailed analysis of **Hydraulic Press Mfg. Co.**

Munising Paper Co.—Detailed study of situation—Sills, Minton & Co., 209 South La Salle Street, Chicago 4, Ill.

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

National Terminals Corporation—Late memorandum for dealers only—Adams & Co., 231 South La Salle Street, Chicago 4, Ill.

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.**

Northwestern Yeast Company—Memorandum—Adams & Co., 231 South La Salle Street, Chicago 4, Ill.

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

Pennsylvania Railroad—Analytical study—Hirsch & Co., 25 Broad Street, New York 4, N. Y.

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

Red Rock Bottling Co. of Cleveland—Memorandum—Frank C. Moore & Co., 42 Broadway, New York 4, N. Y.

Reeves Brothers, Inc.—Analysis—New York Hanseatic Corporation, 120 Broadway, New York 5, N. Y.

Also available is an analysis of **Marathon Corporation.**

Rockwell Manufacturing Co.—Analysis—Steiner, Rouse & Co., 25 Broad Street, New York 4, N. Y.

Seaboard Finance Company—Comprehensive analysis—Kaiser & Co., Russ Building, San Francisco 4, Calif.

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.

Showers Brothers Co.—Analysis—Caswell & Co., 120 South La Salle Street, Chicago 3, Ill.

Soya Corporation of America—Analysis—Peter Morgan & Co., 31 Nassau Street, New York 5, N. Y.

Syracuse Transit Corporation—Study of situation and outlook—J. V. Manganaro Co., 50 Broad Street, New York 4, N. Y.

Transamerica Corporation — Memorandum and analysis—First California Company, Inc., 300 Montgomery Street, San Francisco 20, Calif.

Demoralization in the Commerce Department

By HERBERT M. BRATTER

Washington observer cites Secretary Wallace's high hopes in expanding operations of the Department of Commerce and his efforts for its reorganization. Contends plans have been largely frustrated and that adjustments have created difficulties and lowered staff morale. Gives cases of public relations difficulties which resulted is widespread criticism of statistical and other statements emanating from the Department. Says purpose of Wallace in accepting secretaryship was to prevent a depression and therefore he has appointed new special advisors on whom he heavily relies. Points out interdepartmental conflicts.

Although Henry Wallace took over the top commercial post in the government in March 1945 with high hopes, from his driver's seat today he attempts to direct an uncoordinated and unhappy team. In the frequent reorganizations which since 1933 have shaken that part of the Department most directly concerned with business — the Bureau of Foreign and Domestic Commerce—morale often has been lowered, but perhaps never as much as today. The fault of the present situation lies with the Secretary and with those with whom he has surrounded himself, namely his program planning staff and his public relations counsellors.

Herbert M. Bratter

In addition to the operating system or lack of system instituted by Mr. Wallace, the Department is suffering from recent transfusion and still incompleted leeching operations resulting from first incorporating in the Bureau of Foreign and Domestic Commerce large numbers of employees from the Congressionally discontinued FEA and SWPC, many of them at high rates of pay, and now accommodating the expanded structure to the cuts which Congress made this summer in the appropriation requests of the Department. In the distribution of discharge notices, it has not always been the newcomers who have suffered.

As a result, Secretary Wallace is regarded by many of his subordinates as the least efficient Secretary of Commerce since Dan Roper. Probably Mr. Wallace, who is a well-meaning and hard-working person, does not hear how unpopular he has become in his Department. Notwithstanding his interest in such activities as the Political Action Committee, his speechmaking across the country, etc., Secretary Wallace reportedly spends more time in the Commerce Department on

(Continued on page 916)

NSTA Notes

NSTA SLATE FOR 1946-1947

The following slate has been presented to the members of the National Security Traders Association by the nominating committee:

President: R. Victor Mosley, Stroud & Co., Inc., Philadelphia.

First Vice-President: Paul Yarrow, Clement, Curtis & Co., Chicago.

Second Vice-President: Paul Moreland, Moreland & Co., Detroit.

Secretary: Edward H. Welch, Sincere & Co., Chicago.

Treasurer: Joseph R. Duffy, Paine, Webber, Jackson & Curtis, Boston.


R. V. Mosley


Paul Yarrow


Paul Moreland


Edward H. Welch

NSTA ADVERTISING YEARBOOK NEWS

Gross advertising for the NSTA Yearbook of the Commercial & Financial Chronicle tops the $33,000 mark and we hope next week to give a complete recap of the business done to date by all the affiliates. Though we have passed the deadline on photographs, Herb Seibert of the "Chronicle" has been keeping his photographers busy by getting in pictures of some of our members, who have been on vacation or perhaps neglectful in their cooperation, to make our picture yearbook a complete photographic membership roster.

For a variety of reasons this has been a bigger job by far than was originally anticipated so if you have not already sent in a photograph of yourself please do your part by sending one now. Mail it direct to the Commercial & Financial Chronicle, 25 Park Place, New York 8, N. Y., **with your name, firm connection and city on the reverse side.**

HAROLD B. SMITH, Chairman
National Advertising Committee
Collin, Norton & Co., New York

A. W. TRYDER, Vice Chairman
National Advertising Committee
W. H. Newbold's Son & Co., Phila.

BOSTON SECURITIES TRADERS ASSOCIATION

Sumner R. Wolley, Coffin & Burr, Inc., has been nominated for President of the Boston Securities Traders Association by the group's nominating committee. Others named on the slate were: Earl F. Bliss, Raymond Bliss, Inc., Vice-President; Corresponding Secretary, T. E. Williams, Hooper, Kimball, Inc.; Recording Secretary, Harry Madary, Geyer & Co.; Treasurer, Arthur E. Engdahl, Goldman, Sachs & Co.; Governors: Alex. W. Moore, J. Arthur Warner & Co.; Dayton P. Haigney, Dayton Haigney & Co.; and Anton E. Homsey, du Pont, Homsey & Co.

Kellogg & Sons Bonds Offered to Public

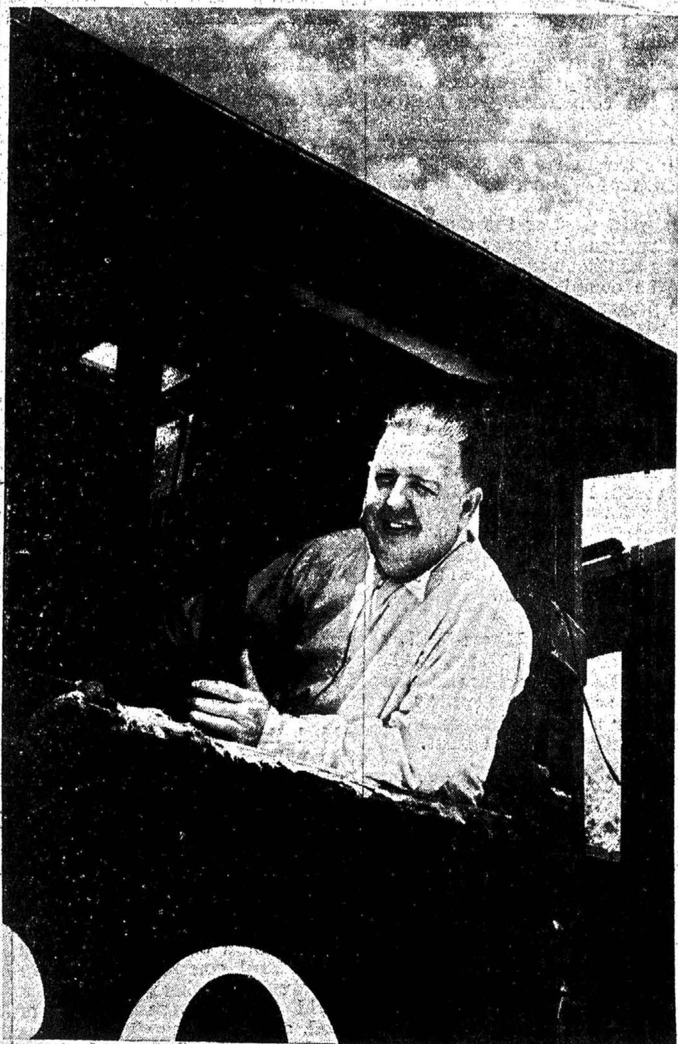
Mohawk Valley Investing Co., Inc., is offering to the public $150,000 of 5% 15-year sinking fund first mortgage bonds of Charles C. Kellogg and Sons Co. The bonds, due July 16, 1961, are priced at 100% and accrued interest.

The net proceeds to be received by the company, together with other corporate funds, will be used for the payment of the company's 10-year sinking fund first and refunding mortgage bonds maturing Jan. 16, 1947 in the principal amount of $137,000 and for payment of an existing first mortgage on the plant property in the principal amount of $26,400.

The bonds may be redeemed in whole or in part on any semi-annual interest date after Jan. 16, 1947 upon 60 days' notice at par plus a premium of 5% and accumulated interest to redemption date. The bonds also are subject to redemption through the sinking fund at par plus accrued interest to date of redemption.

The company is a direct continuation of a lumber business started in Utica in 1827. About 1860 Charles C. Kellogg became a partner in the business and his name has been associated with the concern ever since.

NSTA Secretary Readying for Seattle Trip



Ed Welch, of Sincere & Co., 231 South La Salle Street, Chicago, Secretary of the National Security Traders Association, snapped at Central City, Colo. Central City is the old mining town where once a year the Metropolitan Opera Company presents a three-weeks' season in an old theatre built in the boom days of the 1800's.

Agricultural Dept. Reports Sharp Price Increases

The August issue of the "Agricultural Situation" published by the U. S. Department of Agriculture, reports that prices received by farmers for cotton, grains, meat animals, poultry and eggs, and dairy products increased sharply during the month ended July 15. At the same time, the general level of prices for the things farmers buy also rose.

The level of prices received by farmers, the Department reports, went up nearly 12% from mid-June to mid-July, reaching 244% of the 1909-14 average. The rise, largest on record for any single month, pushed the average of prices received to the highest level on record. However, part of this increase resulted from discontinuance of subsidies on several commodities—notably dairy products—and did not reflect a net increase in receipts to farmers.

Contributing to the increase in average prices received by farmers was a 7½% increase in average crop prices and a 16% average increase in prices of livestock and livestock products. The increase in the latter group was mainly owing to sharp increases in prices for meat animals and dairy products, and to more than seasonal increases in poultry and egg prices. Contributing heavily to the increase in crop prices was a 54-cent rise for corn, a 13-cent rise for wheat, and a 4.85-cent rise for cotton. Crop price increases were general, except for truck crops, fruits, and tobacco.

In the same period, the cost of the things farmers buy (prices paid, interest, and taxes) climbed about 6%, reaching 199% of the 1910-14 average. However, because of the increase in prices received, farmers on July 15 were receiving prices that taken as a whole averaged 123% of parity, compared with 120% a year earlier.

With the lapse of price control, the rise in prices paid by farmers during the month was speeded up. Rural living costs and costs of farm production goods mounted to a new record. Rural retail prices of commodities bought by farmers increased to 209% of the 1910-14 base, up nearly 7% from a month earlier and up 16% from a year earlier. The increase in prices paid in this period was by far the largest in any month of the 24 years of record.

Rural living costs jumped. Foods such as butter, meats, flour, and meal made outstanding gains, as did clothing, furniture and furnishings, and building material for houses. Increases in prices of farm production goods contributed almost as much to the increase in farmers' costs as did advancing costs of living. For production goods the larger upturns were limited to feed and building materials for nonhousing use.

Michigan Brevities

Mercier, McDowell & Dolphyn was in the underwriting group which offered 137,515 shares of Industrial Brownhoist Corp. common stock at $11.75 a share. The offering is in addition to an exchange of 172,201 common to holders of the 1st preferred on a share for share basis. Stock not taken in the conversion was sold to the underwriting group.

* * *

Chas. Parcells & Co. is offering a new issue of 40,000 common shares of Mackworth G. Rees, a Michigan Corp., at $2.50 a share.

* * *

Metropolitan Detroit will be advanced as a world chemical center through a $25,000,000 expansion of Wyandotte Chemicals Corp. Emory M. Ford, President, said part of the downriver construction is under way and hopes additions and enlargements will be completed in 18 months. The program includes a new glycol plant and a synthetic detergent unit.

* * *

Howard P. Parshall, Executive Vice-President and cashier of the Commonwealth Bank, announced that the 21 branches in Detroit and Highland Park will now be open from 10 a.m. to 5 p.m. daily, except Saturdays. This extends the banking facilities for two hours. Other large banks in the area have not as yet taken any action in the extension.

* * *

Directors of Hiram-Walker Gooderham and Worts, Ltd., across the river, will meet at a special session on Sept. 20 to consider a proposal to split the common on a 4 for 1 basis.

* * *

Budd Co. of Detroit has announced the conclusion of its postmerger refinancing program with the sale to Equitable Life Assurance Society of U. S. of $30,000,000 issue of 15-year 3⅝% sinking fund debentures.

* * *

The Detroit Stock Exchange has approved for listing 600,000 shares of $1 par common of Electromaster, Inc. Trading will start around Sept. 1.

* * *

A stock seat sold on the local exchange for $5,000, $500 over the previous sale in June and the highest since 1937 when the price was $6,000.

* * *

Camfield Mfg. Co. of Grand Haven has registered 220,000 shares of $1 par common with the SEC. Underwriters will offer issue at $4.50. Proceeds will go to pay renegotiation refund and working capital.

* * *

The SEC has authorized the Detroit Stock Exchange to extend unlisted trading privileges to

(Continued on page 900)

International "Ever-Normal" Granary Approved

Secretary Wallace announces President's cabinet had indorsed Sir John Orr, Director General of the Food and Agriculture Organization to set up an ever-normal granary to aid farmers throughout the world. Will be considered at World Food Conference in Copenhagen, Sept. 2.

Henry A. Wallace

Secretary of Commerce Henry A. Wallace announced on Aug. 14 that the Cabinet has indorsed the general principle of an international "ever-normal granary," as embodied in the world food plan recently presented by Sir John Orr, Director General of the Food and Agriculture Organization, and added that "some such plan as this will sooner or later have to be adopted or the plight of the farmers of the world will eventually be worse for a time than it was in either 1921 or 1932."

Mr. Wallace made this comment in denying published reports that the cabinet had rejected Sir John's proposal, which in substance would operate to stabilize agricultural commodity prices in the world markets, establish a world food reserve in case of need, and make possible the disposal of surplus farm products on special terms to countries in need of them.

"I have long been in favor of the ever-normal granary plan of buffer stocks," Mr. Wallace said. "In justice both to the farmer and the consumer, I have felt that the internationalization of the ever-normal granary idea is absolutely essential. I believe that our own ever-normal granary program made a great contribution to world welfare during the recent war, and I believe that an extension of this program internationally is necessary for continued world peace and prosperity."

Mr. Wallace pointed out that the Cabinet had before it a report from an inter-agency committee which described in general terms the principles set forth in the Orr plan as the U. S. objective at the forthcoming world food conference in Copenhagen on Sept. 2. He said that the Cabinet accepted this principle without a dissenting voice and that it asked that further study be made of this and of alternative proposals.

With L. W. Hoefinghoff

(Special to THE FINANCIAL CHRONICLE)

CINCINNATI, OHIO — Donald L. Bonhaus has become associated with the sales department of L. W. Hoefinghoff & Co., Inc., Union Central Building.

Connecticut Brevities

The Associated Spring Corporation recently offered to the public 119,690 shares of $10 par common stock at $30 a share. Of this amount 54,690 shares were sold by the company, and 65,000 by six stockholders. Net proceeds from the sale of this stock will be used to finance a proposed addition to the company's plant at Bristol.

The company, which is the successor to The Wallace Barnes Company of Bristol, The William D. Gibson Co. of Chicago, and the Raymond Manufacturing Company of Corry, Pennsylvania, is the largest domestic manufacturer of precision springs for mechanical purposes. The products range in size from fine hair springs for watches to large springs for heavy machinery. While the largest single market is the automotive and automotive parts industries, other important outlets include manufacturers of motors, generators, meters and other electrical equipment; aircraft, Diesel and internal combustion engines; household appliances and fixtures; hardware; clocks and watches; photographic and motion picture equipment; office equipment; agricultural equipment; general machinery; firearms, and scientific instruments.

Approximately half of the output of the company's cold rolling mill at Bristol is used by the company, and the remainder is sold to manufacturers of metal cutting bandsaws, piston ring expanders, steel tapes, automotive parts, and various other products requiring high-grade steel.

* * *

The President of M. H. Rhodes, Inc., the nation's largest manufacturer of parking meters, has announced that negotiations are under way to expand their plant space in Hartford and New Britain, to meet the demand for the new type meters.

* * *

The Hartford Gas Company has asked the SEC to approve the borrowing of $1,000,000 from four Hartford banks. Proceeds together with other funds will be used to expand the plant to meet increased demands. In the last five years, the sale of gas has increased some 31%.

* * *

Derby Gas & Electric Corporation is offering its stockholders of record July 30, 1946, the right to subscribe to one additional share of common stock at $23 for each 10 shares held. The warrants expire on Aug. 19, 1946.

* * *

Bigelow-Sanford Carpet Company has arranged a $5,000,000 20-year serial loan with two banks and an insurance company. This loan will become effective Aug. 1, 1946 and will be used for modernization of plant facilities and for additional working capital. Present plans are to boost annual output between 15% and 20% over pre-war volume.

For the six months ended June 29, 1946, the company showed net sales of $16,309,498 compared with $19,799,317 for the corresponding period last year. Net income for these periods was $218,797 or 45¢ a share compared with $532,282 or $1.47 a share respectively. Net income for the second quarter of this year was $378,202 or $1.10 a share against a deficit of $159,405 or a deficit of 64¢ a share for the first quarter of this year.

* * *

Bridgeport Gas Light Company has called for redemption on Aug. 30, 1946, its entire issue of 3% debentures due Jan. 1, 1952. Call price is 102 and interest.

* * *

The Electric Boat Company in a report to the SEC showed net sales of $4,828,727 for the quarter ended June 30, 1946. Of this amount $4,169,575 represented government contracts. Unfilled orders at the end of the second quarter were $2,786,913.

* * *

Yale & Towne Manufacturngi Company showed a net loss of $718,604 for the first six months of the year compared with a net profit of $572,695 for the corresponding period last year.

* * *

For the 12 months ended June 30, Connecticut Railway & Lighting Company reported net income of $882,642 compared with $746,865 for the preceding 12 months.

* * *

For the first six months of 1946, Powdrell & Alexander's consolidated sales were $9,372,058 against $8,409,176 for the corresponding period last year. Net profit for the first half of this year, after Federal income taxes, was $1,327,630 compared to $364,080 for the six months period ended June 30, 1945.

Bates Mfg. Preferred Offered to Public

Public offering of a new issue of Bates Manufacturing Co. 4½% cumulative preferred stock, $100 par value, was made Aug. 9 by an underwriting group headed by Coffin & Burr, Inc., at a price of $102.75 per share plus accrued dividends from July 1.

The 45,000 shares of this issue will be first offered by the company to the holders of its common stock. All the shares not purchased by the common stockholders will be offered to the public by the underwriting group.

Proceeds of this financing together with other funds will be used to pay a bank loan of $4,600,000 obtained in December, 1945, in connection with the acquisition by Bates of properties of Androscoggin Mills, Edwards Manufacturing Co., Hill Manufacturing Co. and York Manufacturing Co.

Upon completion of the present financing Bates will have no bank loans outstanding and capitalization will consist solely of the 45,000 shares of 4½% preferred stock and 391,500 shares of common stock.

Observations on World Outlook

By HERBERT HOOVER*

Ex-President of the United States

Mr. Hoover, in reviewing conclusions gained from conversations with top officials in 38 nations, contrasts the situation after World War I when there was hope and confidence, with present situation of "fear and frustration." Holds Russia is obstructing peace to consolidate communist elements behind "iron curtain" so as to absorb this area. Deplores dismemberment of Germany as source of another world explosion, and urges that we conserve our resources and retain atomic bomb until after a general disarmament. Says we must end our Santa Claus role.

There were several conclusions besides the food situation which I arrived at in recent conversations with top officials and other citizens in thirty-eight nations.

Herbert Hoover

The dominant note in the world a year after World War I was hope and confidence; today it is fear and frustration. One year after the first World War we had signed peace; today there is no peace.

Today there is universal desire in all nations except Russia to make and preserve peace. My own impression is that Russia is obstructing to gain time for the elimination of all non-Communist elements behind the "iron curtain" and Manchuria, and thus the consolidation and practical absorption of those areas. Her invigorated fifth column in every country add to the confusion. The rest of the world is rapidly concentrating its fears, and consquently its animosities, toward her.

Far from freedom having expanded from this war it has shrunk to far fewer nations than a quarter of a century ago. In addition there are at least 15,000,000 people in concentration or forced-labor camps who are slaves in every sense of the word. Several scores of millions more are practically serfs.

The dismemberment of the German state and the attempt to reduce the German people to a level of perpetual poverty will some day break into another world explosion.

The destruction and deterioration of the world's productive equipment is unmeasurable. Our own country has suffered great depletion of reserves and equipment. We are burdened with fabulous debt and are slow in recovery of production.

In all this unhappy situation, necessity requires that the United States should observe three major policies:

1. In the economic field we must now conserve our resources, improve our equipment and reduce our spending. We must end our role of Santa Claus. Now that world famine No. 2 is about over we should announce that our economic relation with other nations is a two-way street — and balanced traffic at that.

2. In national defense we should hold the atomic bomb until there is real cooperation for lasting peace which must include general disarmament in the world — allies as well as enemy countries. Our military are today spending huge sums to improve the bomb so as to keep ahead of other nations. It is nonsense to think we can keep ahead and at the same time give away the blueprints.

We should be willing to agree that it will never be used except in defense of free men. That trust we should keep, but until the world returns to keeping agreements and peaceful action — keep our powder dry.

3. We should devote ourselves to cooperation in UN to maintain peace and to do so, appeasement must cease. To hold up the moral banners of the world we should at all times assert the principles of the Atlantic Charter for which we fought the war and to which all other nations pledged themselves to us.

*Statement released by Mr. Hoover at Salt Lake City, Utah, August 12, 1946.

Wall St. Legion Post Awarded County Trophy

Wall Street Post No. 1217 of the American Legion has been named the outstanding post in New York County for the year 1946 and has accordingly been awarded the New York County Americanism Trophy, the chapter has announced in its August "Bulletin."

John J. O'Kane, Jr.

Selected from among 180 posts in the county for its efforts in the cause of Americanism, the Wall Street Post has successfully placed every unemployed veteran who has applied to it for assistance in obtaining a job. The group, according to John J. O'Kane, Jr., of John J. O'Kane, Jr. & Co., post commander, has grown during the past year from 125 members to about 450.

The Wall Street Post was originally organized in 1937 by Nelson J. Moxley and other members of the New York Curb Exchange, and held its first meeting in the governors' room of the exchange, with some 40 exchange members and employees present as the nucleus of charter members.

Monthly meetings are currently held in the Sub-Treasury Building at Wall and Nassau Streets.

On Sept. 24 the post will hold its annual Bill of Rights dinner and celebration in the grand ballroom of the Hotel Pennsylvania.

British Industries Stock Publicly Offered

An issue of 99,000 shares of common stock was publicly offered August 14 at $3 per share by Strauss Bros. and Stubner & Co., New York.

The offering is intended to raise additional working capital for the company, which was organized in January, 1945, a distributor under exclusive contract of articles of British manufacture, including solder, cleanser, gramophone accessories and die-casting machines. Authorized capitalization consists of 500,000 shares of $1 par value capital stock, of which 199,000 shares will be outstanding with this issue.

Missouri Brevities

The Midwest Packaging Materials Co., St. Louis, on July 12 filed a registration statement with the SEC for 15,000 shares of $10 par 5% cumulative convertible preferred stock and 85,000 shares of $1 par common stock. Edward D. Jones & Co. of St. Louis, it is expected, will offer publicly the preferred stock at par and 30,000 shares of the common stock at $5 per share. The remaining common shares will be reserved for purchase under assignable warrants exercisable until Aug. 1, 1951. The net proceeds will be used by the company to purchase all of the outstanding common stock of Midwest Wax Paper Co. and to increase general funds.

* * *

The American Wine Co., St. Louis, on July 24 filed a registration statement with the SEC for 120,000 shares of $1 par common stock which are held by Louis E. Golan, President, who acquired them on June 5 upon the surrender for cancellation of a $432,000 note. About 60,184 shares are to be offered to stockholders of this company, including remaining stockholders of Cook's Imperial Wine Co., at $3.60 each and at the rate of 12 new shares for each 26 shares held. The remaining 59,816 shares will be retained by Mr. Golan.

* * *

Black, Sivalis & Bryson, Inc., Kansas City, on July 29 filed a registration with the SEC for 20,000 shares of 4.25% cumulative preferred stock, par $100 per share, and 100,000 shares of of $1 par value common stock held by stockholders. It is expected that they will be offered to the public at $100 per share for the preferred and at $12.50 for the common stock.

* * *

Johansen Brothers Shoe Co., Inc., St. Louis, on Aug. 5 filed a letter of notification with the SEC for 53,221 shares of capital stock. It is expected that Stifel, Nicolaus & Co., Inc., of St. Louis, will offer this stock at $5.62½ per share, subject to preemptive rights of stockholders of the company. Part of the proceeds are to be used to finance the acquisition of a minimum of 80% of the stock of Valley Shoe Corp. of St. Louis, and to redeem $48,000 of 5% debentures due 1951 of Johansen Brothers.

* * *

International Shoe Co., St. Louis, in its report for the six months ended May 31, 1946, shows a net profit after taxes of $2,813,648, equal to 84 cents per common share, compared with $2,966,749, or 88 cents per share for the corresponding period of 1945. Net sales for the first six months of the current year amounted to $66,523,561 against $79,390,395 for the first half of 1945. Subsidiary plants produced materials amounting to $29,864,237 for the 1946 period which, combined with the company's sale, made a total business transacted of $96,387,798.

The decrease in net sales, the company states, may be attributed to a number of causes. The most important of these was the truckers' strike which took place in St. Louis from Jan. 7 to Jan. 25. This strike, over which the company says it had no control, resulted in the shut-down of about 90% of the company's shoe manufacturing facilities for periods of two to three weeks. Another cause was the difficulty in obtaining necessary materials and manpower throughout the period.

The net sales comparison was further affected by the high production in 1945 of military shoes which cannot quickly be replaced by civilian production in the same dollar volume.

* * *

Monsanto Chemical Co., St. Louis, reports sales for the second quarter ended June 30, 1946, of $25,620,043 and net earnings were $3,159,501, which after allowances for preferred dividends is the equivalent of $2.24 per common share. For the first six months of 1946, earnings were $6,185,234, or $4.45 per common share. Adjusted net earnings for the first half of 1945 were $1.95 per share.

At the special meeting held on July 23, stockholders approved increasing the company's authorized common stock from 2,000,000 to 6,000,000 shares, and the issuance of three shares of $5 par value in exchange for each share of $10 par value outstanding.

* * *

Clinton Industries, Inc., St. Louis, which on June 19 filed a registration statement with the SEC for 60,000 shares of capital stock, par $1, intended for issuance to its executives and key employees upon the exercise of warrants for purchase of such stock at $16.66⅔ per share, reports that the company and its subsidiaries earned, after all charges including income taxes, $907,661, equal to $1.24 per share on 730,465 shares of capital stock in the first six months of 1946 as compared, after preferred dividend requirement, with $616,094, or $1.06 per share on 578,445 shares common stock, in the same period of 1945. Federal income taxes in the 1946 period amounted to $570,075, as against $1,958,959 in 1945.

* * *

Southwestern Bell Telephone Co., St. Louis, reports a net income after charges and Federal income taxes of $5,266,869 for the three months ended June 30, 1946, compared with $4,177,070 for the corresponding period of last year. For the 12 months ended June 30, 1946, net income amounted to $19,528,004, as against $16,241,771 for the year ended June 30, 1945.

* * *

The Minneapolis & St. Louis Ry. has applied to the Interstate Commerce Commission for authority to increase the authorized common stock from 150,000 shares to 600,000 shares, and to split-up the present shares on a four-for-one basis. The company stated that "with the present capital structure of the applicant in a much stronger position than was contemplated in 1939, it is desirable to increase the number of shares so that the market price per share will be in the $20's or 30's.

Bank and Insurance Stocks

By E. A. VAN DEUSEN

This Week—Insurance Stocks

Mutual fire insurance companies, of which there are 175, reported aggregate premium receipts in 1945 of $251,769,464, compared with $1,252,253,350 for 373 stock fire insurance companies. The average annual business per mutual company was $1,438,680, and per stock company $3,357,000. Total business by the two groups aggregated $1,504,022,814; the mutual companies' share represented 16.7% and the stock companies', 83.3%.

Over the past 20 years, annual premium receipts of the mutuals have increased from $122,561,050 in 1926 to $251,769,494 in 1945; this represents a growth in annual business of $129,208,444 or 105.5%. Over the same period, stock companies' premium receipts have increased from $988,334,003 to $1,252,253,350, a growth of $263,919,347 or approximately 27%. In volume, the stock companies' growth has been more than double that of the mutuals', but in percentage the latter make a superior showing when measured against their small 1926 volume.

The accompanying table shows the comparative record, year by year, from 1926 to 1945, as compiled from "The Spectator" Insurance Year Books.

	PREMIUM RECEIPTS ($000)			PERCENT OF TOTAL %	
	Stock Companies	Mutual Companies	Total	Stock	Mutual
1926	998,334	122,561	1,110,895	89.0	11.0
1927	980,105	128,330	1,108,435	88.4	11.6
1928	990,605	141,351	1,131,956	87.5	12.5
1929	1,027,028	152,604	1,179,632	87.1	12.9
1930	918,039	153,495	1,071,534	85.7	14.3
1931	787,019	142,233	929,252	84.7	15.3
1932	680,521	97,391	777,912	87.5	12.5
1933	622,277	112,190	734,467	84.7	15.3
1934	672,437	130,433	802,870	83.8	16.2
1935	702,620	134,415	837,035	83.9	16.1
1936	759,429	131,426	890,855	85.2	14.8
1937	831,622	140,506	972,128	85.5	14.5
1938	782,204	139,469	921,673	84.9	15.1
1939	814,514	142,128	956,642	85.1	14.9
1940	932,074	156,298	1,088,372	85.6	14.4
1941	1,075,617	183,206	1,258,823	85.4	14.6
1942	1,144,461	199,826	1,344,287	85.1	14.9
1943	1,074,725	212,042	1,286,767	83.5	16.5
1944	1,154,056	217,764	1,371,820	84.2	15.8
1945	1,252,253	251,769	1,504,022	83.3	16.7
Totals	$18,189,940	$3,089,437	$21,279,377	*85.5%	*14.5%

*Average.

Despite the very large per cent increase shown by the mutuals, they still write only a small proportion of the total business, although this proportion now is substantially greater than the 11% reported in 1926. It seems very questionable, however, whether they can enlarge their share much above the 16.7% of 1945. Their facilities for building business cannot compare with the country-wide agency system of the stock companies, in consequence they do not serve the insuring public on nearly so wide a scale as do the latter. Furthermore, they appear to be much more "choosey" in their acceptance of risks, their ratio of losses paid to premium receipts being relatively low, averaging only 34.1% in 1945 against 50.0% for the stock companies. Their 20 year comparison is as follows:

Average Ratio, Losses Paid to Premium Receipts
(Compiled from volumes of "The Spectator")

Year	Stock Companies %	Mutual Companies %
1926	54.7	33.5
1927	51.2	33.2
1928	48.9	33.2
1929	47.6	54.4
1930	56.8	40.2
1931	59.7	41.5
1932	58.9	37.1
1933	46.3	36.0
1934	42.9	33.1
1935	36.6	28.8
1936	42.8	35.3
1937	42.8	34.6
1938	48.3	37.7
1939	45.0	38.1
1940	43.5	37.6
1941	43.8	38.4
1942	55.0	36.4
1943	47.2	33.1
1944	48.1	37.7
1945	50.0	34.1
Average	48.5%	36.7%

In only one year, 1929, did the mutuals suffer heavy losses, with an average ratio of 54.4%.

The investing practice of the mutuals leans more heavily towards bonds than does that of the stock companies. Aggregate admitted and invested assets on Dec. 31, 1945 for the two groups, as reported by "The Spectator," compared as follows:

Percent Allocation of Total Admitted Assets
Dec. 31, 1945

	373 Stock Fire Companies	175 Mutual Fire Companies
Cash	8.2%	9.6%
Agents Balances	4.0	3.1
Misc. Assets	1.2	1.3
Real Estate & Mtges.	2.0	4.5
U. S. Govt. Bonds	32.4	50.2
Total Bonds	40.1	65.3
Total Stocks	44.5	16.2
Total	100.0%	100.0%
Total Admitted Assets	$3,689,991,000	$547,322,000

Total investment income of the stock companies in 1945 aggregated $105,064,000, which represented a return of 2.85% on year-end total assets; this compares with $12,988,000 for the mutuals and a return of 2.37%.

There is plenty of room in the American economy for both mutual and stock companies, with attractive growth prospects for each in the years ahead. Carefully selected fire insurance stocks still constitute "quality" investments for the long-term investor.

John McKee Pres. of Continental Bank

The Continental Bank & Trust Co. of New York announced that John K. McKee has been elected president and a member of the board of directors of the bank, effective Sept. 1 next. The announcement was made by Frederick E. Hasler, chairman of the board, who for the past year has been serving as both chairman and president of the bank.

John K. McKee

Widely known in banking and industrial circles, Mr. McKee on Feb. 1 last completed a 10-year term of office as a member of the Board of Governors of the Federal Reserve System in Washington. He began his banking career in 1907 with the Peoples National Bank of Pittsburgh and has been closely identified with the banking profession since that time.

Mr. McKee entered public service in 1931 when he became associated with the organization of the Comptroler of the Currency. When the Reconstruction Finance Corporation was created the following year, he joined its official staff and is remembered in the banking fraternity for the prominent role he played in the preferred stock program sponsored by the RFC during the early 30's. In February, 1936, he left the RFC to accept a Presidential appointment as a member of the Board of Governors of the Federal Reserve System, representing the Cleveland Reserve District.

Mr. McKee is a native of Pittsburgh and served overseas with the Army during the first World War.

Claude S. Jameson with Carter H. Corbrey & Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF. — Claude S. Jameson, Jr. has become associated with Carter H. Corbrey & Co., 650 South Spring Street. He was formerly manager of the trading department for the Boston Commonwealth Corp and prior thereto was with G. Brashears & Co. and Fairman & Co.

Atomic Power—It Must Be Controlled!

By HON. BRIEN McMAHON*
U. S. Senator from Connecticut

Chairman of Senate Committee on Atomic Energy stresses necessity of domestic and international control of atomic energy, since it is an instrument either of a better civilization or civilization's destruction. Says only sure defense against atomic weapons is political defense, and expresses hope United Nations will agree on plan for international control. Urges that we follow road of cooperation by subjecting domestic control to international authority. Urges such control must be entirely effective to prevent "a surprise attack."

I have just completed a short but intensive course in elementary physics. I will no pretend that I graduated from the course *magna cum laude*. However, the experience was truly unique and educational. We were a small class; only eleven of us. We were known as the Senate Special Committee on Atomic Energy and we literally went to school to the scientists. I doubt if ever in the history of education did so small a class have a faculty so distinguished and so determined.

Sen. Brien McMahon

The men of science who testified before our Committee were determined that we who represented the people should realize the extraordinary nature of the subject they were teaching us. These men who had unlocked the atom, released atomic energy and produced the atomic bomb were filled with fear and they wanted us to understand why. When we matriculated, we may have

(Continued on page 919)

*An address by Sen. McMahon at the Columbia University Summer Session, New York City, Aug. 8, 1946.

"Economic Fumbling" in Tale of Jackson's Attack on Bank of U. S.

By BRAY HAMMOND*
Assistant Secretary of Board of Governors
Federal Reserve System

Federal Reserve official attacks "fumbling treatment of economic matters" in recent book, "The Age of Jackson," by Arthur M. Schlesinger, Jr. Holds Jackson Era was more an age of triumphant exploitation than of liberation, and denies Bank of United States had a monopoly of credit. Accuses author of failure to use works of authoritative scholars. Says Bank was a restraining influence on inflation and checked speculation.

Mr. Schlesinger's bood ["The Age of Jackson"] is important and abounds in excellences; it deals with a significant period, it is comprehensive in its interest, and it is entertainingly written. Mr. Schlesinger has a fine talent for peopling an epoch vividly. But his book is marred by two faults. One is a Manichaean naivete with respect to the nobility of all things Jacksonian and the sordidness of all things opposed. The other is a fumbling treatment of economic matters and particularly of the Bank of the United States.

A. M. Schlesinger, Jr.

Mr. Schlesinger's vocabulary purrs over his friends. The landscapes at the Hermitage and Kinderhook smile in a fashion not noticeable where Whigs and Federalists live. The Jacksonian leaders have a "pervading insight," their wrath is "magnificent," one or another of them is "handsome," "grave," "masterly," "erudite," "thoughtful," "quiet," "intelligent," "brilliant," etc., etc., and the old hero himself is touchingly fond of children. The opposition is a sorry outfit. They are bank "lackeys," they "roar" and "snarl," they deal in "hullabaloo," they are "phony," they have "fantasies," they work "backstairs," their best minds are "opaque," and one gets the impression that Mr. Schlesinger never thinks of them as loving little children at all. Jackson's trick of evading awkward questions by simulating

(Continued on page 920)

*Reprinted from the "Journal of Economic History" published by the New York University Press for the Economic History Association.

More Restrictions on Instalment Credit

Federal Reserve makes changes in Regulation W which shorten repayment period on many transactions and reinstals controls on amounts up to $2,000. Aimed chiefly at automobile buying.

The Board of Governors of the Federal Reserve System on Aug. 13 issued new restrictions on instalment credit under Regulation W, intended ostensibly as an anti-inflation measure to curb the rising volume of instalment sales. It is undoubtedly aimed at automobile credit sales, since it limits the repayment time on instalment credits and reimposes controls abandoned a little over a month ago on credits ranging from $1,500 to $2,000. The changes are made effective September 3, and apply to all instalment credit operations not connected with the purchase of consumers durable or semi-durable goods.

President Allan Sproul of the Federal Reserve Bank of New York has issued the following statement:

CONSUMER CREDIT

Amendment No. 21 to Regulation W of the Board of Governors of the Federal Reserve System

To Registrants under Regulation W, and Other Concerned, in the Second Federal Reserve District:

For your information we quote below from a statement for the press issued by the Board of Governors of the Federal Reserve System for release on Aug. 13, 1946:

"The Board of Governors of the Federal Reserve System took action today to amend Regulation W relating to consumer credit in two respects. The first enlarges the scope of the regulation by making it applicable to all consumer credits up to $2,000 instead of only those up to $1,500. The second reduces the maximum maturity from 18 months to 15 months for instalment loans that are not connected with the purchase of consumers' durable or semi-durable goods. Instalment credits for the purchase of such goods remain subject to a maximum maturity of 12 months, or 15 months in the case of automobiles.

ALLAN SPROUL,
President.

The text of the Federal Reserve Board order, "Amendment No. 21 to Regulation W" is as follows

CONSUMER CREDIT
Amendment No. 21 to
Regulation W
Issued by the Board of Governors
of the Federal Reserve System

Regulation W is hereby amended in the following respects, effective Sept. 3, 1946:

1. Section 1, 2(*e*), 2(*h*), 2(*i*), 6(*a*), 6(*b*), 7(*a*), 7(*b*), and 7(*c*) are amended by striking out "$1,500" and inserting in lieu thereof "$2,000."

2. Sections 6(*b*) and 10(*b*) are amended by striking out "18 months" and inserting in lieu thereof "15 months."

3. Footnote 5 attached to section 7(*c*) is amended so that it will read as follows:

"The maximum maturity is 6, 12, or 15 months from the date of the original loan as determined by its purpose, except that 18 months from the date of the renewal or extension is permissible with a Statement of Necessity pursuant to section 10(*d*)."

4. The last sentence of footnote 7 attached to section 10(*a*) is amended so that it will read as follows:

"Whenever the regulation is amended to increase or decrease the maximum maturity for any class of transactions, the terms of repayment 'permitted in the first instance' in so far as they relate to the maximum maturity for such class of transactions shall be deemed to be the terms applicable under the provisions of the amendment."

5. Section 10(*d*) is amended by inserting after the words "except that" the words "it may have a maturity of not more than 18 months end."

James P. Hart Now With Skall, Joseph, Miller Co.

(Special to The Financial Chronicle)

CLEVELAND, OHIO — James P. Hart has become associated with Skall, Joseph, Miller & Co., Union Commerce Building, members of the New York and Cleveland Stock Exchanges. Mr. Hart was formerly with Paul H. Davis & Co. and Hirsch & Co.

Herzog Incorporates

Herzog & Co., Inc., 170 Broadway, New York City, is now doing business as a corporation. Officers are Robert I. Herzog, President; Morrison Gilbert, Secretary-Treasurer; Norma E. Herzog, Vice-President. Mr. Herzog was formerly sole proprietor of the firm with which Mr. Gilbert was associated for many years as manager and cashier.

WACS Receive Job Rights

President Truman on Aug. 9 signed a bill designed to give all Women's Army Corp members re-employment rights similar to those held by all service personnel, the Associated Press reported from Washington, adding that under a previous act some of the WACS were not eligible.

Real Estate Securities

HOTEL SECURITIES

The real estate security "fraternity" have been initiated to a bear market in their securities and they are disturbed no end.

During the past four years prices of real estate bonds have moved steadily upward in contrast to frequent corrections in the stock market and now, for the first time, the averages in real estate securities show a minus sign.

You may recall that sometime ago we suggested caution in selecting hotel securities because of impending wage increases.

The decline in real estate bond prices was led by Hotel Securities. We hope our suggestion of caution was not misunderstood. Our suggestion was that because of the impending wage increase, investors should be selective in their purchases and choose those issues with sufficient earnings to withstand the wage increase.

Years ago, when some S. W. Straus issues defaulted after 45 years without loss to any investors, many of the Straus investors became panicky and liquidated all of their Straus Bonds without checking the security behind each individual issue. This resulted in many good issues, which were always worth par (and are today selling near there) being sold at prices of 20 cents on the dollar, along with the poorer issues.

The decline in the averages of real estate bond prices for the month of July received a great deal of publicity in the newspapers. A prominent statistical service issued a long memorandum on these issues and has advocated the liquidation of hotel issues.

We maintain the same caution we suggested in purchasing hotel issues should be used in the disposal of them.

Let us see what the situation in the hotel industry actually boils itself down to:

The wage increase we expected has materialized itself into an increase of about 20% over prevailing hotel pay rolls.

Apartment-hotels with little or no restaurant business will be very badly hurt. On the other hand commercial hotels with a large restaurant and beverage business will be able to absorb some of this increase by increasing their prices on their food and drinks. (We understand this is permissible under new OPA regulations.) In addition the hotel industry has a strong feeling that there is a fair chance that the OPA may grant an increase in room rates.

Restaurant and bar business play an important part in the income of commercial hotels. As an example, let us see how the income of two of New York's prominent hotels, with bond issues, is divided. Park Central Hotel (870-7th Avenue): Income from rooms 1945, $1,978,991; income from food and beverages during the same period, $1,373,757. Governor Clinton Hotel: Income from rooms 1945, $1,596,286; income from food and beverages during the same period, $1,111,412.

Because of the inability of building new hotels on account of the high increase in construction costs, we believe good business will continue for a considerable length of time in present hotels.

By good business we do not mean the peak business of the War Years, but we do mean decidedly better business than prewar years. If we are correct, this good business should reflect itself in the reduction of the debt of these hotels to a level even more advantageous than before.

Hotels with suites such as the Park Central, Savoy-Plaza, Madison, Sherry Netherland, etc., should continue to enjoy 100% capacity business because in addition to their transient business, they can also cater to those people who cannot get apartment accommodations.

Truman Hails 100 Yrs. For Smithsonian

The Smithsonian Institution in Washington on Aug. 10 celebrated the 100th anniversary of the day on which a bequest by James Smithson, English chemist and mineralogist, was formally accepted for the United States by an Act of Congress. Congratulations were received by the Institution from President Truman for its "record in the advancement of science and culture during a most important century in the history of mankind," a special dispatch to the New York "Times" from Washington stated.

"The Smithsonian should continue," the President went on to say, "to strive toward the end that man should not only know better his earthly abode but should acquire the means of knowing himself better. Such studies are of vital significance in our present efforts to build a better world order, and to break the cycle of recurring wars of ever-increasing destructiveness."

The advices in the "Times" added: The institution is controlled by boards embracing the President, Vice President, Chief Justice of the United States, heads of the executive departments, three members of each chamber of Congress and six prominent citizens.

Its active executive is called the secretary. The six men who have held this post to date were Joseph Henry, physicist; Spencer Fullerton Baird, biologist; Samuel Pierpont Langley, astronmer and pioneer in areonautics; Charles Doolittle Walcott, geologist and paleontalogist; Charles Greely Abbot, astrophysicst, and the present secretary, Alexander Wetmore, biologist.

Carl Marks Employees Annual Outing

The employees of Carl Marks & Co., Inc. of 50 Broad Street, New York City, specialists in foreign securities will hold their first postwar annual outing during Labor Day weekend. The outing will be held at Alexandria Bay, New York, near the Thousand Islands. The employees of the firm wil leave on Friday, Aug. 31, and will return Tuesday morning. This annual outing of the employees of Carl Marks & Co., Inc. started in 1935 and continued until the year 1941. The war interrupted this annual affair.

Ohio Ends Controversy With N. Y. Curb

Ernest Cornell of Ohio Division of Securities writes President Posner of New York Curb he is convinced the Exchange had no intention of circumventing State's Blue Sky Law in listing Kaiser-Frazer shares, and that proposal of Exchange in future not to list any security which has been denied registration in Ohio is satisfactory.

The controversy between Ernest Cornell, Chief of the Ohio Division of Securities and the New York Curb Exchange over the Curb's listing of Kaiser-Frazer Corporation shares has been satisfactorily settled. As noted in the issues of "the Chronicle" June 20 and July 4 of this year, the Ohio official had severely criticized the Curb Exchange for listing shares of the Kaiser-Frazer Corporation, which the Ohio Division of Securities had refused registration in that State on the ground that the offering price of the issue was excessive. Mr. Edwin Posner, of the Curb Exchange, contended that, in view of the fact that the shares were already distributed when listed, the exchange had no authority to be a judge of the market value, as this is determined by outside market factors.

Ernest Cornell

Edwin Posner

The recent correspondence between Mr. Posner and Mr. Cornell follows:

NEW YORK CURB EXCHANGE
New York
Office of the President
Aug. 7, 1946

Hon. Ernest Cornell
Chief of Division of Securities
614 Ohio Departments of State Building
Columbus, Ohio.

Dear Mr. Cornell:

At our conference in Columbus on July 2 it seemed to be the belief of your Division that the Curb Exchange in listing the Kaiser-Frazer stock had deliberately ignored your opposition to the sale of this stock in Ohio.

We explained that there had been no intention to be discourteous to or to circumvent the conclusions of, the Division of Securities. We had understood from your letter to the Company that your objection was merely to the offering price, and we thought that when the issue had been sold and distributed the appraisal of value established by the public on the Exchange would eliminate your objection. It was for this reason alone that we failed to communicate with you, as had had been the practice, as to why the application for registration in Ohio had been withdrawn.

It occurs to us that a recurrence of a similar misunderstanding might be obviated if the Exchange should agree, which it is glad to, that it will not in the future list any security which it knows has been denied registration by the Division of Securities of Ohio without first requesting the reasons underlying the refusal. Your views will receive the most careful consideration of our Committee on Listing and if the Exchange decide to list notwithstanding your objections, a statement of our reasons will be forwarded to you. The Exchange, of course, understands that this in nowise limits the Division of Securities thereafter in taking such action as it provided for by the Ohio Statutes.

We hope that this prdcedure will indicate to you our purpose to collaborate in the public interest.

Yours very truly,
EDWIN POSNER,
President.

STATE OF OHIO
DIVISION OF SECURITIES
Columbus 15
614 Ohio Departments of State Building
Ernest Cornell, Chief of Division
Joseph J. Van Heyde, Asst. Chief
Aug. 8, 1946

Mr. Edwin Posner, President
New York Curb Exchange
86 Trinity Place
New York 3, N. Y.

Dear Mr. Posner:

Your letter of Aug. 7, 1946, setting forth the position of the New York Curb Exchange and its reasons for the listing of Kaiser-Frazier stock, has been carefully noted.

Your explanation convinces me that the Exchange has no intention of circumventing or attempting to circumvent the Division of Securities of the State of Ohio.

The method, which you propose for handling similar matters in the future is satisfactory to me and I believe will obviate any future misunderstandings between us. The present controversy regarding the Kaiser-Frazer common stock matter is now closed so far as the Division of Securities is concerned.

Very truly yours,
ERNEST CORNELL,
Chief, Ohio Division of Securities

U. S. Plywood Pfd. Publicly Offered

Eastman, Dillon & Co. heads a group of underwriters which on Aug. 14 offered a new issue of 60,000 shares of 3¾% cumulative preferred stock, series A. The stock, par $100, is being offered at $102.75 a share and dividends.

The company will use $2,458,310 of the proceeds to redeem 13,824 cumulative preferred shares, series A, and 9,412 cumulative preferred shares, series B, outstanding at $106 and $105.50 a share, plus dividends. The rest will be added to general funds for expansion and improvements.

The company recently spent nearly $2,000,000 to acquire the capital stock of Seattle Export Lumber Co. and the controlling stock of Kosmos Timber Co. It has appropriated $400,000 for plant additions for its Canadian subsidiary, Hay & Co., Ltd., and plans to expend $215,000 for new warehouses in Detroit and Oakland.

Great Lakes Paper Bonds Placed Privately

The private sale of $4,750,000 of 3½% 20-year bonds of the Great Lakes Paper Co., Ltd., to the Mutual Life Insurance Co., New York, and Northwestern Mutual Life Insurance Co., Milwaukee, was announced Aug. 8 by The First Boston Corp., McLeod, Young, Weir, Inc., and Wood, Gundy, Inc., who are the investment bankers managing the transaction. The company will use proceeds of the sale to retire $4,746,-960 of 5% bonds due in 1956.

Foresees 20% Income Tax Reduction in a Republican Victory

Rep. Harold Knutson, ranking minority Republican member of House Ways and Means Committee, asserting expenses and taxes will never be reduced by present Administration, holds a tax cut is required as one method of enforcing economy. Rep. Clarence J. Brown, Republican National Campaign Director, calls President Truman's economy plea "a pretty-please memo," and says his estimates of expected revenue are "in error."

"The issue on individual income taxes for 1947 has been made very clear," Rep. Harold Knutson (Rep.-Minn.), ranking member of the House Ways and Means Committee, stated in a statement issued from Republican National Committee Headquarters in Washington on Aug. 12. Predicting that a Republican House of Representatives will see its way clear to vote a 20% reduction in individual income taxes for the year 1947 if Republicans win control of the House in November, Congressman Knutson said that Congress must "compel the government to retrench, live within its income and at the same time start paying off the debt. The veteran Congressman insisted "that appropriations and taxes will never be reduced by this Administration."

Hon. Harold Knutson

"The Democrats claim there can be no reduction in taxes," he pointed out. Congressman Knutson's statement continues:

"Rep. Cannon (D.-Mo.), in his capacity as chairman of the Committee on Appropriations defends the excessive appropriations for the current fiscal year and pays tribute to the Administration for a program of 'incomparable retrenchment' and 'an all-time record for retrenchment and economy in the history of this or any other nation.' So speaks the chairman of the Committee on Appropriations, and, inasmuch as all appropriations must originate in this body and the gentleman will continue as chairman of the Appropriations Committee unless the Republicans take over in January, the taxpayers should know what to expect in the way of appropriations next year unless there is a change. The simple truth is that appropriations and taxes will never be reduced by this Administration. It is too

(Continued on page 899)

Public Utility Securities

(Continued from page 885)

signed to the common stock would presumably be reduced from $392,095,820 (as of Dec. 31, 1945) to about $232,000,000. Thus the book value per share of Edison stock would be reduced from about $42 a share to about $20 per share—assuming that the entire amount set aside out of surplus may have to be used for the various adjustments mentioned above. Temporarily, the whole set-aside amount would probably be termed "Surplus-Special" or some similar term.

The adjustment of depreciation reserve, if consummated according to the views of the expert witness for the Commission, would permit a reduction in current charges for depreciation of about $4,000,000, which would increase net income by $2,500,000 (after increased taxes). Potential refunding savings (less tax adjustments) may be estimated at about $4,150,000. On the other hand, the company has agreed to rate cuts of about $6,000,000, which (after tax savings) would cost an estimated $3,700,000 (though there might be some recovery through increased business). The net estimated result of all these changes would be an eventual increase in net income of some $3,000,000, or about 26c per share.

Arthur Freer in Chicago

CHICAGO, Ill.—Arthur J. Freer is engaging in the securities business from offices at 176 West Adams Street.

Opposition to Congressional Reorganization Still Smoulders

One of the Democratic Representatives who opposed the passage of the bill to reorganize the Congress informs the "Chronicle" that in his opinion streamlining of House committees, as described in last week's issue of this publication, is not necessarily a foregone conclusion.

According to our informant, that feature of the reorganization act which applies to House Committees may be obviated in Jan. simply by the House adopting a resolution to adhere to the rules of the 79th Congress. If this is done the existing committee structure of the House will be continued withot affecting that of the Senate and without disturbing the retirement and compensation features of the act which are overwhelmingly popular with their beneficiaries. Such a resolution by the House would not require Presidential approval.

According to our informant, what the House does on this matter when the 80th Congress convenes in 1947 depends in important degree on the results of the November elections. Should the Republicans take over control of the House, as many of them expect to do, under the Congressional reorganization act a number of them would lose the ranking positions which they have acquired through years of service. With the Congress streamlined, there will be fewer committee chairmanships to be distributed, and chairmanships mean power. This is perhaps more important to those who have been in the minority all these years since the Roosevelt revolution of 1932. The opinion exists on Capitol Hill that many Republicans voted for the Congressional reorganization act—with its higher remuneration and retirement features — with their tongues in their cheeks, so far as the committee shakeup is concerned.

Bauer, Pogue in N. Y.

Bauer, Pogue, Inc. is resuming the investment business from offices at 115 Broadway, New York City. Officers are Frederick R. Bauer, President and Treasurer; and Ruth R. Bauer, Vice-President and Secretary. Both were formerly officers of Bauer, Pogue & Co., Inc., of Jersey City and New York.

Crumpton Co. Incorporates

BIRMINGHAM, ALA. — T. U. Crumpton & Co., First National Building, is now doing business as a corporation. Officers are Tom U. Crumpton, President; Roy W. Knight, Jr., Vice-President; Willa R. Doss, Secretary-Treasurer; and Amelia L. Crumpton, Assistant Secretary-Treasurer. All were associated with the predecessor firm.

Says Gold and Silver Cost Government Nothing

Edward Henry Neary, attorney, holds miners in selling gold and silver to Treasury get credits and the public gets promises to pay dollars in the form of irredeemable promissory notes and credits which are exchanged for goods, etc. Sees in process an explosive fiat-money inflation.

EDITOR, The Commercial & Financial Chronicle:

There are 371.25 grains fine silver in a silver dollar (U. S. Code, title 31, sec. 316); 480 grains in an ounce; therefore an ounce renders 1.2929+ silver dollars; that is the monetary value of an ounce of silver in silver dollars. But a silver dollar is legal tender for a dollar; therefore its legal monetary value is $1.2929+.

The dollar is 15 5/21 grains gold 0.9 fine, 13 5/7 grains fine gold (Proclamation of Jan. 31, 1934); the monetary value of gold is therefore $35 an ounce (480 divided by 13 5/7). It is notorious that gold, dollars, are not paid (e. g. Gold Reserve Act, Jan. 30, 1934, sec. 5).

The government pays $1.2929+ an ounce for domestic fine silver; charges a seigniorage of 30% (Act of July 31, 1946, Public 579), approximately 39c and pays the miner 90.5c net.

Silver has ranged in market price between $0.246 in 1932 and $1.383 in 1919. So far as I know the price is now rigged by various governments. While the price of silver is 90.5c, the value of the silver in a silver dollar is approximately 70c!

The seigniorage, so called, is not a material substance; it is due to the over-pricing; it is simply an account-book entry, an idea, imaginary; but silver certificates can be issued for its book value. (Silver Purchase Act, June 19, 1934).

The miners of gold and silver are usually paid by bank cheque; the miner deposits his cheque in a commercial bank and is credited with the amount; the commercial bank forwards the cheque to the Federal Reserve bank on which it is drawn; the F. R. bank credits the commercial bank and debits the Treasury; the Treasury credits the Federal Reserve bank; it can issue gold certificates or direct obligations of the United States to the F. R. bank. (Act March 27, 1942.)

The gold and silver therefore cost the United States nothing! The miners get credits written in account books; the public gets promises to pay dollars, silver certificates which can be discharged with other legal tender, irredeemable promissory notes and credits; also over-valued subsidiary and minor coins which are comparatively trivial and need no attention.

The government can not be sued without its consent. The consent of the United States to be sued on contracts payable in gold coin, and for damages for the taking of the gold and silver, was withdrawn by the Joint Resolution approved by the President Aug. 27, 1935.

Those monetary measures made possible the financing of the policies which have resulted in the most colossal debt of all time.

Some people are reported to be exchanging their credits (bank accounts) and irredeemable promises to pay dollars, for things, material substances, farms, jewelry, etc.; as more and more people do this, prices will rise higher and higher, and money will appear to be scarcer and scarcer, until there will be the condition known as explosive, fiat-money, inflation, as has happened in other countries under like conditions!

Older economists called gold an anchor.

EDWARD HENRY NEARY
Port Washington, N. Y.
Aug. 10, 1946.

Railroad Securities

Now that the Wheeler-Reed reorganization bill has been killed it may be well to reflect regarding what impact the measure might have had on the railroad stocks affected. The principal beneficiaries were to be the Missouri Pacific, The Saint Louis Southwestern (Cotton Belt), the Chicago, Rock Island and Pacific and the New York, New Haven and Hartford Companies. Each of these systems have been undergoing reorganization for more than a decade. The MOP confessed bankruptcy on March 31, 1933, the Rock Island, and a few months later, the Cotton Belt, though controlled by Southern Pacific, entered a bankruptcy petition on Dec. 12, 1935 preceded on Oct. 23 of the same year by the New Haven. All of these lines took advantage of the newly enacted Section 77B of the Bankruptcy Act, which was intended to simplify and expedite reorganization proceedings and reduce the cost thereof. The amendment to the Bankruptcy Act, moreover, aimed to protect stockholders equities by giving them a voice in the reorganization proceedings.

Despite the beneficent aims of the Act, which, in reality deprived bondholders in many instances of vested rights, proceedings under it were tedious, difficult and for the most part unsuccessful. Thus, although the Interstate Commerce Commission approved a plan for the MOP in July, 1940, this plan has been revised and is still hanging fire, though hearings were concluded on it in March of last year. The Cotton elt has fared no better, although a plan of reorganization was submitted as early as December, 1937. There have been altogether five plans proposed for this railroad, and though the ICC approved a plan on June 30, 1943, and it has btén approved by the U. S. District Court in St. Louis, the Southern Pacific, the principal shareholder is taking an appeal. It objects to its treatment as a stockholder under the plan.

The New Haven management filed a plan of reorganization as early as June, 1937, and the ICC submitted a revised final plan on March 22, 1940, on which hearings have been held, resulting in a U. S. Circuit Court approval early in 1945. But final approval still hangs fire. Under the approved plan, the shareholders of the New Haven were declared to have no equity, and were ruled out of participation in the plan of reorganization. As to the Rock Island, more than three years ago, Judge Igoe of the District Court of Chicago announced that the proposed reorganization was postponed indefinitely and remanded the case to the Interstate Commerce Commission.

While these dilatory proceedings were under way, all the companies concerned were undergoing abnormal wartime earnings and were piling up surplus cash. Shareholders, accordingly clamored for a recognition of their resuscitated equities. They wanted the companies restored to their ownership. Hence, the agitation for a new railroad reorganization law. Congressman Reed of Kansas, and Senator Burton K. Wheeler, Chairman of the Senate Interstate Commerce Committee both drew up measures to annul Section 77B as it related to the large and important system in receivership. The Wheeler-Reed Act resulted as a compromise between the Senate and the House versions.

But while the measure was being deliberated in both houses, railroad earnings were taking a flop. In the first six months of 1946, MOP reported net operating income of but $6,882,100 compared with $16,399,207 in the same period of the previous year. Similarly, the Cotton Belt net operating income dropped from $5,686,331 to $2,737,682, while that of the Rock Island was reduced from $14 millions to slightly more than $6½ millions. New Haven earnings suffered an even more serious reduction falling to $1,241,707 in first six months of 1946 compared with $9,763,000 for the same period in 1945. As for the Frisco, its $8,851,000 of net operating income in first half of 1945 has been converted into a deficit of $696,729.

Of course, the decline in earnings shown above is common to all lines and was to be expected when the war was over and normal operations would be resumed. Certain carry-back and other tax refunds which were to cushion the shock have been more than offset by increased wages and other operating costs. Moreover, the railroads have not yet been reimbursed to any substantial degree by rate increases. Under these circumstances, new reorganization plans that might have been drawn up and adopted in the next 18 months as required by the new bill would not give shareholders any firm ground on which to base their equities. Reorganization plans must necessarily be based on future prospects rather than recent wartime past performances. When the companies undergoing reorganization exhibit reduced earnings and are facing deficits, there seems to be little likelihood that either the ICC or the courts will favor a reorganization which will give value to railroad shares, that have neither earnings or prospects to their credit. Certainly, it must be assomed that no plans would be acceptable to bondholders or to government regulating and judical authorities, which are not based on prospects of future increased earnings. Certainly future earnings cannot be expected to match results obtained under wartime abnormal high traffic conditions.

Freight Car Shortage

J. J. Pelley, President of Association of American Railroads, says some roads would welcome government financing of new cars, but others are proceeding with purchases from own funds. Sees greater need for cars because of shorter working hours.

Suggestions for government financing in the construction of additional freight cars, announced by the Office of Defense Transportation, are being explored by the railroads and the several government agencies concerned, J. J. Pelley, president, Association of American Railroads, said.

"Several railroads are interested in the program proposed by the ODT," Mr. Pelley said, "while others are proceeding with the purchase of needed cars under plans which involve private financing.

"Through the program suggested by ODT, or otherwise, the railroads will increase their supply of cars," Mr. Pelley added, "although shortages of materials and other production difficulties have made deliveries of new cars difficult this year. In fact, during the first six months of 1946, the railroads received fewer new cars than in the corresponding months of last year, although orders are greater. At the same time, the number of worn-out cars dismantled and destroyed was almost twice as many as in the first half of 1945, reflecting the effects of wartime wear and tear and postponement of retirements.

"While railroads are carrying fewer ton-miles of freight traffic now than they were a year ago, to do it is taking just about as many cars, and more in the some classes of equipment. The average load per car is less than a year ago, the average haul in shorter, and the average turn-around time is longer. One cause of this is that a much greater proportion of box cars is being used for less-than-carload freight this year, partly due to pressure for deliveries which cannot be made in carload lots because of production difficulties. Another cause is the shorter work week in industry, with fewer loading and unloading days, and slower handling of cars.

"Through the program suggested by the ODT or otherwise, the railroads will increase their supply of cars. At any rate of building possible under the present production difficulties, there will not be enough new cars in the near future to bring freight car supply up to demand. To get the maximum use out of the available and prospective supply is going to take the best efforts of everybody concerned in loading, moving and unloading cars—and this goes for railroads as well as shippers."

New York Stock Exchange Weekly Firm Changes

The firm name of Friedman & Company will become Spiegelberg & Co. effective Aug. 15, following the retirement of Ralph Friedman from the firm on Aug. 14.

Edward P. Field & Co. will dissolve as of Aug. 15.

Interest of the late Albrecht Pagenstecher, Ill., in Ingalls & Snyder ceased as of July 30.

Frank L. Newburger, Sr., limited partner in Newburger & Hano, died on Aug. 5.

Morris Hochman Opens

NEW BEDFORD, MASS.—Morris Hochman is engaging in a securities business from offices at 67 Branscomb Street.

Truman Kills R.R. Reorganization Bill

Fails to sign measure which would remove certain pending reorganizations from Section 77 of Bankruptcy Act. In memo cites shortcomings as: (1) failure to provide for lower interest rates on obligations; (2) failure to provide proper control after reorganization; (3) failure to provide against forfeiture of securities and investments; and (4) failure to limit excessive reorganization fees. Objection also made to limitation provision of bill to large companies.

President Truman, on Aug. 14, announced that he would not sign the Wheeler-Reed Railroad Reorganization Bill, and thus, in effect, killing the measure by a pocket veto, since Congress is no longer in session. After making his decision, the President issued a statement in which he made public his objections to the bill.

President Truman

The text of the President's statement follows:

"I am withholding my approval of S. 1253, entitled 'an act to enable railroad corporations, whose properties during a period of seven years have provided sufficient earnings to pay fixed charges, to effect a readjustment of their financial structures; to alter or modify their financial obligations; and for other purposes.'

"Even though I am familiar with the deficiencies and inequities and the evils that exist under Section 77 of the present Bankruptcy Act, I fear that this new bill will not accomplish the purpose for which it was intended.

"The bill contains two sections, the first of which contemplates the prevention of bankruptcy proceedings where practicable; the second contemplates the reorganization of certain railroad carriers by the institution of proceeding under Section 1 of the bill for readjustment of their financial affairs.

"Objections which I have to the bill include the following:

"The bill fails to direct specifically the immediate reduction of the grossly excessive interest rates now wasting the funds of the railroads in Section 77 proceedings, by reducing the interest rates on their bonds and other debt down to the level of the interest rates paid by railroads not in Section 77 proceedings. I reiterate a statement which I made in my message to Congress on the State of the union, which is as follows: 'Low interest rates will be an important force in promoting the full production and full employment in the postwar period for which we are all striving.'

"The bill does not adequately cure the evil, present in reorganizations under section 77, of permitting improper control of railroads after their reorganization.

"The bill fails to provide full protection against forfeiture of securities and investments.

"The level of fees and expenses in reorganization cases under section 77 has been excessive. This is not corrected in this bill. Affirmative provisions to curb this evil and to bring it under strict control should be included in any bill which may be enacted.

"The bill excludes profits, benefits certain railroads which should be brought within its provisions if it is to become law. In this regard it appears that the $50,000,000 limitation in sections 2 of the bill would exclude some railroads for whose exclusion there appears to be no logical justification.

"This bill fails to correct a serious abuse which I condemned in the course of the Senate railroad investigation. I refer to the abuse of diverting, under cover of a reorganization plan, the funds of a railroad for the purchase of its own stocks in the market.

Approves Some Provisions

"On the other hand, the bill does incorporate principles for which I was one of the sponsors in the Senate. I commend particularly the emphasis which the bill places on the principle that reorganizations must give primary consideration to the public interest, and to the best interests of the railroads which are being reorganized.

"This requires among other things that reorganizations shall place control of railroads in persons primarily concerned with transportation for the communities served and for the nation as a whole, without any strings direct or indirect, conditional or otherwise, to institutions or others in distant financial centers.

"Such regard for the public interest will also help the stock holders, whether they be railroad employes who have invested in the stocks of the companies for which they work, or ordinary investors, desirous of safeguarding their investments, but not of helping any interest to capture control of their railroad. These stockholders, whom the bill justly seeks to protect against forfeiture, can and should get such protection, but without enabling any financial interests to use such legislation to acquire control.

"By withholding my signature to this bill I do not intend to indicate that I favor the pending reorganization plans. I am in agreement with those objectives of the bill which prevent undesirable control of the railroads, either immediately or within a few years, and which prevent forfeitures of securities.

"I believe that the next Congress can pass a bill which will meet the State objections and which will be in the best interests of the public, the railroads, the bond holders and other creditors, and the stockholders."

The vetoed bill was pending in Congress for several months, and was enacted by both houses, after a conference report, just prior to adjournment. It provided for the cessation of pending reorganization of several important railroads, and the turning back of the bankrupt companies to their owners with a provision that a new reorganization plan was to be drawn up within 18 months. The major railroads covered by the bill are the New York, New Haven and Hartford, the Missouri Pacific, the St. Louis and San Francisco, the "Cotton Belt" and the Rock Island System. The Denver & Rio Grande Western was exempted from the new provisions, and it was not yet determined whether the Jersey Central and the Florida East Coast will be affected.

As revised by Senate and House conferees, the new legislation provided for a new procedure for capital readjustment of railroads, removing it from Section 77 of the Bankruptcy Act, and allows railroads which meet with prescribed conditions to inaugurate a new procedure even if such railroads are already in receivership.

The proposed procedure is basically a proposal of the Interstate Commerce Commission, drafted by Commissioner Charles D. Mahaffie and favored by Senator Wheeler. It differed from the old McLaughlin Act, which expired last year and which the House Reed bill would have reenacted.

The new bill would discontinue all proceedings under Section 77 of the Bankruptcy Act with respect to major roads showing specified improvements in their financial position. The specifications state that earnings of a road must equal fixed charges for the seven-year period from 1937 to 1945, inclusive, and gross operating revenues were in excess of $50,000,000 in any of the calendar years 1942 to 1944, inclusive.

Stockholders would have had 18 months, or longer if authorized by the ICC, to work out a reorganization plan. At the end of the period the carrier would file a plan of adjustment with the commission.

R-K-O Common Stock Issue Oversubscribed

Lehman Brothers and Goldman, Sachs & Co. headed an investment banking group that made public offering Aug. 9 of 420,000 shares of Radio-Keith-Orpheum Corp. common stock, $1 par value, at $21 a share. The issue, which does not represent new financing for the corporation, was oversubscribed. Of the total offering, 400,000 shares are being sold for the account of Atlas Corp., and 20,000 shares are being sold through the exercise of option right purchased from two officers of the company. The total net cash proceeds to be received by the corporation from the exercise of the option rights amount to $160,000, which will be added to the company's working capital.

Organized in 1939 as a successor in reorganization to a company of the same name, Radio-Keith-Orpheum Corp., and its subsidiaries produce, distribute and exhibit motion pictures and operate theaters and related real estate and other enterprises.

R-K-O Radio Pictures, Inc., a wholly owned subsidiary, represents the corporation's major interest in the business of producing motion pictures. It also distributes pictures, maintaining 32 film exchanges in the United States and six in Canada. The production phase of this subsidiary's business consists chiefly of the production of feature pictures, costing anywhere from $100,000 to over $1,000,000 each. In 1945 it distributed 30 features, 51 shorts and 104 newsreels which it either produced itself or which were produced by other subsidiaries in the Radio-Keith-Orpheum Corporation. In addition, it distributed for others eight features and 15 shorts.

Radio-Keith-Orpheum Corporation and its consolidated subsidiaries had met income for the year ended Dec. 31, 1945, of $5,889,916 compared with $5,359,659 in the preceding year.

Newburger, Loeb & Co. Celebrates Anniversary

Newburger, Loeb & Co., 15 Broad Street, New York City, members of the New York Stock Exchange, held a dinner to celebrate the forty-seventh anniversary of its founding. L. N. Newburger, senior partner and founder of the firm in 1899, was principal speaker. All the partners and some 120 employes of the firm were present at the dinner.

Howard S. Filston Is With Hornblower & Weeks

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, OHIO — Howard S. Filston has become associated with Hornblower & Weeks, Union Commerce Building. Mr. Filson was previously with the Cleveland office of Paul H. Davis & Co. In the past he did business as an individual floor broker on the New York Stock Exchange in New York City. Prior to joining Paul H. Davis & Co. he was in the armed forces.

Keynes' Posthumous Message

(Continued from first page)

stand, or that one can find contradictions in his writings, or because his theories have changed, as he grew older. There is something more fundamental which is puzzling one in his case, the more so as one is constantly conscious that Keynes was exceptionally intelligent, well nurtured in economics and apparently also, in political doctrines.

The great mystery in Lord Keynes' case is whether or not he was conscious that his theories were carrying seeds of nationalism and totalitarianism. This question is all the more pertinent, as he himself has written:

"The ideas of economists and political philosophers, both when they are right and when they are wrong, are more powerful than is commonly understood. Indeed, the world is ruled by little else."

In 1927, Lord Keynes published "The End of Laissez Faire." He therein contended that from the time of John Stuart Mill, the leading economists of England were delivering frontal attacks upon *laissez-faire* in general, and that the work of Alfred Marshall —to take one instance—was directed to the "elucidation of the leading cases in which private interest and social interest are not harmonious."

Marxian Socialism he calls "poor thinking" and he professes to wish to maintain capitalism, because he thinks that "capitalism, wisely managed, can probably be made more efficient for attaining economic ends than any alternative system yet in sight, but that in itself, it is in many ways exremely objectionable."*

His Dislike of Capitalism

However, he expresses his dislike of capitalism in the following terms: "It is because particular individuals, fortunate in situation or in abilities, are able to take advantage of uncertanty and ignorance, and also because for the same reason big business is often a lottery, that great inequalities of wealth come about; and these same factors are also the cause of the unemployment of Labor."

Lord Keynes asserts in the same book that the essential characteristic of Capitalism is "the dependence upon an intense appeal to the money-making and money-loving instincts of individuals as the main motive force of the economic machine."

I consider it extremely revealing of his way of thinking, that when in "The End of Laissez-Faire" he analyzes the "metaphysical" (!) foundations of *laissez-faire*, he does not even discuss whether or not individualistic capitalism is the basis of democracy and of our civil and political liberties.

In the summer of 1933, Lord Keynes published an article bearing the title, "National Self-Sufficiency" in the "Yale Review." Therein one can read:

"The decadent international but individualistic capitalism, in the hands of which we found ourselves after the war is not a success. It is not intelligent, it is not beautiful, it is not just, it is not virtuous—and it doesn't deliver the goods. In short, we dislike it, and we are beginning to despise it. *But when we wonder what to put in its place, we are extremely perplexed.*"

Lord Keynes became convinced apparently ever since the first World War that the world is embarking on a variety of politico-economic experiments. He loved to play with ideas and in the above mentioned article he wrote:

"We all need to be as free as possible of interference from economic changes elsewhere, in order to make our own favorite experiments towards the ideal social republic of the future."

This much is certain. Lord Keynes considered that the outstanding fault of the economic society in which we live is its failure to provide for full employment, and he wishes to correct the "arbitrary and inequitable distribution of wealth and incomes." He loved to play with ideas and was willing to embark the world on experimentation. But he was not dogmatic. Quite the contrary —he considered an intellectual infirmity one's incapacity to change ideas. (I wish as much could be said of his disciples! I shall revert to ths important point later.) I shall prove my point by two quotations from his writings.

In a concluding note to his book, "The General Theory of Employment, Interest and Money," he writes:

"Is the fulfillment of these ideas a visionary hope? . . . But if the ideas are correct—an *hypothesis* on which the author himself must necessarily base what he writes—it would be a mistake, I predict, to dispute their potency over a period of time."

In the above-mentoned article published in the "Yale Review," he wrote:

"Yet the new economic modes, towards which we are blundering, are, in the essence of their nature, experiments. We have no clear idea laid up in our minds beforehand of exactly what we want. We shall discover it as we move along, and we shall have to mould our material in accordance with our experience. Now for this process bold, free and remorseless criticisms [My note: for the attention of Keynes' disciples and some Washington officials!] is a *sine qua non* of ultimate success. We need the collaboration of all the bright spirits of the age. Stalin has eliminated every independent, critical mind, even those sympathetic in general outlook. . . . Let Stalin be a terrifying example to all who seek to make experiments. If not, I, at any rate, will soon be back again in my old nineteenth-century ideals. . . ."

* * *

Keynes' Influence on U. S.

Lord Keynes' theories and ideas have influenced economic thinking in the U.S.A. in two ways: they have either created an appalling and detrimental confusion in many uncritical minds, or they have been uncritically and dogmaticaly accepted by many academic and governmental economists, and also by many political leaders for reasons which I shall explain later. While the consequences of Lord Keynes' theories are manifold—and not all of them bad!—the worst one, it seems to me, is that most of his disciples are not aware of the "hypothetical" nature of his theories—notwithstanding the fact that he has himself clearly stated so, (see page 383, of his "General Theory")—and therefore are teaching and preaching dogmas and recommending policies in accordance thereto, as if they were stemming out of a Bible.

It may serve a useful purpose to remind Keynes' disciples of one of his most forceful dicta, which he enunciated in the "Yale Review" article of 1933:

". . . Words ought to be a little wild—for they are an assault of thoughts upon the unthinking. But when the seats of power and authority have been attained, there should be no more poetic license. . . . An experimental society has need to be far more efficient than an old-established one, if it is to survive safely. . . . When a doctrinaire proceeds to action, he must, so to speak, forget his doctrine. For those who in action remember the letter will probably lose what they are seeking."

* * *

Correspondence With Keynes

After the publication of my essay on the consequences of Lord Keynes' theories (see "Commercial and Financial Chronicle" of Feb. 8 and 15, 1945) I had an exchange of letters with him, and I hereby offer two of them (those which were not marked "Personal") in the hope that they may serve a useful purpose in the thinking of some dogmatic disciples and followers of his theories, who may otherwise be doing lots of harm to our country and the rest of the world.

Lord Keynes' answers to my letters are evidence, I think, that he accepted some of my criticisms, notwithstanding, or should I say because, of his protestations, and that he was sharing my fears as to the consequences of his theories, as confirmed in his posthumous article in the "Economic Journal," referred to at the beginning of this article.

46 Gordon Square
Bloomsbury
June 26, 1945

Philip Cortney, Esq.
423 West 55 Street
New York, U.S.A.
Dear Mr. Cortney,

Many thanks for sending me your pamphlet on my theories. You have indeed been a diligent student, and your lecturer must apologise for not having done better with you!

But you have approached my words with a closed mind and have given your own interpretation to them (as we are all apt to do) without having penetrated to their real full-blown meaning.

There is hardly a passage or quotation in your essay for which you could not claim some textual justification in something I have written in the last 25 years. And yet, and yet . . . the result is to produce a story very remote indeed from what is my actual position and purpose.

Anyhow you will be glad to hear that! And I can end up by most fully endorsing the last sentence of your preface—that "in order of urgency the main objective to be attained is the free convertibility of the pound sterling."

Yours very truly,
Keynes

New York
July 23, 1946

New York
July 23, 1946

The Honorable Lord Keynes
46 Gordon Square
Bloomsbury
England

Dear Lord Keynes,

Many thanks for your letter of June 26th.

Being only in pursuit of truth, I am not insensible to your reproach to have approached your words with a closed mind. It may be helpful to you, however, to know that the same reproach can be addressed to many professors of economics, among whom, some of the most prominent in the world, who have written to me, commending with more praise than I probably deserve, my essay on the consequences of your theories.

May I suggest very respectfully that there is probably great need for a "Keynes interpretation of Keynes' theories" for the following reasons:

1) either the wording of your past writings leaves room for misinterpretations by those who have no special axe to grind, like myself—or

2) it gives to your "professorial" opponents plenty of room for interpreting your ideas the way they wish—or

3) and to my mind, worst of all, it gives some of your disciples a pedestal to propagandize their own wrong ideas in practically "Schachtian" terms.

May I also respectfully suggest that the wording of your letter to me is open to misinterpretation. When you protest that "the result is to produce a story very remote indeed from what is my actual position and purpose," is one to understand that you share my views on the causes of the 1929 Depression and in general, on the economic and monetary developments between the two wars?

You will also be interested to learn that the last paragraph of your letter, which I brought to the attention of a few friends and Senators, was considered "news," which fact is also probably due to a misinterpretation of the ideas you stand for.

In my last letter to you, I expressed the hope that you may have a good time . . . at my expense . . . reading my essay. Apparently, however, it did not quite produce this result. Therefore, I might perhaps finish this letter with a story which I think amusing, and pertinent to your situation among your fellow economists. I shall tell it to you in French, because I believe the story has more punch in the language in which I heard it.

As you know, it is the custom in France that a couple wanting a divorce must appear before a judge for a final attempt at reconciliation.

One day, there appeared before the French judge a couple seeking a divorce. The woman was rather attractive and outwardly very nice and sweet. The husband was the complainant. The judge tried to convince the husband he had better change his mind and said to him: *"Je ne comprends pas pourquoi vous voulez divorcer cette charmante femme, car, au fond, elle parait tres gentille."*

The husband answered, somewhat annoyed: *"Il se peut que vous ayez raison, Monsieur le Juge, maise je ne suis pas scaphandrier, moi!"*

Please believe me, dear Lord Keynes,

Respectfully yours,
Philip Cortney

Keynes' acknowledgment of my letter of July 23, 1945 is of no particular interest.

Last winter I became disquieted by the conflicts between management and labor approximating sometimes civil war. Wrongly or rightly, it seemed to me that the main cause of our predicament was wrong thinking, particularly among government officals and economists. Inasmuch as Keynes bears a great responsibility for the confusion in thinking in economics and on account of his great influence on the minds of these people, it occurred to me that probably the only man who could straighten out our thinking was Lord Keynes himself. Hence my following letter to him.

New York
Jan. 3, 1946

The Honorable Lord Keynes
46 Gordon Square
Bloomsbury
London, W.C., England
Dear Lord Keynes,

You certainly realize the turmoil which exists at present in the United States. The labor-management dispute has taken on an ugly aspect. Should this country lack, at the present juncture, the necessary intelli-

*From "The End of Laissez-Faire."

gence and wisdom, I am afraid the consequences may become ominous for the entire world. The confusion in thinking in economics has reached disquieting proportions. If wrong ideas continue to have a hold on people in key positions; if leadership of another sort does not assert itself quickly, I am afraid that this country will be pushed, albeit unwittingly and against its will and through devious ways, into economic and financial nationalism and isolationism.

I may be wrong in assuming that you are probably one of the few persons in the world who can do something about it, I mean, something about straightening out our thinking. You have very nicely reproached me that I have not done justice to your ideas. I wish to assure you that I have interpreted your writings with all the intellectual honesty of which I am capable. Furthermore, if I have misunderstood you, then there is plenty of proof in my files that most of the economists and important professors in the world have gotten a wrong conception of your ideas. The worst result, however, is the abuse and distortion of your ideas by partisans, or by people who really have not understood anything of what you intended to say.

At this time, you may rightfully ask what you could do to clarify this confusion. I think that an article by you stating in simple and clear language your present position on the subjects of savings, wages, public debt and currency-juggling to attain the goal of full employment, would certainly arouse great interest and mighty channel thinking on sounder paths. I do not know personally where you stand at present on these subjects. The greatest compliment which I have been able to pay you was to state that your mind was flexible enough and that you were personally of such intelligence that you would know to change your opinions when you think that facts warrant such a change. Your statement that I misappraised your theories makes me wonder where you really stand today on these important subjects.

Personally, and I have said so in my essay on your theories, I have had the impression that you were endeavoring to find solutions to an individual free enterprise system, using the mechanism of economic liberalism. The usage some partisans, who do not know better, try to make of your theories is to prove that you are either a mercantilist or a socialist with totalitarian propensities. The fact that you have been working hard to obtain a loan from the United States makes me believe you stand for individual free enterprise, economic liberalism and international multilateral trade. Should my ideas meet with favorable reception on your part, I am of the opinion that your article should appear either in the London "Times," or the New York "Times," or the New York "Herald Tribune." I am convinced that either the N. Y. "Times" or the N. Y. "Herald Tribune" would be very happy to publish an article written by you.

I suggest publishing your article in a newspaper because first, the matter is very urgent, and secondly, in order for your article to carry weight and influence on public opinion, it will have, of course, to be coached in clear, simple terms, understandable by an average individual.

Please believe me, dear Lord Keynes,

Respectfully yours,
Philip Cortney

46 Gordon Square
Bloomsbury
January 16, 1946

Philip Cortney Esq.
423 West 55 Street
New York, U.S.A.

Dear Mr. Cortney,

Thank you for your letter of January 4th. If I had time and strength, I would act on your suggestion. But I am still somewhat entangled in affairs and not free to give my mind to tasks of public exposition and education.

Moreover, what you ask me to do is not easy, especially if, after a somewhat long silence, I had to address the instructed public as well as the uninstructed public. Very difficult, and perhaps impossible, to handle both at the same time.

I hope the day will come again when I shall be writing for public consumption. When that does come, it may be better to be guided, both in subject and in form, by how the spirit blows and what I feel I most want to do.

Yours very truly,
Keynes

This letter proves beyond doubt that Lord Keynes agreed with the fears I was expressing in my letter of Jan. 16, 1946 and with my opinion on the origin of the wrong thinking which was the fundamental cause of our great troubles.

Misinterpretation of 1929 Depression

I explained in my essay on Keynes how and why his prestige was enhanced—and why he did not deserve this credit—by the departure from the gold standard by England in 1931, and by the U.S.A. in 1933. Due to his position in 1925 against a return of the pound sterling to par, economists and much of the "informed public opinion" ascribed the 1929 depression in England—and even in the U.S.A.—to the gold standard, or to the return of the pound sterling to par in 1925. Keynes himself, pronounced this diagnosis in this "Treatise on Money" published in 1930. In 1936, Lord Keynes published "The General Theory of Unemployment" wherein he stated that he had become skeptical regarding the possibility of influencing the long-term interest rate by a monetary policy of the Central Banks. There is in "The General Theory" no diagnosis of the 1929 Depression, but the new theory implies that the boom could have been perpetuated by "managing" all at once, the rate of interest, savings and investments.

I consider it to be one of the worst consequences of Lord Keynes' ideas, the fact that they distracted the economists of the world from making a realistic and adequate diagnosis of the 1929 Depression, which would help us to approach more intelligently the economic problems with which we are presently confronted.

The "General Theory" provided the explanation that an insufficient volume of aggregate expenditures is the main cause of an economic depression, and what is more, that the Government can offset by deficit spending any fall in "effective demand." This theory—by no means new!—appealed, because of its specious simplicity to many economists, and particularly to many politicians, because the solution to our economic ills seems so simple and gives plenty of scope to government intervention.

The simplified view of the causes of depression and of the remedy thereto, completely neglects the structural maladjustments which usually lead to the breakdown of economic activity, as pointed out by Dr. Michael Heilperin in his letter to the N. Y. "Times," Aug. 11, 1946. The panacea of spending to cure depressions has resulted in a complete disregard of the question of adjustment of prices and costs. The panacea of spending will result in an increase of government debt and inflation, but why should we worry inasmuch as "in the long run, we shall all be dead?"

Warns Agains Exaggerated Orthodoxy

I wish to finish this article with an admonition to those of my fellow-economists whose ideas I fundamentally share, namely the economists of the classic or neo-classic school.

I am convinced that the hold Keynes' theories has on most minds and particularly on the younger generation is due, to no small extent, to the fact that the average opponent of Keynes' can be charged "with exaggerated orthodoxy and unwillingness to criticize traditional views" as it was asserted by Dr. Albert Hahn in his address at Harvard University in 1944.

My fellow-economists of the classic bent seem, with too few exceptions, incapable or unwilling to think over again their basic assumptions and theories in the light of economic, social and political realities. If the facts do not square with their doctrinal prepossessions, they request a change of the facts! Their position is logical and consistent, but unrealistic and therefore dangerous because they play into the hands of money cranks and heretics, and thereby help to destroy the basis of our Society.

Let me give two examples, to make my criticism clear.

The classical school teaches that supply creates its own demand, and that therefore general overproduction is impossible. Most of the classic economists continue to maintain this view, and base on it their criticism of Keynes' theories, and in particular, his assertion that at times, there are in our economy "involuntarily unused resources." If the real economic world were functioning in accordance with the assumption and tenets of the classic theory, their position would be sound. Unfortunately, their position is unsound, because their assumption is true today only as a broad generality. No one will deny that Professor Charles Rist is a sound thinker. In the last French edition of his "History of Economic Doctrines," he writes:

"The old formula of J. B. Lay, by which he thinks he can exorcise the ghost of depression 'products are bought with products' remains always true in its generality, but has only a remote relation to the phenomenon (general depression) we are examining."

Quite recently, an organization created to defend our individual free enterprise system, issued a pamphlet, widely distributed on "profits and the wage problem." The author of this pamphlet describes thusly the formation of wages in a free market, in contrast to the establishing of wages in accordance with the ability to pay of the employer as measured by his profits.

"Free markets prevent special privilege. Under a free labor market, different wage rates for the same kind of labor could not long exist. Differential wage rates would be self-defeating.

"Now *what would happen under a free labor market?* Of course those getting the low wages would be dissatisfied. Some would strike for higher pay; others would apply for jobs with the firms that pay high wages for the same kind of work. The low-wage firms would find that they could keep their workers only by raising wages. The high-wage concerns would see that they could lower wages and still get all the workers they wanted.

"After considerable milling about, an equilibrium wage rate would be settled. At this rate the same for all workers doing the same kind of work, each employer could get all the workers he wanted, and every worker willing to work for that wage could get a job. In other words, this wage rate would "clear the market" as the economists say. There would be employers who could make little or no profit paying this rate, but that would in no wise enable them to get labor for less. There would be other employers who were making handsome profits, but that would not compel them to pay higher wages.

"Suppose now we start with a different and more realistic assumption. Given a previously established equilibrium, let us assume that labor centers its demands upon a few of the most prosperous firms. That appears to be what has recently been going on in the United States. And let us further assume that these few firms, on account of high profits, are induced to raise wages. Still assuming a free labor market, what happens? Just about the same as before. The high-wage firms are swamped with workers seeking jobs. They soon realize that there is no necessity of their paying extra high wages in order to get workmen. They drop their wage rate down to about the rate that generally prevailed for that kind of labor. We are back at equilibrium once more—a level of wage rates permitting employment for all, with all workers of equal ability receiving about the same wage for the same type of work."

What relation does this description bear to the realities of our life, may I ask in a friendly spirit?

On the other hand, the new book by Henry Hazlitt, "Economics in One Lesson" is a good example of what can be done to explain with lucidity the first principles of classic economics.

The masses, I am convinced, will not accept in the future either a fatalistic development of a prolonged depression or mass unemployment. What is our answer, which takes account of political, social and economic realities, to prevent the recurrence of depressions, like in 1929, or large unemployment like in the 1930's? What do we propose to do to counteract or mitigate the gathering momentum of a deflation? How and when should we intervene? The dogmatic classicist may answer: "Let nature take its course." I shall then not hesitate to retort: "This is the course to social upheaval, chaos and most probably dictatorship."

William M. Watts Resumes

AUBURN, N. Y.—William M. Watts is again active in the securities business from offices at 19 East Genesee Street. In the past he did business as an individual dealer in Auburn.

Canadian Securities

By WILLIAM McKAY

Charges by Dr. J. J. Brown, young Toronto scientist, that there has been waste of public money in the disposal of war materials by the Canadian War Assets Corporation, have led to loud and insistent demands for a complete investigation of the allegations.

In newspaper and magazine articles, Dr. Brown has revealed that with $900 he was able to purchase as scrap from junk dealers $45,000 worth of former RCAF machinery and equipment. A parliamentary Committee on War Expenditures and Economies at Ottawa has heard his story but as yet has given no indication of coming to any decision on the truth or significance of his accusations. It is part of Dr. Brown's contention that the Air Force, following instructions from War Assets, mutilated certain types of surplus and repairable equipment during the first six months of 1945.

If Canada can find some way to maintain indefinitely the utilities and the values of surplus war stocks at their wartime price levels, she will indeed succeed in overcoming a problem which has given no end of trouble to government officials, industrial leaders and a large segment of the public-at-large in the United States since the end of the war.

The war industries of Canada's neighbor south of the border also wondered (and, in some areas where they may be some lag, probably still wonder) what to do with the surplus war stocks they had (or have) on hand. The government authorities have not been very helpful in disposing of this problem, either. Perhaps very little can be done about it because material that is no longer needed is very obviously practically worthless surplus. In fact, the government is known to have acquiesced in relegating much "good" equipment in various stages of assembly to the junk pile.

The criminal implications of Dr. Brown's charges might, of course, throw a different light on at lest some phases of Canadian effort to dispose of no longer needed paraphenalia of war. In the United States, the attempt has been to salvage where salvage was possible at all, but, with rare exceptions possibly, never at the wartime level of prices.

Bank Directors Resign

Banking circles in Canada last week were stirred by the report that five directors of Barclays Bank in Montreal had resigned over what was described as "a difference of opinion with the parent institution in England on fundamental policy." The directors who turned in their resignations were Allan A. Magee, president; Col. J. L. Ralston, L. A. Taschereau, J. C. Cushing and Henry Borden. The remaining five directors, all representatives of the parent institution, are residents of Great Britain with the exception of H. A. Stevenson who is now president and J. H. G. Vale who is general manager.

Tourist Business Brisk

Despite the fact that the American dollar no longer commands a premium in Canada (though Canadian dollars are sold at a relatively high discount in the free market in New York), the inrush of tourists from the United States to Canada continues unabated. Bookings at many Canadian resorts are reported at 100% for the remainder of this month and running from 50 to 75% for the first two weeks in September. The hotels in the bird-shooting areas of Manitoba expect to get all the business they can handle the latter part of September and all of October. The hotels at Brooks, Alberta, are reported to be booked solid for the pheasant season opening Sept. 16.

Forest Fires Cause Considerable Damage

Forest fires have been causing considerable damage in the rich timber country of central and Eastern Canada. At one time last week, fires were reported in 34 sections of northern Ontario. Thunderstorms and showers aided firefighters throughout the province on Friday but the Department of Lands and Forests said hazards in many districts were still high. The United States Forest Service responded to emergency calls for help in combating two fires in Quentin Park north of Minnesota.

Steel Strike Continues

Shortages of materials due to the steel and other strikes were cited as the main reason for the closing of the Canadian plants of Massey-Harris Co., Ltd., throwing some 5,000 persons out of work. Since the beginning of June, Canadians have lost more than $7,000,000 in wages as the direct result of strikes, it has been estimated. Fast on the heels of a statement made by Acting Finance Minister Douglas C. Abbot before the Parliamentary Industrial Relations Committee that a grant of any wage increase beyond ten-cents-an-hour in the steel industry would seriously increase the dangers of uncontrollable inflation in Canada. Patrick Conroy, chairman of the Wage Coordinating Committee of the Canadian Congress of Labor, told the same committee he would not advise striking steel men to return to work on a ten-cent-an-hour increase, pointing out he was satisfied Canadian industry could meet wage increases of fifteen-cents-an-hour. Louis R. Beaudoin, Liberal member of Parliament from Vaudreuil-Soulanges, warned that if striking unions persisted in demands for an hourly wage increase of fifteen cents or more an hour "across the board," Canada's farmers regard as justified a proportionate boost in the prices of milk, butter, eggs and other farm products.

Plan New 55-mile Railway Line

The Standing Committee on Railways, Canals and Telegraph Lines has before it for consideration a House of Commons resolution which would authorize the Canadian National Railways to construct a new 55-mile line from Barraute to Kiask Falls on the Bell River in Quebec at an estimated cost of $4,125,000. The line would open up an area capable of supporting an agricultural population of about 15,600 and would contact a 940 square mile region containing 5,200,000 cords of timber. Tobacco growers in Ontario expect a record crop of 90,000,000 pounds this year, according to a survey. Dow Chemical of Canada, Ltd., at Sarnia, Ont., will be producing styrene for the Canadian market within a few months, it has been announced.

Newsprint Strong in Stock Markets

One of the features in the Canadian stock markets during the past week has been the strength shown in newsprint, probably in anticipation of an expected rise in the OPA price in the United States which receives about 80% or so of all Canadian newsprint. Abitibi common for instance, was up a point and preferred up a fraction. Consolidated Paper was up three-quarters of a point. On Monday and Tuesday golds strengthened selectively. Queemont, which sold at $14 a week ago yesterday, closed at $17 on Tuesday. The market for Canadian external bonds remained quiet with little change in prices. Canadian internal bonds improved somewhat as a result of a slight strengthening, 1/4 to 1/2 point, in the rate for Canadian funds in New York.

Montreal Votes to Refund $47,000,000 in External Obligations

Important news, too, was the report that the Montreal City Council had passed a by-law providing for the refunding of approximately $47,000,000 in external municipal bonds in competitive bidding at New York Aug. 22.

Trends in Stock and Bond Prices

The August issue of the Quarterly Canadian Review, published by Dominion Securities Corp., reveals that "since the first of the year there has been a definite upward trend in the prices of stocks listed on Canadian stock exchanges. A study of the market, however, should be divided into two periods, the first from Jan. 1 to June 30 and the second from June 30 to the present time. This division is necessary because on July 5 the official premium on the U. S. dollar was changed from 10%-10 1/8% to 0%-1/2 of 1%. The total value of stocks listed on the Toronto Stock Exchange on June 30 was $7,852,700,000, down from $8,056,200,000 on May 31, but almost $1,500,000,000 ahead of the value on June 30, 1945.

"The prices for Canadian external bonds in the United States again advanced during the first half of the year. During the past several weeks, however, there has been a slight decline in sympathy with the downward trend for high-grade American obligations."

Canadian Crop Report By Bank of Montreal

In its summary of crop conditions in Canada, the Bank of Montreal reported on Aug. 1 in part:

"Rainfall throughout the Prairie Provinces during the past week was confined to light scattered showers and high temperatures and drying winds are rapidly depleting moisture. Most of the wheat is headed and filling reasonably well and coarse grains continue to make satisfactory progress. Extent of damage from the frosts of last week in central and northern districts of Saskatchewan and north-eastern Alberta has not yet been fully determined, but it is considered yields and grades will be somewhat reduced. Damage from hail, rust and pests is slight, but weeds are troublesome in some areas. Sugar beets are in good condition. In the Province of Quebec, rains during the past week have benefited all crops and the general outlook is promising. The harvesting of an average crop of hay of good quality is nearing competiiton. Pasturage is in fair to good condition. Grains are filling well in most districts and average yields are indicated. Roots are progressing satisfactorily. An average yield of apples and small fruits is expected. Tobacco plants are in good condition. In Ontario, scattered showers during the past ten days have been beneficial and crop prospects generally continue favorable, but more rain is needed, particularly in eastern and central sections of the province. Harvesting of fall wheat is well advanced and cutting of spring grains is fairly general; about average yields are anticipated. Storing of a slightly below normal crop of good quality hay is nearing completion. Beans, tomatoes, roots and tobacco are doing well. Pastures generally need moisture. In the Maritime Provinces, favorable conditions have prevailed in most districts and crops generally show improvement. Additional moisture is required in parts of New Brunswick and Nova Scotia. Harvesting of a below average croy of hay is well advanced. Pasturage is in fair condition. Grains indicate a fairly good yield. The potato crop promises to be good average; other roots show good growth. An average crop of apples of good quality is in prospect. In British Columbia, further dry, hot weather throughout the Province has continued to benefit all crops, but heavy anticipated tree fruit yields have been reduced to some extent by serious damage from hail in certain areas of the Okanagan. Picking of a good tomato crop is in progress and all vegetable roots and grains are growing well. Pasture conditions are above average."

New Put & Call Member

The Put and Call Brokers and Dealers Association, Inc., announces that Berton W. Godnick of Godnick & Son, New York City, has been elected a member of the association.

Foresees 20% Tax Reduction

(Continued from page 893)

much the servant of the bureaucrats and wastrels.

"This Administration has sponsored every conceivable crack-pot scheme of pressure groups to pile additional costs on the backs of the taxpayers. Then, after the appropriations have been made and the money turned over to the bureaucrats, the President comes forth with much fanfare and pleads with the heads of departments not to spend the money they have been given for the next 12 months. Instead of ordering drastic reductions in the budget and appropriations, he offers this belated and idle gesture as evidence of the so-called determination of this Administration to economize. And the would-be government experts, whose standing has sunk to an all-time low during the past year because of their tendency to juggle facts to serve the political expediency of the moment, come forth with revised estimates in an effort to make the excessive appropriations a bit more palatable to the American people.

"But the American people are not being fooled. During the expansion of New Deal bureaus throughout the country in the 30's and the unnecessary and unbelievable squandering of money by this Administration during the war, the people have seen the Federal government handling public money in their home communities. They know of the hordes of useless Federal employees, for they have had first-hand contact with them. These personal experiences by the man in the factory, on the farm or in a store are associated quite easily with the crushing tax burden they are being asked to bear in peacetime by this Administration.

"There is only one sure cure. Cut off the source of much of the Federal government's income by reducing taxes and compel the government to retrench, live within its income and at the same time start paying off the debt. The first step is the election of a Republican Congress in November. Then in 1947 individual income taxes will be reduced 20%."

* * *

Another statement emanating from the National Republican Headquarters, also attacked Democratic fiscal policies. According to Rep. Clarence J. Brown of Ohio, National Republican Campaign Director, President Truman's recent revised budget message "is accepted in the spirit in which, presumably, it was given—as a political issue in the 1946 elections."

Clarence J. Brown

"Mr. Truman has talked about balanced budgets before, and before him Mr. Roosevelt talked about balanced budgets for many long years," Mr. Brown said, "but every result was the same—more deficits and more debt.

"This time with a huge Federal income of $35 to $39 billion and with the opportunity to cut down on wartime spending and payrolls, Mr. Truman is losing the most favorable opportunity ever presented to balance the budget. If not now, when will he ever be able to balance the budget? A worried, tax-oppressed inflation-plagued nation wants to know."

The Republican Campaign Director charged that from the budget message and the record of Democrats in Congress the nation can expect only "higher and higher taxes and more and more spending at their hands." He added that by contrast the Republicans in Congress have been outvoted "time and again in their efforts to reduce appropriations."

"Mr. Truman's own figures show a 400% increase over 1941, which was Mr. Roosevelt's banner spend-year," he said.

"Mr. Truman's Secretary of the Treasury—perhaps more realistic than his chief—says that taxes may have to be raised next year."

In considering the revised budget, Representative Brown singled out for attack four specific points which he described as "misleading either through the use of imagination or ingannation."

1. Mr. Truman's pretext of asking for "drastic action to hold down expenditures" in Federal agencies is merely a pretty-please memo to those agencies to refrain from spending money already appropriated to them. The nation is not so naive or unfamiliar with the Democrat "spend, spend, spend" policy that it will believe economies will be effected. From the record, it is more probable that the agencies will come back for more money. For instance, only last week Congress passed the Administration's seventh revised deficiency appropriation bill—for $2½ billion.

2. Mr. Truman's election eve "wave of economy" tries to imply that the budget is "almost balanced" this year. This is based on revised "estimates" that (1) more taxes will be collected than at first thought and (2) government won't spend all the money allotted by Congress. But even these self-sparing estimates show that Democrat spending for the second peacetime year will run the budget $1.9 billions into the red. By the time, next year, when we discover this estimate is short by one or two billions, the 1946 elections will be over.

3. In an effort to show that tax collections come close to paying for the lavish expenditure program — the highest peacetime budget in history—Mr. Truman further misleads the nation in his happily selected "estimates" by anticipating $5.5 billions more income on individual taxes than he anticipated last January. He now says he will get $18.4 billions from that source, which compares with $19 billions collected last year when there was a high, wartime economic activity and when there were no periods of idleness because of reconversion and strikes. But by the time the revenue books show how much Mr. Truman's estimate is in error, the election will be over. Remember he admits his January estimates were 25% in error.

4. The President's message implies that the blame for his unbalanced budget lies with Congress and its new spending laws. We remind Mr. Truman that it is a Democrat Congress and he is the leader of the Democrat Party. We also remind him that many of the spending measures were recommended by him and that every one of them received his approval and signature. More than that, the Congress actually appropriated $1.5 billion less than Mr. Truman asked for.

"The President seems not yet to have learned that it is the national debt and Federal spending which are producing the inflationary trends; that money clipped off the nation's pay checks as taxes produces no jobs, buys no merchandise.

"With such a huge Federal income as $39 billions—or even $35 billions—and still an unbalanced budget, the Republican members of Congress most urgently emphasize to the taxpaying citizens that the Democrat Congress has dismally failed in its most favorable opportunity for relieving the oppressed."

Eastman Dillon Offers Sun Ray Drug Debs

Eastman, Dillon & Co. offered to the public Aug. 13 $2,000,000 Sun Ray Drug Co. 3½% debentures due Aug. 1, 1961, at 104 and accrued interest, to yield 3.16% to maturity. Proceeds from the sale of new debentures will be applied to the payment of long-term and short-term loans amounting to $1,200,000, and it is expected, according to the prospectus, that, approximately $295,000 will be used to purchase the assets of Media Drug Stores, Inc., which operates a chain of 12 retail stores in Philadelphia, Norristown, Upper Darby, Lansdowne, Wayne and Media, Pa. The company intends to use $150,000 out of the proceeds to finance additional inventories for existing stores and the balance of proceeds will be used for general corporate purposes.

Giving effect to this financing, the company's outstanding capitalization consists of the $2,000,000 debentures being offered, 8,133 shares of 6% cumulative convertible preferred stock, par $25, and 105,686 shares of common stock.

Sun Ray Drug Co. was incorporated in 1929 under Pennsylvania laws. As of Jan. 1, 1946, the company was merged with Nevins Drug Company. It operates a chain of 83 retail stores in Pennsylvania, New Jersey, Maryland and Delaware. A substantial number of company's stores are in the Philadelphia area. Of the 83 stores, 48 are operated under the trade name of "Sun Ray" and the remainder under the trade name of "Nevins." The merchandise handled by the company includes staple drugs and pharmaceutical supplies, tobacco products, toiletries, electrical appliances, hospital and surgical supplies, hardware and household supplies and various other products.

J. B. Eaton in San Fran.

SAN FRANCISCO, CALIF. — John Burwell Eaton is engaging in the investment business from offices at 400 Montgomery Street. Mr. Eaton was previously connected with Davies & Mejia.

Market Background Likely To Produce New Vigor

(Continued from page 884)

oughly disproved during the pre-war years.

Boom-Bust Theory

Primary basis for much of the present cautious sentiment is the widespread advertisement of the 'boom-bust' theory. Some fears as to the duration of the boom no doubt are well founded in view of the fact that when the first OPA Extension Bill was vetoed by the President, wholesale prices rose about 13% and food prices 25%. On the other hand, prices of other than farm and food products gained only 2.5%, while all raw materials advanced 12% and manufactured goods about 10%. Purchasing power is not unlimited and naturally if costs increase out of proportion to consumer incomes, demand is diminished rather than increased. Thus, a further rapid rise on top of that already experienced should be looked upon as an omen of ill portent insofar as the investor is concerned, since it would have the effect of increasing disproportionately the value of production and diminishing purchasing power to absorb such production.

Barring such a development, a prolonged and sustained period of high industrial activity is in prospect. This simple statement is based on the fact that total demand for goods—for domestic and foreign account—is still vastly greater than present total productive capacity. This, in other words, is the substance of the bull argument and provides assurance that the boom will last.

How Markets Disintegrate

It should be recognized, of course, that all markets, both bull and bear, after continuing for relatively long periods, tend to disintegrate and develop forces within themselves.

On previous occasions we have pointed out that certain securities could have been purchased for instance in 1927 and sold out at a loss at the top of the market in 1929 despite the tremendous advance which occurred in the "averages" in the meantime.

Such a situation is merely a reflection of the fact that demand for goods is satisfied in various stages. Demands, so to speak, are filled one by one. Usually in anticipation of this situation, there is a downturn first in one group of securities, followed in successive series by other groups, finally culminating in a broad and general downtrend. Such probably will prove to be the market pattern as basic forces expend themselves.

It may be premature to call attention to such a situation at this time while the prospect over the months ahead is for relatively high activity in production and trade, but sight cannot be lost of the fact that the consumer goods boom which has now been under way for nearly a year has satisfied, at least to a large extent, a very sizable part of the accumulated demand. To cite a few statistics, more or less at random to illustrate the point, it might be noted that production of vacuum cleaners in June was 177,000 units vs. 156,000 average in 1941; washing machines 193,000 vs. 158,000; radios 1,378,000 vs. 1,100,000; gas stoves 141,000 vs. 125,000; passenger car tires 5,200,000 vs. 4,200,000; cotton fabrics 791,000,000 yds. vs. 692,000,000 yds. On the other hand, auto output was 142,000 units vs. 358,000; cast iron radiators about one-half of prewar, and so forth. Coming events in the business picture most certainly will cast their shadows in the stock market.

MacKenzie Baird Now Mercier Co. Partner

DETROIT, MICH.—MacKenzie C. Baird has been admitted to partnership in Mercier, McDowell & Dolphin, Buhl Building, members of the Detroit Stock Exchange. He had been associated with the firm for some years.

Michigan Brevities

(Continued from page 888)

common stock of the following firms: Ainsworth Mfg., Armour, Hayes Industries, Interlake Iron, International Nickel, International Tel. and Tel., Loew's, Lukens Steel, Northern Pacific, Pepsi-Cola, RKO, So. Pacific and Westinghouse Electric.

* * *

F. L. Jacobs Co. has arranged for a 15-month $2 million loan from the National Bank of Detroit.

* * *

Superior Tool & Die Company's 615,945 shares of $1 par common are now being traded on the local exchange.

* * *

Universal Products Company holders have O. K.'d recapitalization plan increasing authorized capital from 100,000 to 300,000 $10 par shares. Two of the new stock will be issued for each share of the old stock. The remaining 100,000 will be held in reserve.

* * *

The SEC has approved a proposal whereby the National Gas & Electric Corp. of Benton Harbor would borrow $2,100,000 from banks. Proceeds will be used to retire National's first lien collateral trust 5% bonds outstanding in the principal amount of $2,000,000 at a redemption price of 105 plus accrued interest.

* * *

C. S. Davis, President of Borg-Warner Corp. has announced the completion of an arrangement for a $30,000,000 revolving credit usable at any time in the 10-year period dating from Sept. 1, 1946 to Aug. 31, 1956. National Bank of Detroit is a participant in the transaction.

* * *

General Motors Corp. has sold $125 millions in long term notes to 8 life insurance companies. Proceeds are for additional plant expenditures and increased working capital. Of the total note, 96 millions mature in '76 and were taken at 99½%. The balance will mature in '66 and were taken at 100¾%. Interest in both was 2½%.

* * *

Trading volume on the Detroit Stock Exchange continues at a record breaking high level. For the first seven months 3,353,304 shares, valued at $40,113,292 changed hands, as against 2,984,120 or $30,361,747 in the similar 1945 period.

* * *

Jerome E. J. Keane has been admitted to membership on the Detroit Stock Exchange. A former governor of the exchange, he is again operating his firm, Keane & Co.

* * *

War Assets Administration has received 2 bids on the former Bendix Aviation plant at Owosso. Bidders were Candler-Hill of Detroit, $500,000 and Electric Auto-Lite, $720,000. Bids were forwarded to Washington.

* * *

The SEC has approved the recapitalization plan of Michigan Gas & Electric Co. The utility will reclassify its capital stock into $100 par preferred and $10 par common. It will acquire $162,500 par amount of common stock from shareholders and create a capital surplus of a similar amount.

The company will also sell at competitive bidding $3,500,000 of first mortgage bonds, series A, and 14,000 shares of $100 par preferred. The preferred sale will be subject to an exchange offer to holders of prior lien and preferred stock.

David Dattels Opens

KITCHENER, ONT., CAN. — David R. Dattels is forming D. R. Dattels & Company with offices in the Medical Arts Building to act as dealers in government, municipal and corporation bonds and investment stocks. Mr. Dattels was formerly connected with Seagram, Harris & Bricker and more recently was manager of the bond department for W. R. Bricker & Co.

The Businessman's Role in Directing Our Economic Future

(Continued from page 880)

ness spending, we shall then be able to maintain the level of aggregate demand necessary for full employment. (An allied proposal is that Government should not spend directly for this purpose, but rather increase consumer purchasing power by reducing taxes, etc., when depression threatens.)

Even a brief study of our economic history, say since 1900, should quickly call into question the adequacy of each of these approaches to sustained full production. Prior to 1933 private enterprise had as much freedom (and tax relief) as it can ever hope to have in the future; its productive achievements were remarkable, but it did not achieve continuous full employment. During practically all this period, also, the real wages of factory workers advanced steadily. Yet this was not sufficient to assure full employment; in fact, the most spectacular increases in wage rates took place between 1933 and 1940, and were associated with our most persistent unemployment. During the 1930s we had Governmental fiscal policies resembling fairly closely those of "compensatory spending" and monetary expansion, but they were far from completely successful. It would appear from this experience that continued deficit spending **of wartime magnitude** might be necessary to maintain full employment by such a policy in peace—a possibility not accepted and not explored by most of the devotees of the compensatory-spending approach. (They assume, quite conveniently, that in the nature of things the deficits in bad years will be fully or largely offset by budget surpluses in prosperous years.)

The Businessman's Viewpoint

I am particularly concerned with the businessman's viewpoint toward the control of our economic future. If he will examine the free-enterprise system as a whole with the same objectivity and acumen that he brings to the problems of his own business, he will observe that in recent decades it has developed an additional complicating factor—or, more properly, defect — which compels some far-reaching changes in his own economic thinking. This development is the appearance of **mass unemployment in prosperity.** Its early and mild manifestations can be traced back to the 1920s, but its significance was not clearly discernible until 1940 and 1941. The year 1940 was one of "normal prosperity"—it shows as 101.7% of normal on the Cleveland Trust-Ayres Index—yet it was marked by unemployment averaging 7.5 millions. The year 1941 was one of extraordinary and unexampled prosperity—127.2% of "normal" vs. 110.3% in 1929—yet even in that year unemployment averaged 5 millions, a figure which current economic planning regards as inadmissible for even a future average year.

Economists and businessmen are so accustomed to associating mass unemployment with cyclical depression—or quasi-permanent "stagnation" — that they have given little attention to this relatively new phenomenon of unemployment in prosperity. This subject requires detailed quantitative analysis. Let me content myself here with pointing out three significant conclusions from my studies, the material for which goes back to 1900. These are:

(1) The unemployment of 1940 and 1941 was not due in any significant degree to a slackening of national growth as compared with previous normal years.

(2) Its origin may be traced to two dynamic factors, viz: (a) a persistent tendency for productivity to expand faster than per capita income (or living standards); (b) a recent tendency for the working force to expand relative to weighted population.

Both of these troublesome factors are likely to face us in future normal years.

(3) The development of unemployment in the past has been retarded significantly by the steady reduction in working hours. If this aid is rejected in future years, the task of maintaining full employment will be made much harder.

The Outstripping of Income by Productivity

Underlying these conclusions is **the dynamics of increasing productivity**—which, beginning about 1910 has shown improvement at an accelerating rate, and at a rate far outstripping the growth of per capita income. A 30-year comparison will bring this home in striking fashion, viz:

Table I. (constant 1940 $s)

Per capita income (weighted*)	$605	$827	37%
Productivity, per man-hour	46.9c	92c	96%
National income	$46.4 bill.	$94.4 bill.	104%
Total hours worked	99. bill.	102.5 bill.	4%

(*Note: To offset the distorting effect of the smaller proportion of children in the population in recent years, I have counted children under 16 as one-half. It seemed preferable to use National Income figures rather than those for Gross National Product, because the estimates of GNP prior to 1924 appear less reliable than those of income.)

From the historical standpoint there is nothing wrong with the rate of increase in the national (per capita) income. It corresponds closely with the rate shown for the quarter-century, 1900-25, during which there was no talk of economic maturity. Hence the unemployment of 1940 —and certainly that of 1941— cannot properly be called a phenomenon of stagnation. It is a phenomenon of differential tempos of growth—between per capita income increasing at a fairly constant rate and productivity tending to increase at an accelerating rate.

The arithmetical consequence of this tendency has been a significant and persistent **decrease** in the number of hours of work required per **head of population** in order to provide our improving standard of living. If the average work-week had remained constant, this would have resulted in an equal reduction in the number of workers required per capita. However, the radical shortening of the work-week in this period provided an important offset to what otherwise would have been an incredibly huge unemployment; but it was still far from sufficient to maintain fully the proportionate need for workers. On the other hand, an important influence working in the opposite direction, and aggravating the unemployment problem, has been a growth in the portion of the (weighted) population in the working force. This change has been small and innocentlooking in percent, but it has had a powerful effect upon the unemployment figures.*

The effect of the factors just discussed may be summarized by the following comparison, continuing that in the preceding table:

Table II.

	1910	1940	Change
Hours of work required per head of population (weighted)	1,289	897	—30.4%
Average work-week (per worker)	55.3 hrs.	42 hrs.	—22.6%
Result: Workers needed per capita (Employment)	.447	.412	—7.8%
Workers available per capita (working force)	.466	.478	+2.6%
Unemployment per capita	.019	.066	+247%
Actual unemployment	1.4 mill.	7.5 mill.	+436%

This arithmetical analysis does, I believe, present a reasonably dependable picture of what happened employmentwise to our economy in the decades prior to World War II. There is no economic law which requires that these factors continue to develop in the future as in the past. But businessmen would be wise to assume that there is at least a strong probability of the persistence of these relationships—particularly the tendency of productivity to grow faster than living standards (per capita income).†

Enterprise System's Production of Unemployment With Prosperity

If this proves to be so, then the simple free-enterprise system — however soundly encouraged—will continue to produce unemployment along with progress and prosperity. It will also continue to produce the familiar unemployment associated with periods of depression. Even if, by some measures as yet undisclosed, the business world were able to avoid in the future the cyclical vicissitudes which have plagued us in the past, it would still have failed to solve the more complex problem of mass unemployment in good times. In view of the popular determination to prevent such mass unemployment **at any cost**, business thus faces the strong likelihood that Government will be called upon to provide full employment. This would undoubtedly mean that we shall repeat the experience of the 1930s in which business, clinging to old beliefs, did nothing much but mutter and obstruct while the administration groped awkwardly for new solutions.

It is high time that businessmen played a more intelligent and constructive role in the control of our economic future. They can do so only if they adjust their thinking to the basic reality that the classic free-enterprise system is not an automatic producer of substantially full employment. To maintain full employment under conditions of free enterprise (and peace) will take a lot of doing; it will undoubtedly require the adoption of a number of new concepts, techniques, and even gadgets, to fit the economic machine to the task.

Experiments Necessary

It is a highly encouraging sign that the Committee for Economic Development—an organization of businessmen—is now preparing to study systematically and openmindedly the obstacles to sustained full employment, and the whole range of possible means to overcome them. For the simple truth is that businessmen must now prepare to accept experiments and innovations in the general economic field, just as they have always favored them in their own technologies. They must abandon their stubborn premise that while new business ideas are good, new economic ideas are bad. Instead of ignoring or instinctively opposing every social invention, they must seek to take a constructive part in their development. What they have to offer here is a combination of practical experience, common sense, and great ingenuity as well—once they rise to the challenge. Businessmen are thus ideally equipped to recognize, or think through, sound and judicious devices aimed not alone at "revitalizing the profit motive," but also at remedying the mechanical defects of traditional capitalism.

(*Footnote: My data show that practically all the increase in unemployment from 2.4 mill. in 1924 to 5 mill. in 1941 was due to the larger working force in 1941 relative to population.)

†Footnote: There is always a temptation to put forward a quantitative relationship of this kind as an economic law, such as the famous Malthusian principle of the disparate growths of population and subsistence—which our own statement resembles closely in form, though with almost the opposite implications. We present it rather, as a well-defined **tendency**.)

Such devices cannot well be based on the now common exhortations to business to accept voluntarily and permanently a lower profit margin than would otherwise be available; or to take unwillingly dangerous capital risks; or to employ for the sake of creating employment. These concepts are alien not only to the formula of capitalism but to human nature as well. On the other hand, the proposed social inventions must **as far as possible** exclude the element of discretionary Government control over our business operations. For nothing in our experience suggests that such controls will work well in peacetime, and a great deal suggests that they are incompatible with a well functioning free-enterprise system.

You may well ask me what types of social inventions I have in mind as suitable for study and possible endorsement by forward-looking businessmen. I shall name a few by way of illustration, without seeking to cover the field.

One of these might be the systematic adjustment of basic hours of work to absorb the differential—if and to the extent it reappears‡—between increasing per capita income and more rapidly increasing productivity. The principle here is that wages should advance with productivity, while the work-week should decline to the extent needed to maintain full employment. It is easy to demonstrate mathematically that as long as productivity and per capita income increase—as they are bound to do—it will be possible to combine steadily increasing hourly **and weekly** wages with slowly declining hours of work, constant unit costs, and a rising standard of living.

Another would be the development of a comprehensive stockpiling system embracing primary commodities. This would have the double purpose of (a) substantially stabilizing the general price level and flattening the business cycle, and (b) creating a physical reservoir of basic products for many protective and expansionist uses.

Another would be a more systematic development of the rationale of public works, especially low-cost housing—not only as a depression remedy but also as an offset to unemployment in prosperity. Here we may clarify and improve the budgetary status of such expenditures by use of the device of the semi-autonomous public-works authority, partially supported by annual public subsidies included in the budget.

(‡Footnote: **At the moment** we are expecting a shortage of workers and a lengthening of hours. This is a phenomena of the "catching up" period. The **long-term** problem is almost universally recognized to be of the opposite character.)

As suggested earlier, one of our economic embarrassments has grown out of the tendency for our working force to rise disproportionately to our population. This fact greatly aggravates the problem of maintaining full employment in the face of a natural tendency for **man-hours needed to decline**. Non-drastic but reasonably effective measures should be considered and adopted for gradually decreasing the proportion of older people—and, if possible, also that of married women—at work. (Perhaps half-time employment for married women, permitting them to combine home-making with money-making, might meet a combined social and economic need of modern times.)

Underlying some of these suggestions—and others that might be made—is the view that the mechanical principle of acceleration, which infuses the twentieth-century enterprise system, requires ingenious and inventive handling if it is to operate for the true convenience of society. Technological man is much in the position of the Sorcerer's Apprentice in the well-known tale—the genii he invokes bring him more than he can comfortably handle. Or, to use another figure, our enterprise system is like a peculiarly difficult sort of bicycle, which to retain its equilibrium must not only keep going but must keep increasing its speed. With such a machine nasty spills are unavoidable. If we want to avoid them in our economy we must introduce approprpiate braking mechanisms to neutralize the acceleration principle **to the extent that experience and study find to be necessary.**

Our present thinking, as our past, runs in the opposite direction. We glory in our growth possibilities—i. e., our physical ability to speed up the pace of progress—and we confine our planning to the removal of the bumps in the path of the accelerating economic mechanism. This is natural but hardly wise. Businessmen should realize the risks involved in staking the future of capitalism on its ability to expand **smoothly** from a $200 billion product in 1969.§ All our history speaks against success. It would be only prudence and commonsense to develop alternative braking techniques to deal with the lumbering economic machine—besides the over-simple one of giving it its head. We may need these techniques to escape disaster.

My final point relates to the matter of experimentation in economics. This thought has been anathema to businessmen, although it is the life of their technology. We have been brought up to consider economic or social experiments, as synonymous with crackpotism and national ruin. We have, of course, embarked on many such experiments, successful and otherwise—e. g., the Federal Reserve system, prohibition, the food-stamp plan, etc.—but they have generally not been so labeled, nor carried out with the proper experimental technique. In the future we shall probably have to try out many specific ideas: incentive taxation, public-works planning, adjustment of working hours, annual wage schemes, slow and continuous tariff reduction—to name but a few. It is essential that such things be done in the true spirit of scientific experiment, with provision for close observation, competent reporting, and for continuance, modification or abandonment, as sound judgment will dictate.

Insofar as some of these devices may involve unbalancing the budget, let us be realistic too about this touchy subject. By one of the numerous paradoxes in our current economy the huge size of our public debt gives us much more leeway than we formerly had—or thought we had—in fiscal policy.

But the important point is that businessmen should be at once **practical and openminded** in relation to economic measures. Their own abilities and experience, their own record in overcoming formidable obstacles give assurance that they have much to contribute to the economic aspects of the science of Government. As many business leaders have been repeating in recent years, to do this will require significant changes in our habits of thought. I have tried to indicate here some of the directions that this changed thinking should take. May I adopt (and modify very slightly) the words used by Eric Johnston in his farewell address to the U. S. Chamber of Commerce? "We in business must think profoundly and liberally, or face the threat of economic liquidation. The law of life applies: Adapt or die."

(§Footnote: Chester Bowles, almost alone of economic writers, has in "Tomorrow Without Fear" touched, very lightly, on the $400 bill. problem facing us 20 years hence.)

See Increased Silver Production in Mexico

In Washington on Aug. 5 Mexican Ambassador Antonio Espinosa de Los Monteros said that the recent United States increase in the price of silver undoubtedly will stimulate production in Mexican mines. The Ambassador referred to an increase recently voted by Congress, raising the price from 71.1 to 90.5 cents an ounce, it was noted in Associated Press Washington advices, which as given in the New York "Herald Tribune," added:

The new price, he said in a public statement, would in all probability start Mexican silver flowing into world markets. He stated that the previous price caused producers to withhold the metal from the market, believing it was too scarce and should therefore go up in value.

The Ambassador declared that Mexican production had fallen sharply under the old price.

"The question now is," the Ambassador said, "to see whether the new price will bring supply and demand closer than they had been in recent years. The sale of 'free' silver by the United States Treasury would indicate that shortages are out of the question for some time in the future."

Clarke Resumes N. Y. State Bankers News Post

Major Harry Clarke has resumed his duties as Director of the News Bureau of the New York Bankers Association after serving four years in the Army, it was announced on Aug. 5 by Albert L. Muench, Secretary of the Association. During his Army service, Major Clarke was attached to the Office Chief of Finance, the Adjutant General, and the Office Chief of Transportation, in Washington, D. C.

Mutual Funds

Two Fundamentals

Lord, Abbett, in connection with the publication of new descriptive brochures on **Affiliated Fund, American Business Shares** and **Union Trusteed Funds,** stresses "two fundamentals of modern investing." They are:

(1) Maintenance of Purchasing Power, and
(2) Balance and Selection.

The first, of course, is self-explanatory—dollar value may be quite deceptive in a period when the purchasing power of the monetary unit is subject to rapid change. Investing should therefore "be done with an eye to having more dollars if dollars grow smaller."

In describing the second fundamental, Balance and Selection, Lord, Abbett raises an interesting point on the divergent nature of different mutual funds. "No matter what words are used to say it," writes this sponsor, "investing comes down to BALANCING your portfolio into bonds, preferreds, and commons according to a projection of economic conditions, and then SELECTING the individual issues which are to make up the balanced portfolio."

American Business Shares and Affiliated Fund are then described as **fully-managed funds** because they include both Balance and Selection. Union Trusteed Funds, however, are **not fully-managed** in this sense, but provide only for the Selection side of management.

If we are to accept this definition completely (and to us it is a reasonable one), then the so-called common stock funds—which were the first to be developed and which today account for more than half of the industry's aggregate assets—are **not** fully-managed funds at all. It would be more accurate to think of them as specialized funds, providing Selection for the common stock portion of the investor's portfolio.

Just Supposin'

Hugh W. Long & Co.'s current "New York Letter" contains an interesting analysis of the question: "If we are now in the beginning stages of a bear market what constructive action can we recommend to our clients?" Here are the main points of agreement among the analysts who participated in the discussion.

1. "If there is to be a bear market now, or soon, it would have to be a bear market in stocks and not in business." (There are no "indications of forthcoming weakness in industrial activity.")

2. "A slump in stock prices without an accompanying or ensuing slump in business activity would represent a most unusual set of circumstances."

3. "None of this (points 1 and 2) adds up to a real bear market, either in duration or extent." However, in following through with the original assumption, these steps were suggested as constructive: (a) "Increase cash, bond and preferred stock holdings . . . (b) Concentrate stock holdings largely in the building supply, gold mining, oil, and tobacco industries . . ."

15 Years of Progress

Keystone Co. devotes the current Keynotes to a summary of the record and position of the 10 **Keystone Funds** as of July 1, 1946. Here are the highlights:

Combined net assets, $178,500,000.

Total distributions to shareholders since inception of the original Keystone Funds in 1932, $29,900,000 of Regular Distributions and $22,400,000 of Special Distributions—a total of $52,300,000.

Semi-annual reports on **Keystone Series B-1** and **Series K-2** as of June 30, 1946, reveal the following highlights:

Series B-1—Net assets during the first half of this year rose from $4,548,305 to $6,906,396 and asset value per share rose from $28.23 to $28.67.

Series K-2—Net assets on June 30 were up to $7,846,336 from $7,061,964 at the year-end, reflecting for the most part a rise in the net asset value per share from $28.59 to $31.02.

Wellington Fund

W. L. Morgan & Co., the sponsor of Wellington Fund, has published a pocket-size booklet giving the background and investment policies of this $34,000,000 balanced fund. A short section at the back of the booklet lists the officers and directors and gives brief biographical sketches of them. A quick perusal of this little piece should give the reader a fairly clear understanding of why Wellington Fund has been able to achieve an outstanding record over a 16-year period that includes three complete business cycles and a major world war.

Balance for Uncertainty

National Securities & Research Corp. calls attention to the July 25th issue of the "Chronicle" in which opposing viewpoints with regard to the outlook for stock prices were presented. Two highly qualified analysts supported their conclusions under the headings, "The Bull Market Is Over," and, "Bull Market to Follow Emotional Liquidation."

As a sensible, middle-of-the-road course, National suggests dividing one's investment capital about equally between **National Low-Priced Bond Series, National Preferred Stock Series** and **National Income Series.** Such an investment "combines the objectives of better-than-average return and opportunities for price appreciation in a rising market."

On Again

Commenting on the revival of OPA, **Selected Investments Co.** in the current issue of "These Things Seemed Important," does a bit of nifty word-smithing.

"Many who had fought inflationary policies for years nearly stumbled into getting themselves labeled as inflationists on the OPA question. Probably OPA is not going to be permitted to stymie business production from here on. For young, ambitious men there are probably jobs which offer more long-term promise than those with OPA."

Credit Boom Possible

Hare's Ltd., in a follow-up discussion of its recent analysis of the outlook for common stocks, refers to the current policy of the Federal Reserve in creating new reserves through its open market purchases.

"Through making these steady open market purchases, the Federal Reserve is demonstrating its willingness to create new reserves as rapidly as the banks need them. Such a policy appears destined to finance a credit boom."

Mutual Fund Literature

Distributors Group — Revised folder on **Utility Shares;** reprint of Barron's current investment company comparisons, with comparable figures on all classes of **Group Securities . . . National Securities & Research Corp.** —Current information folder for August on all National funds; memorandum giving July portfolio changes; Current issues of "Investment Timing" discussing foreign trade in relation to our economy . . . **Hugh W. Long & Co.**—A new price-earnings ratio study on the machinery industry entitled, "Why Machinery Issues May Be Considered Good Investments Today." . . . **Lord, Abbett**—Revised Prospectus on **Union Trusteed Funds,** dated July 22, 1946 . . . **Calvin Bullock**—Revised descriptive folder on **Bullock Fund . . . Hare's Ltd.**—Revised highlights folder on the several groups of Industrial Shares.

Dividends

Bullock Fund, Ltd.—A dividend of 20 cents a share payable Sept. 3, 1946, to shareholders of record Aug. 15.

Officials of Fund And World Bank

(Sixteenth of a Series)

Y. C. KOO

Executive Director of the Fund.

China being one of the Big Five in the Bretton Woods system, Mr. Koo's position is appointive and not elective. At the time of the BW Conference in 1944 Mr. Koo was Vice Minister of Finance, and he attended the New Hampshire gathering as one of China's numerous delegation. In China he has held various important posts, some of them simultaneously.

Y. C. Koo

Y. C. Koo was born in Hwei-an, Kiangsu, in 1901. He obtained his higher education at the National University of Peking from 1916 to 1920. He then studied at Ohio State University and New York University, receiving the MBA degree from latter in 1924.

During the years 1925-29 Mr. Koo was financial secretary of the China Foundation for the Promotion of Culture and Education. During the next few years he was in private banking business. In 1934-35 on behalf of the national Government of China Mr. Koo studied the organization and operation of central banks in the United Kingdom, United States, France and Germany. Returning to China, he became counsellor of the Executive Yuan of the National Government and in 1936 was delegated to negotiate with the United States Treasury the first sale of Chinese silver under a program to stabilize China's currency. The vigorous and large-scale buying of silver by the American Government under the Silver Purchase Act of 1934 had driven Chinese currency out of circulation and precipitated the abandonment of the silver standard, with consequent demonetization of the principal circulating medium in China.

Following this silver mission, Mr. Koo served (1936-40) as President of the Kwangtung Provincial Bank, meanwhile becoming commissioner of finance of the Kwangtung Provincial Government. From 1940 to 1945 Koo was General Manager of the Farmer's Bank of China and concurrently, from 1941 to 1944 served as Vice Minister of Finance in the National Government. In 1945 Koo was made Secretary-General of the Joint Head Office of the Four Government Banks, a position he recently relinquished to come to the World Fund.

Mr. Koo was decorated by his Government in 1937 with the Order of the Brilliant Jade, and in 1944 with Order of the Star.

Main Street Says—

(Continued from first page)

He declined to be quoted unless assured his views would be presented as those of a typical Main Street banker, not those of a fellow who wanted to sound like a big shot. A life-long Republican but no "hard shell," he expressed the broad views of the community as he has heard them in hundreds of conversations.

Main Street's Outlook

It is possible to boil down Main Street's general outlook, including that of farmers in the surrounding areas, into three brief categories:

Economic—Times are better than can be expected to last, perhaps better than ought to last. A leveling off period is anticipated, even desired owing to fear of a "bust" such as followed the World War I boom. While most believe the debacle will somehow be prevented this time, it nevertheless dominates much of the thinking.

National Politics—Main Street and farmers feel capable of walking alone and consequently favor an end to subsidies and heavy government spending. President Truman's popularity continues to slip. So far no Republican candidate has captured the public's imagination.

International—The old view of the Middlewest as isolationist that persists in the East is a misconception. Main Street and its surrounding farmers favor the United Nations and international cooperation, though not exactly sure what ought or ought not to be done.

The conversation with Mr. Baylor took place in the back room (no one bothers to dignify it with the title "conference room") of the Union Savings' Sigourney office. The bank has offices also in the nearby towns of Keswick and Kinross. Deposits at the close of business on June 29, 1946, were $2,231,066.84, compared with $723,488.91 for the same date of 1938.

The bank, with the old-fashioned high partitions and barred windows recently ripped out in favor of modern low railings, is on the northwest corner of the square. Sigourney is laid out in the approved fashion for America's county seats—business houses grouped around a neat green yard containing a three-story stone courthouse boasting a loud-striking town clock in its tower.

Occasionally Mr. Baylor, spying a customer he wanted to talk with, popped out to the front room for a few minutes. He took occasion to check his own views with theirs and now and then brought a typical citizen back to join the conversation.

The situation of the farmers was delved into first. Right now the farmer's chief aim is to use some of the relatively easy money to reduce indebtedness. The whittling is on land mortgages, for nowadays chattel mortgages on other than new machinery or stock purchased for fattening is a rarity. Ten or 15 years ago a big portion of farmers had put their last lame horse up for security.

Even the loans for new machinery are usually taken because the bank permits a lower interest rate than that allowed by finance companies. A good risk can get money at the bank for as low as 5% interest. Because of the tremendous mechanization during recent years, this type of loan is important to the bank. It will become even more so as greater supplies of machinery become available.

Other large items are loans for purchase of range cattle and sheep for fattening, and for lime and phosphate for "sweetening" the soil. The old systems of crop rotation are thus supplemented. The ancient system of fertilization by manure is almost a thing of the past, since horses are scarce. Minerals have boosted production enormously and the production per man has increased even more. Especially during the war neighbors learned to work the complicated machinery together, so that fewer farm hands are needed.

Local banks are holding land mortgages at 4%, same interest charged by the Federal Land Bank. Many farmers are paying far ahead, a privilege permitted by both federal and local loan agencies.

What about the land boom which was expected by almost everybody?

Mr. Baylor places the increase in land values at somewhere between 15 to 25%, compared with 300 to 500% during and directly after the last war. Memory of the big break in the early 'twenties was one reason for caution, but there are others.

"Whether you like the high income rates or not," Mr. Baylor said, "it must be admitted they have been a large factor in heading off a land boom."

Whenever a farmer comes in and reports that he has had an offer considerably above his investment, Mr. Baylor takes him into the back room and they sit down with pencils and scratch pads for some figuring.

High Taxes Discourage Farmer's Profit-Taking

If the farmer sells, he will naturally be required to move. That means a sale of livestock and equipment, proceeds of which the government will look on as profit. Amount between the original investment and the offer is then calculated. Net operating income for the year is added. By this time the farmer's income has jumped into a rather high bracket. He usually decides to hang onto his place.

Veterans are encountering difficulty in setting up as farmers, partly because they have less money than others and partly because they do not feel it wise to purchase land, equipment, and stock at present high prices. However, Mr. Baylor, who represents the government in GI loans for the county, has found it possible to get a few loans through, sometimes with no collateral other than a mortgage on the purchase.

Merchants, with ready buyers for nearly everything they can get their hands on, have fared equally well with the farmers. Today there is hardly a merchant borrower. They have plenty of cash for all transactions with wholesalers.

"It's hard to say one type of business has done better than another," Mr. Baylor said, "for the good reason that all of them are sitting pretty."

Even should farm prices break sharply, merchants seem in for a period of prosperity because of the family shortages of almost all types of consumer goods.

A big boom in a small field is that in town real estate. Building material has been scarce and remains so, while returning veterans have put pressure under the market. Prices have jumped as much as 300% since the war's beginning. Mr. Baylor feels, however, that the peak has been reached.

GI loans have been made in the towns, too. Houses have been purchased with little above the property mortgage for security. The same is true for businesses.

In dealing with GI loans, Mr. Baylor takes into consideration the prospective buyer's reputation and examines the possibility of the business carefully. The local bank is protected to some degree, of course, by the fact that its claim on assets is ahead of the government's. Some veterans purchase hay balers and other large farm implements and go into custom work.

Wages have gone up, too. Farm workers who go out from town get $1 an hour or better for an 8-hour day, while a full time hand may receive from $100 to $150 a month with living quarters and a portion of food requirements supplied. Women who work out now ask and get 50 to 60 cents an hour compared with 25 to 30 cents a few years ago. Clerks and mechanics have had a raise, too.

So the present is fine. What about the future?

Caution About the Future

"You might sum it up this way," Mr. Baylor said. "Almost everyone through this section improved his position—that's putting it mildly—these last few years and he's mighty happy about it. But not one in a thousand thinks times are going to continue anyway near as good."

That opinion is heard on every hand. Hard times after the last war and particularly in the early 'thirties have not been forgotten.

"Some people flatly predict the bust," Mr. Baylor went on, "but the majority believe prices will level off. They expect them to, you might even say they want them to. Not that our people don't want as much as they can honestly get. It's merely that prices look too high to last. Most of us would be pretty well satisfied with hogs at $15 a hundredweight, cattle at $18, corn at $1 to $1.25 a bushel, oats at 75 cents."

On July 18, date of this writing, the Des Moines **Register** quoted hogs at $22, cattle at $26, corn at $1.65, oats at 81 cents.

Subsidies Disliked

With what they consider fair prices, farmers would welcome an end to subsidies and other government cash. The various payments were at first needed and later were accepted because not many people like to tear up checks made in their favor. But to farmers the payments have always had the rancid taste of charity.

Main Street proper feels the same way, or more so. Back in the 'thirties the courthouse filled with federal alphabet agencies and then overflowed. In 1932 the town voted for Roosevelt, but four years later it was back in the Republican column. Farmers were slower. Roosevelt did not lose the county until 1940.

But anxious as Main Street and the farmers are to go back to the good old days when they walked firmly without the helping hand of Uncle Sam, they have some reservations. When asked if they want the government to stay out of the picture, come flood or drouth or bust, they hesitate and a look of doubt comes into their eyes.

"People through here would like to try it alone," Mr. Baylor expressed it. "The law of supply and demand is believed in. But they rather expect the federal government to see that things stay on an even keel. In other words, they like the idea of Uncle Sam's hand being there to take hold of if the going gets too tough."

What about the candidates now in the field?

"Fairly simple," Mr. Baylor said. "A good many Republicans, perhaps a majority, would like to see a dark horse. But the man is an exception who has a choice for the job."

The Political Outlook

Probably it is this psychology which accounted for the fast start with which Harold E. Stassen, former governor of Minnesota, got away after his announcement for the Republican nomination. A recent Gallup poll showed Stassen ahead in the Middlewest, while a sampling by **Wallace's Farmer and Iowa Homestead** showed him leading among Iowa farmers.

Stassen at first appeared something new and fresh in national politics. But there are signs that he is already beginning to wear thin after a few down-to-earth political scuffles.

The farm magazine poll showed President Truman's popularity at a low ebb in Iowa, with Stassen almost twice as popular and former Gov. John W. Bricker of Ohio holding a considerable edge. Chief criticism of Truman is that he seems indecisive, not big enough for the job. Again the fear of bust seems to be involved. Wanted is a man who it is felt can cope with anything that may arise.

Secretary of Commerce Henry A. Wallace shows up strong in the farm poll, but that may be due to the fact that readers of the paper he used to edit were sampled. Wallace is a sort of bugaboo to Main Street, which is more strongly Republican than farm areas. This is due partly to a feeling that he is a dreamer—Main Street thinks of itself as extremely hard-headed—and to the support of Wallace by labor.

Farmers are affected by the same things but to a somewhat lesser degree. Many of Wallace's policies, such as soil conservation and the ever normal granary (which provides loans for storing grain on the farm) are applauded. But Middlewestern farmers have never taken Wallace the political savant to their hearts.

The Approach to World Affairs

Main Street's approach to world affairs is quiet and level-headed. It came through the war without repetition of the hysteria which marred the last one, when crowds smeared yellow paint on houses of "pro-Germans" and occasionally engaged in bodily violence. But no section supported the war more wholeheartedly.

"For some reason the East always thinks we want to bury our heads in the prairie," Mr. Baylor said. "Same way Easterners have the idea we go crazy over barn dance music and hayseed gags. Not long ago a poll was taken and it turned out people's favorite out here was symphony music. But it's hard to down old misconceptions."

The radio has, of course, been responsible for increased interest and knowledge of outside affairs. Almost everyone listens to one and usually several commentators. Circulation of newspapers and magazines has also increased. One straw in the wind was the recent change of an old-fashioned recipe-and-joke rural journal into a news magazine.

This doesn't mean Midwesterners have clear-cut solutions of world problems. The main idea, they feel, is for our government to stay in there plugging. The United Nations is favored. Opposition expressed to the British loan was less on the basis that we ought to stay out of European affairs than that we should cut down government spending. Some disliked the loan merely because it was chiefly an Administration proposal. The fact seems to be that no one felt very strongly one way or another.

Since there is no cut and dried opinion on exactly what should be done, the opinions of candidates on international affairs, at least up to that of President, probably cuts little ice in elections. There is a feeling that a man who is a little strong on the isolationist side may tend to cancel out someone whose internationalism seems too rabid.

But a Presidential candidate who advocated a head-burying policy would make little headway. Main Street wants its government to take its place in international councils. There may be criticism of results, but the idea that Uncle Sam always turns out the sucker in encounters with foreigners is a thing of the past.

Russia is probably looked upon with a little greater suspicion than in the East, with struggles expected in all international conferences. But there is not much talk of war. Without knowing exactly how, Main Street feels things will be patched up.

That approach fits Main Street's present attitude—optimism. Things are going pretty good and people see no reason why, with lessons of the past, they ought to go any other way. But if charged with a touch of wishful thinking, most are inclined to admit the possibility of it.

War-Service Ins. Liberalized

President Truman on Aug. 1 signed a bill to give Government service insurance held by GIs and veterans the same features as commercial policies, with lump-sum payments permitted, restrictions ended on the naming of beneficiaries, and with total-disability coverage added and provision made for a flexible system of converting from military to civilian insurance. On the same date, Associated Press Washington advices continued, the Veterans' Administration announced a reduction from 5 to 4%, effective immediately, in the interest rate on Government life insurance policy loans. The press advices added:

"About 12,000 veterans of the two World Wars have loans of $115,000,000 outstanding against National Service Life Insurance policies. The 4% rate, the V. A. estimated, means an annual saving of more than $1,000,000 to them. The V. A. said the new rate is in keeping with the present trend of interest rates on policy loans made by commercial life insurance companies."

Securities Salesman's Corner

By JOHN DUTTON

Sometimes it appears that this is the day and age of "getting things done in a hurry." Why there is need for so much speed no one seems to know, but the advertisements promise all kinds of short cuts; from learning Spanish in 10 easy lessons to methods of building your own home in a day and a half.

During the past year or so we have been asked our opinion as to the proper way to train new men in the securities business as far as the selling end is concerned. The way it appears to most practical securities dealers with whom we have discussed the subject is that there is no "short cut," or an easy way to success in this business. The first consideration is always—learn your fundamentals. Study, read, and fill your mind with knowledge that will give you background material upon which you can form judgments that will prove sound and beneficial to your clients. Approach this business from the only true basis upon which any successful achievement can be erected; which is an honest desire to make a career out of helping people to protect and enhance their financial welfare. Or in other words TO LIVE BETTER.

How are you going to help people unless you know what you are doing? How can you judge a suitable investment if you are only interested in selling something upon which you can make an immediate commission? How can you last in this business or any other business for that matter, if you only look upon it as a chance to get in on a lucrative source of income and ride the wave of prosperity while it lasts, only to get yours and get out at the right time?

The writer remembers his first days in the securities business when it all appeared to be nothing more than a confusing conglomeration of terms, phrases and complications. In those days there was little help that was offered to a salesman but one of the partners in that firm, who must have sensed the groping futility of the embryo salesman, called us aside and said, "You seem to be having some trouble getting the idea of debenture bonds through your head." Our reply was that we were having trouble getting everything into our head. That night the old man left a Moody's manual on Railroads on our desk with a note which said, "Read it!" That was not the best way to train salesmen but it was effective. After a few months confidence began to build up in the young salesman's makeup, because he began to acquire knowledge. With confidence you can move the world—you can sell anything—you can win any battle—but you must have confidence that is genuine and that is based upon conviction. The only way you can gain such confidence is through study.

Some of the reading and study which we would undertake if we were starting out to make a career of HELPING OTHERS through security salesmanship would be: broad background reading in economics, publications such as the "Commercial and Financial Chronicle" every week from cover to cover, several trade papers covering major industries viz: "Iron & Steel," "Textiles," "Electronics," "Aviation," "Machinery Trades," "Building." Also books on financial analysis of corporations, the manuals of the statistical services, and even the sound courses in chart reading, market movements, cycles etc. The more you know the better, and if you are going to be in the securities business for the next decade or so you'll need all the knowledge you can get. And don't stop—if you are going to be a top man in this business you'll find out something else very soon—you have to be good to stay there because there are too many that have tried to coast on their laurels and found out too late that it couldn't be done. This is one business where you can never stand still, stop learning, or rest on yesterday's victories—it is a young man's business, and a business for men who always stay young!

New Exchange Rates—First Task Of International Monetary Fund

(Continued from page 878)

The rates of exchange established just before and during the war were generally pegged. Thus, as prices rose in many countries, due to inflation, the rates of exchange, which were not shifted to adjust for the price change, no longer served to equalize the purchasing power parities of the currencies. The result was that United States imports from many of them became difficult if not impossible and that there was an opportunity for exceptional speculative profits earned by foreign importers on our exports to many countries. Where prices rise and fall, the rates of exchange must be allowed to vary proportionately with them if the import and export position of a country is to be maintained.

Importance of Sound Exchange Rates

Unless rates of exchange are established by the Fund which will permit nations to export on a large scale, they will find their balance of payments out of line, run short of foreign exchange, borrow on the international market, find it necessary to have recourse to the purchase of foreign exchange from the Fund or seriously curtain their import programs.

Before the depression of 1929, when the Fund was not even a dream, many of the larger trading nations of the world were on the gold standard. The par of exchange for such countries was established by the proportion of fine gold embodied in their monetary unit to that embodied in the money of another country. Thus, as long as a country remained on the gold standard and did not devalue its currency, the par was established definitely. The market rate of exchange could not vary by more than a few cents from the established par, thanks to the operation of the gold points.

The gold points were determined by the cost of shipping gold which amounted to approximately two cents for each $5 worth of gold shipped. These costs included freight, insurance, loss of interest while in transit and loss in weight due to abrasion and was, therefore, subject to slight variation. Two gold points prevailed: the gold importing point or the cost of bringing gold into the country, and the gold exporting point, the cost of shipping it to foreign lands.

According to its 19th century theoretical proponents, the gold standard, working through the gold points, was supposed to regulate automatically a country's balance of payments, distribute internationally the world's gold supply and bring about an international level of prices. If a nation had an unfavorable balance of payments, the rate of exchange fell below the gold exporting point and consequently gold was exported. This in turn, according to the supporters of this theory, brought about a diminished supply of gold in the country and a fall in prices. With the drop in prices, this nation would begin to export again, thereby restoring its balance of payments. The increase in prices which took place indicated that it had originally too large a supply of gold which was corrected by the export of the metal.

The gold standard did not always operate to effectuate these results. It had, further, the grave disadvantage of inflexibility and did not adjust itself readily to changes in a nation's economic pattern or balance of payments position. There was truth in Bryan's "Cross of Gold" speech delivered during the presidential campaign of 1896.

Effect of Gold Standard Abandonment

The shortcomings of the gold standard became increasingly evident during the 20th century and, during the worldwide depression which began in the fall of 1929, it was abandoned by the more important trading countries. It was found that the gold standard with its automatic regulation of the gold supply, prices and exchange rates, left certain monetary and exchange problems entirely outside the sphere of control in the interest of the national economy. Today, the power of the International Monetary Fund to make uniform proportionate changes on the par values of members' currencies, under Article IV, Section 7 of the Agreement, doubtless means that the Fund has the power to change the world price of gold and thus control its cost and supply. The price of gold, therefore, may not depend any longer on market forces alone but will be subject to control in the interest of world trade.

During the depression, various nations attempted to utilize means now inconsistent with Bretton Woods, such as monetary and exchange controls and currency devaluation to stimulate their exports. As soon as one nation underdevalued its currency, others followed suit. These progressive devaluations, although they were employed to gain competitive advantage in world trade, generally reflected a genuine depreciation of a depression-ridden currency. They were accompanied by other controls such as exchange licensing and multiple exchange rates as well as by the use of tariffs, quotas, subventions and valorization schemes designed to reduce imports and assist in overcoming the depression by stimulating domestic industry.

Whereas during the depression it was felt desirable to use exchange control to stimulate business, during the war, exchange and foreign trade regulations were almost universally employed to cope with supply and shipping shortages, to prevent a drain on the fiscal system, as means to a successful prosecution of the war or the maintenance of a nation's neutrality. Furthermore, the role of government in planning and economic control is now so well established that few nations desire to return to the old unlimited gold standard. It is against such a background of manipulation that the Fund must exercise its exchange rate controls.

Problems of Maintaining Exchange Rates

Under the paper money standards which now prevail in most countries, the maintenance of rates of exchange presents many problems. Unless the government controls the rates, there are no gold points to limit the fluctuations of the rate of exchange which may rise or fall to any level. Theoretically, the rate of exchange under paper money is supposed to establish itself at a point which will maintain the relative purchasing power of the local currency. It maintains the relationships between prices and exchange rates which existed at a base period when international payments were in balance. The purchasing power parity rate of exchange is one, then, which adjusts itself proportionately for price changes which occur between countries. The relationships of prices is maintained by the fluctuations of the rate of exchange.

In practice, as the Fund Articles of Agreement tacitly recognize, free market rates of exchange do not always maintain the purchasing power parity of a nation's currency. During the periods of great inflation which prevailed in Europe after World War I, the rates of exchange often fell faster than prices rose, thus undervaluing many currencies. This undervaluation gave these nations a temporary exporting advantage. However, in some cases, European countries were exporting goods at prices lower than their cost of replacement. Thus, with the proceeds of their exports, they were unable to buy back from foreign nations a supply of goods of equivalent quantity. In Germany, during the astronomical inflation following World War I, this "selling out" process was known as **ausverkauf**. This experience indicated, and the Fund agreement recognizes, that uncontrolled rates of exchange, freely established on an open market, do not always establish themselves at satisfactory levels. For this and other reasons, the International Monetary Fund is empowered to negotiate appropriate rates with member countries.

Authority of Fund Over Exchange Rates

The authority of the Fund over exchange rates is large. The Articles of Agreement require the valuation of the currency of each member in terms of gold or United States dollars of 15 5/21 grains of gold 9/10 fine. The Fund is authorized to establish the margins above and below par for transactions in gold by members as well as the maximum and minimum rates for exchange transactions. The Fund has not as yet established the margin for trading in gold. In the case of spot exchange transactions, however, the Fund Agreement provides that foreign exchange dealings must not vary from par by more than 1%. For all other exchange transactions, the Fund will establish, once it begins operations, margins which it considers reasonable.

As soon as the Fund is ready to start operations which, from all indications will not occur before this winter, it will request the members to communicate the par value of their currencies and give them a period of thirty days in which to reply. The par values to be communicated in this manner are those which prevailed on Oct. 27, 1945. Members whose metropolitan territory has been occupied by the enemy may be accorded a delay in communicating their par values.

If a member informs the Fund that the rate of exchange prevailing on Oct. 27, 1945, is unsatisfactory or if the Fund advices a member that this par value cannot be maintained without causing an exaggerated recourse to the Fund's assets, the Fund and the member shall then negotiate a suitable par value for the currency. If the Fund and the member are unable to agree within a determined period on a rate satisfactory to the Fund, the member will be deemed to have withdrawn from the Fund. A member can only buy the currencies of other members from the Fund when satisfactory par values have been established.

If a member has accepted the Bretton Woods Agreement on behalf of one of its territories, it must also send to the Fund the par values for the currencies of these territories. The Fund will then compute the par value of each territories' currency. Unless separate pars are communicated for the various territories, the par of the Metropolitan currency will be held to be the par of the territorial currency.

Further, the members agree to promote exchange stability, to maintain orderly exchange arrangements and to avoid competitive exchange alterations. They also agree to permit exchange transactions between members at the rates established by the Fund.

The par values of a member's currency may only be changed on the proposal of the member itself and after consultation with the Fund. In these negotiations the Fund must take into account all changes already made in the initial par values of the member's currency. If the proposed change, together with all previous changes, does not exceed 10% of the par value, the Fund is not empowered to object. If the change, together with all previous changes, exceeds 20% of the initial par value, the Fund may either concur or, within 72 hours, object.

A member may, however, change the par value of its currency, with agreement by the Fund, if the change does not affect the international transactions of the members. Further, the Fund must agree to the proposed change if it feels that it is needed to assist a nation's economy and restore its balance of payments. If a member changes its par value without the concurrence of the Fund, it becomes ineligible to use the resources of the Fund.

Uniform proportional changes in the par values of the currencies of all members may be made by the Fund if approved by a majority of the total voting powers of the members and by each member who has 10% or more of the total of the Fund's quota. However, any member may prevent a change in its par value if it notifies the Fund within 72 hours. Under the Bretton Woods Agreement Act, Public Law 171, 79th Congress, approved July 31, 1945, no change in the par value of the United States dollar may be made unless specifically authorized by Congress.

Funds Assets Based on Gold Value

In spite of any changes in the par or foreign exchange value of member currencies, the Fund must maintain the gold value of its assets. If the par value of a member's currency is reduced by agreement or if, in the opinion of the Fund, its foreign exchange value has declined, the member must pay enough of its own currency to equal the reduction in the gold value of its currency held by the Fund. On the other hand, whenever the par value of a member's currency is increased, the Fund is obliged to return to this member enough of its currency to equal the increase in the gold value of its currency held by the Fund.

Thus, the Fund, under its Articles of Agreement, possesses adequate power to establish workable exchange rates and the determination of these rates will doubtless constitute its most important initial task. The rates finally established by the Fund are not only of basic importance to all foreign traders but also serve, in part, to determine the recourse which members may have to the assets of the Fund itself.

In the determination of these rates, the Fund must seek a point of reference or an objective. Among several alternatives the two most likely to receive consideration are the calculation of exchange rates by the purchasing power parity method or the maintenance of the balance of payments method.

Purchasing Parity

The purchasing power parity method attempts to compute a rate of exchange which will maintain the price equilibrium existing between two or more countries during some past period when their international payments were in equilibrium. Thus, for instance, if the trade between countries A and B was in balance in 1929, and prices fell faster in Country A than in Country B during the ensuing years, the purchasing power parity rate of exchange would be a rate which changed proportionally to this price shift. The problem of computing such a rate is one of determining the relative changes in prices and expressing this relative change in terms of a new rate of exchange. Since the price structure of any country is composed of many commodities, recourse is had to the use of index numbers of prices which present an average of a given type of price level.

The use of the purchasing power parity method is subject to many difficulties and qualifications. This method does not take into consideration the operation of basic economic changes such as shifts in a nation's trade pattern, productive capacity, income distribution; the introduction of new products, changes in demand and supply. It is further necessary to obtain price indices, adjusted for handling and shipping costs, which are comparable between all the member countries and many members do not prepare statistical series which render such comparison possible.

The question then arises of what price series, among the many prepared by nations should be utilized? Should retail, wholesale, industrial goods, agricultural goods, raw materials, semi-finished goods, imported goods or exported goods, among the many possible price series be utilized? Rates of exchange based upon price levels, which are but averages, may not, for a variety of reasons, serve to maintain the payments of a nation in balance. All the goods which are used in price series do not enter into foreign trade and, therefore, do not need to be taken into account by an exchange rate. Other considerations, such as controls over the total volume of purchasing power, black market prices, monetary reforms further complicate the problem.

The Maintenance of a Balance of Payments

For these reasons the Fund may have recourse to the determination of the rates of exchange which will enable countries to export, import and maintain their payments in balance — the balance of payments approach. The balance of payments method of exchange rate determination attempts to maintain balances of payments in equilibrium despite shifts in international prices, changes in national economies and trade patterns. It differs from the purchasing power parities method in that it does not attempt to compute a rate which adjusts for price movements in general on any two or more markets but adjusts only the prices of those goods which enter into foreign trade. A balance of payments rate of exchange is one which permits a country to export its surpluses to its foreign markets, import its requirements from abroad at the same time maintaining its foreign trade in balance.

The determination of these rates will involve studies of the quantities and values of past, present and prospective commodities entering into the foreign trade of member nations. It must, under present circumstances, take into account related factors such as foreign trade and exchange controls, as well as national desires to maintain face-saving rates. An accurate balance of payments rate of exchange will not necessarily permit a country to export or import all the commodities it may desire but it will allow a maximum of foreign trade, under the conditions which prevail, to take place. For some countries, with largely agricultural economies and but few exportable surpluses, the determination of rates is comparatively easy. For highly industrialized nations such as the United States, Great Britain and France, importing and exporting a wide variety of commodities and products, the establishment of an accurate rate will require the most careful study.

Information Required

In the work of exchange rate determination, the Fund may require members to furnish all the information needed for such a calculation. Among others, the Fund may require members to furnish data covering the following items:

1. Price indices, i.e., indices of commodity prices in wholesale and retail markets and of export and import prices.
2. Total exports and imports of merchandise, in terms of local currency values, according to countries of destination and origin.
3. Gold exports and imports according to countries of destination and origin.
4. International balance of payments, including (a) trade in goods and services, (b) gold transactions, (c) known capital transactions, and (d) other items.
5. Buying and selling rates for foreign currencies.
6. International investment position, i.e., investments within the territories of the member owned abroad and investments abroad owned by persons in its territories so far as it is possible to furnish this information.
7. Production of gold.
8. Official and other holdings at home and abroad, of (a) gold, (b) foreign exchange.
9. National income.

The accumulation of these data by the Fund will bring together in one place a larger body of facts on foreign exchange than has previously existed. It will not only assist the Fund in its problems of exchange rate determination, but provide this institution with detailed knowledge of the foreign trade and international financial position of member countries. The Fund can, therefore, act as a center for the collection and exchange of information on monetary and financial problems. The Articles of Agreement permit the Fund to prepare studies designed to assist members in the development of policies which further the purposes of the Fund. This service should prove of substantial aid to foreign traders.

Effect of Exchange Control

In some circles it is felt that the Fund will circumscribe and narrow the market for foreign exchange and capital movements. Its critics hold that its activities will replace the institutions and practices of free enerprise by the controls of an international governmental body. This point of view is not well founded.

Ever since the depression which began in the fall of 1929, the foreign exchanges and capital movements have been increasingly controlled by governments. These controls reached their climax in the wartime powers exercised by belligerents and neutrals alike. They placed large barriers in the way of foreign trade and were usually designed as weapons of economic warfare rather than as devices to facilities world trade.

The problem today is thus not one of free exchange versus Fund-controlled exchange, but one of freeing the world of foreign trade from the fetters of government imposed discriminatory and restrictive practices. In liberating us from these restrictions, we are not likely, if indeed we can at all, return to the foreign exchange practices in effect before World War I. The problems and complexities of modern conomic life permit no such easy solution.

The most feasible alternative to our present practices lies then in the direction of inter-governmental cooperation as envisaged by the Fund. The Fund will guarantee the greatest freedom possible, under present world conditions, in foreign exchange and capital movements. It will, relative to present and alternative practices, facilitate exchange transactions and serve to maximize foreign trade. Modern man his governments are no longer willing to risk the determination of rates of exchange to the vagaries of free market trading for they have learned that such free rates do not always mean maximum trade, employment and production.

Future Exchange Speculation

Trading, or speculation, on the foreign exchanges is likely to play a smaller role in foreign trade financing than under the gold standard. Previously, rates of exchange were established by market trading in foreign exchange. They will now be determined by member negotiation with the Fund. The limits to swings of the rate of exchange, now that the action of the gold points has disappeared, is controlled by the Fund agreement. Without government controls, under the prevailing paper money standards there were no limits to these swings.

We will, nevertheless, continue to have a market in foreign commercial and finance bills and foreign traders will be able to hedge their operations much as before. Since there is nothing express or implied in the Fund Articles of Agreement which prevents it, bills of exchange can be bought and sold as formerly with far less speculative risk, thanks to the limitation placed on exchange fluctuations. Variations in the rates of interest on bills are without the pale of Fund supervision, and will be allowed free play. Thus, financial institutions will be able to employ these instruments for the investment and movement of funds and continue to make a profit through discount rate differentials.

The exchange rates established by the Fund will eliminate some of the speculative features of foreign trade financing. However, they permit the foreign trader and financier to continue, as heretofore, to eliminate risks due to exchange and interest fluctuations by hedging, shifting the risk to the professional speculator, thus leaving him free of these hazards to carry out the basic work in his business. The trader and speculator in foreign exchange will be able, as in the past, to effectuate their transactions through the usual channels.

The United States will be represented on the International Monetary Fund by Mr. Harry D. White, Executive Director, and Mr. George Luthringer, Alternate Executive Director. These officials must consult with the National Advisory Council on International Monetary and Financial Problems established under the Bretton Woods Agreement Act on questions relating to rates of exchange. The National Advisory Council is composed of the Secretary of the Treasury, Chairman and the Secretaries of the State and Commerce, the Chairman of the Board of Governors of the Federal Reserve System and the Chairman of the Board of Trustees of the Export-Import Bank of Washington.

When the Fund opens its doors for business, which should take place next winter, new rates of exchange will be established with all member foreign countries. The determination of these new rates should go far to eliminating some foreign trade difficulties and pave the way for maximum trading opportunities.

President Addresses Air Force Dinner

President Truman, together with members of his Cabinet and highest Army and Navy leaders, attended a dinner on Aug. 1 given by the Army Air Forces in honor of the 39th anniversary of its formation. Speaking informally, the President told those present that this nation is not seeking to gain power, reparations or territory from her victory in World War II, that the United States wants only a just peace and has "no axe to grind." Reminding his audience, which consisted mainly of several hundred Air Force officers, veterans of both the European and Pacific theatres of war, that almost a year has passed since V-J Day, the President, according to Associated Press Washington advices, said that he wants to see the United States take the leadership in the cause of peace in the same spirit shown in winning the war. "If you haven't the heart and the mental stamina to win the peace," he said, "winning the war doesn't mean too much."

The Associated Press further said:

Mr. Truman added that he wants to see the American production machine become the same force for winning the peace as it was for winning the war.

Mr. Byrnes, the President said, is in Paris in an effort to get started on the road to winning the peace. Mr. Truman said it is essential, however, that the United Nations have a "police force" capable of enforcing "that peace." The U. N. "won't get anywhere" without such a force, he said.

"It's up to you to maintain the morale for peace that you had in war," he told the assembled World War pilots.

Co-Trusteeships Objectionable?

(Continued from page 883)

In the scale plan, or basket, on your right, we will place the positive elements—those which we find favorable. In the pan on your left, we will place the negatives—those which we find objectionable. When we are done, if our analysis has been correct, the arm of the scale will indicate which has the greater weight—and there will be the answer to our problem.

Before going further, I should say that I will draw no distinction between "Co-Trustee" and "Mandatory Consultant" trusts. The term "mandatory consultant" refers to a third person, with whom the trustee must consult, and whose approval must be secured before the trustee may take certain action proposed by it. Legally, of course, there is a distinction between a co-trustee and a consultant, but the elements are substantially the same so far as our chemical experiment is concerned. We will classify both types of trust under the general term "Joint Control" trust.

We are ready now for the first step in our experiment. This is to be an analysis and measurement of the motives of our trustor—what he expects to accomplish through a joint control trust. Certainly the purposes of the trustor are a positive element to the extent of the weight that should be given them. We apply a chemical reagent to these objectives, and find that they separate themsleves into four general classes:

First: Along with the many advantages of corporate trusteeship, the trustor wishes to obtain the benefit of the special knowledge and ability of some individual as it may relate to his own estate. That individual may be his partner, or a key man in his business, or it may be an officer or director of a corporation in which he owns a large block of stock. It may be an investment broker who has served him satisfactorily, or an expert in some other field. The trustor himself may wish to retain a voice in the management while he lives, or he may want to appoint some intimate friend or relative to have a voice in fixing allowances for his beneficiaries, seeing to their welfare, and assisting the children in securing an education and becoming established in business. We will call this the element of "Specialist Appointment."

Second: He may feel that his widow or son will regard the appointment of a trust company as an indication of lack of confidence in them, and therefore designate one or both of them as co-trustee, to save any such fancied indignity. In this group, too, is the trustor who appoints his son co-trustee with the thought that "it will be an education to him." We will term this the element of "Family Appointment."

Third: Although reasonably satisfied with the value of trust company management, he feels that the association of some business or professional man in the trusteeship may give added assurance of the satisfactory handling of the trust. Usually such an appointment is made with the rather vague idea that the principal function of the individual will be to watch the statements and reports of the trust company rather than to take a partciularly active part in the management. In most instances the appointment does not result from any actual lack of confidence in the trust company, but occasionally it may be made for that reason. This element we will designate the "Censor Appointment," bearing in mind that we have two types — the Neutral" censor, and occasionally the "Mistrusting" censor.

Fourth: He may use the arrangement with the secret thought that it will result in a saving to his beneficiaries by requiring a division of the trustee's fee with the members of his family who act as co-trustees. This we will term the "Bargain Price Appointment."

We now have the first four compounds to be used in our experiment. They are all of the same character, but of different atomic structure. Therefore, we can measure them only one at a time. First, let us put the "Specialist Appointment" element in the right-hand pan. The scale immediately tilts in that direction. Obviously, this element has some weight, but we have yet to determine whether it will counterbalance the negative features, which are to be the subject of the next step in our experiment.

These negative elements are the difficulties trust companies find in the administration of joint control trusts. They may be summarized thus:

1. The trust company is concerned about its liability.

2. The compensation in inadequate when the fee must be divided with the co-trustee.

3. Such trusts are cumbersome and inefficient to administer, and are costly both to the trust institution and to the trust estate itself.

These three elements seem to embody a good deal of weight. We put them into the left-hand pan. The needle swings violently to the negative side. But we are not finished with our experiment. Our next step is to throw a penetrating examining ray on these negative elements.

First, we will focus it on the liability factor. There is no question but that duties, and hence liabilities, arise in a co-trusteeship that do not exist when a single trustee has been named. They are based upon the obligation of the trustees to act in unity, with neither delegating duties to the other, and with each supervising the acts of the other. The law books abound with cases concerning the liability of co-trustees. I think that perhaps this concern as to our added liability is traceable largely to a misconception of the nature of many of these cases. On analysis it will be found that a very considerable number of them arose because one trustee, either through negligence or actual delegation, permitted the other to perform acts which resulted in a loss to the trust and were found improper. The result, of course, was that the negligent or inactive trustee was jointly responsible with the one who was guilty of the wrongful act. It does not seem logical that trust companies need have much fear as to this type of liability, because it is their almost universal policy to take over the actual possession of the assets—to do all the bookkeeping—to make the security reviews—and usually, to initiate the acts for investment changes. When this is done, there is small opportunity for the co-trustee to commit a breach which was made possible by a delegation of authority or negligence on the part of the corporate trustee. If anyone should be concerned about this liability, it should be the individual who performs none of the ministerial functions at all, and often is entirely inactive until called upon by the trust company to approve a particular proposal.

Of course, we should not take it for granted that a trust institution has protected itself against all liability as a co-trustee by doing these things. The point is, that this procedure is protection against the type of liability with which a great many of the cases have been concerned.

The principal additional exposure of a trust company acting as co-trustee arises in those cases where it makes a recommendation which, for some reason, is not approved by its associate. The courts agree that the trust company is not protected in being a "good fellow" and deferring to the judgment of the individual if his decision should later be determined to have been improper or imprudent.

This may not be as serious as it sounds. It is to be expected that there will be differences of opinion between co-trustees. It is, in fact, evidence that they are all taking an active part in the management. If there were no such disagreements, there would be little point in having more than one trustee. If the act proposed by the corporate trustee is one on which there can be an honest difference of opinion. there should be no liability if the trustees conclude to be guided by the judgment of the individual, and such judgment was honestly and prudently arrived at—event though it may later prove to have been the less advantageous course. When a situation does arise in which the trust company feels that the position of the individual trustee would not be upheld as prudent judgment, it should, of course, have recourse to the court for instructions.

It is worthy of suggestion, too, that there may even be a buffer against liability in the presence of an individual co-trustee. When the trustor has himself designated a business associate or close friend or member of his family to share in the management of his estate, there may well be a greater hesitation on the part of the beneficiaries in criticizing acts of the trustees than would be the case if an independent financial institution had done the identical things as sole trustee.

We must not dismiss the subject of liability too lightly, but I think that we sometimes become inclined to see "ghosts under the bed." Certainly, the hazards in joint control trusts are too little different from those of sole trusteeships to cause us to shun them for that reason alne.

Our element of liability still exists, but I think that under the beam of our examining ray its bulk has been somewhat lessened.

Let us now turn the ray on the second negative element—that the compensation is inadequate where a division of fees is necessary. To me, there is a very obvious answer to this, and that is that a trust company has no one but itself to condemn if it accepts business which does not provide adequate pay for its services. In those states where trustee's fees are not a matter of statute, there is no reason at all for a trust institution to accept a joint control account on any basis which does not give it fair compensation. I appreciate that many trust companies are operating under statutes which definitely limit the amount of the trustee's fee, and that in such states, the common practice when there are co-trustees is to require this fee to be divided on the basis of the services performed by each. There is nothing, however, in any statute of which I am aware, to preclude a testator from fixing a fee on a different basis than that set by law.

Most trust companies now strongly recommend in their advertising, and in their contacts with their customers, that wills under which they are to act as fiduciary be reviewed with them while the testator is living. The primary purpose of this review is to see that the trust provisions are workable, and that they are acceptable to the trust company. There is no reason why the trust company should not include in its "Check List" of requirements, an adequate fee provision. There is neither moral nor legal obligation to accept a fiduciary appointment under a will which was not submitted to the trust company before the death of the testator. In my opinion there is no more reason to accept a trust under such a will, when it does not provide adequate fees, than there is to accept a trust which has some other unworkable or objectionable provision.

Occasionally we accept a sole trusteeship at an inadequate fee as a matter of public, or local policy. If we accept a joint control trust in which it is obvious that we will not be properly compensated, I think that such action should be charged entirely to policy expense, and that the joint control trust should not be condemned because "the fee is not enough."

Without making use of our scale for the moment, it seems to me that this negative, too, has lost weight under our treatment.

We will now focus our examining ray on the final point of objection—that joint control trusts are difficult and costly to administer. This seems to have the greatest specific gravity of any of our negatives. The first thing we note under the ray is that so far as our routine administration is concerned, the expense and time involved are no different than in the sole trustee account. We do the same bookkeeping, collect income, make security reviews and submit statements exactly as if we were acting alone. It is only when we require the approval of our co-trustee to a recommended change of investment or disposition of property or similiar discretionary act that there is any possibility of delay or additional expense. In the great majority of cases, this approval is obtained by the simple writing of a letter to our associate, who endorses his approval on a duplicate of that letter and returns it to us. Here, a delay of a day or so occurs and we have the expense of writing and mailing a single letter. Certainly this is not too serious.

Unfortunately, all transactions requiring the concurrence of both trustees are not concluded this simply. Sometimes our associate is traveling, or is careless and slow in replying. Sometimes he may be merely obstinate and wants "to be shown" before he signs. He may be a habitual dissenter who finds fault with every proposal at the outset (although he usually finally concurs, and later takes credit for any advantage resulting to the trust).

These are unfortunate and sometimes unpleasant situations. I believe, however, that they are very much in the minority; but as in all human affairs, they loom much larger in our minds than do the many cases of pleasant associations with co-trustees who act promptly and intelligently. In our own trust department, we administer a number of joint control trusts. The great majority of them proceed as smoothly and satisfactorily as the cases where we act alone, yet the common reaction of our trust officers to joint control trusts is colored by the two or three cases in which the individuals are slow or difficult to deal with, I should like to suggest that you make a quick mental review of the joint control trusts administered in your own department, and then weigh those in which you have cooperative trustees against those in which you have recalcitrant ones. I believe you will be surprised to find that the former constitute the great majority of these accounts.

Perhaps our discerning ray has not greatly reduced the weight of this negative element, but without returning it to he scale it does seem to me that it has lightened somewhat. Now, we will return to the left-hand scale pan all our negative elements in their new form. We find that they are no longer heavy enough to outweigh the "Specialist Appointment" on the right side. The indicator turns to the right very definitely. We have completed the first step of our experiment, and from the strong positive reading can draw our first axiom: "Given a co-trustee whose knowledge and training can contribute to the administration of the trust, and given adequate compensation, there is no reason to discourage a joint control trust. Rather, the wishes of the trustor should be respected, and on occasion we might even invite such an arrangement."

Now, let us substitute the "Family Appointment" motive on the positive side of the scale in place of our "Specialist Appointment" element. The needle wavers, and finally comes to rest showing a perfect balance. The favorable and the unfavorable elements offset each other. From this, it is manifest that considerations other than those which we have already mentioned may well be the dominant factor in determining whether to encourage or discourage such trusts. Such elements include the nature of the assets, the value of the estate, the terms of the trust, and the temperament and ability of the individual who is to be our associate.

From this, we may draw our second axiom: "Given a co-trustee who is appointed for family reasons, and given an adequate fee, the advisability of encouraging or discouraging the joint control trust depends upon factors affecting the particular case."

Let us leave the scale in balance for a moment while we examine a new element. We will designate it "Form of Trust Instrument." A properly drawn will or trust agreement creating a joint control trust can solve all the major objections to such accounts. The law permits an apportionment of duties and liabilities between trustees. A well-drawn trust instrument can take full advantage of this principle.

There is no reason why the instrument should not provide that the corporate trustee should have possession of the assets, should keep the books and collect the income and principal payments. There is no reason why the instrument should not say that the duties of the indivual trustee are limited to participation in the investment supervision, or in the real property management, or to a particular investment in the portfolio. There is no reason why the instrument should not specify that, in the event of a disagreement, the decision of a designated trustee should govern, and that the other should be under no liability for abiding by that decision. In short, every serious problem in the administration of a joint control trust can be met by a skillfully drawn trust instrument. An excellent study of such provisions has been made by Mr. Gilbert T. Stephenson, and constructive suggestions along the same line are made in a Graduate School of Banking thesis by William F. Lackman of the Guaranty Trust Company of New York. Both of them are available through the library of the Trust Division of the American Bankers Association.

The element "Form of Trust Instrument" obviously has considerable weight. As it is a positive factor, we will place it in the scale along with the "Family Appointment" element. Our indicator again turns to the favorable side. Before drawing a conclusion from this, we will substitute the "Censor Appointment" element in the right-hand pan in place of the "Family Appointment" one. The "Censor Appointment" is a trifle lighter, but the indicator still shows an affirmative result. We discovered previously that there are two types of "Censor Appointment" motive. The one we have used in this experiment was a "Neutral" censor from a case in which the trustor appointed his attorney with the idea that it might do some good, and couldn't do any harm. It was not made because of any lack of confidence in the corporate trustee. Since we do not have the time to continue our tests this afternoon, I will tell you that I have discovered in my preliminary experiments that if we have a "Censor Appointment" which is made because the trustor does not have complete confidence in the trust company, a very much different reaction occurs when we attempt to compound these elements. The result is an extremely volatile combination, creating great heat, and often actually bursting into flame.

From the results of our measurement of the "Family Appointment" and "Censor Appointment," we draw our third and final axiom: "Given a properly drawn trust instrument defining the duties and liabilities of each trustee, and with a fair compensation provision, there is no reason to discourage a joint control trust, even though the individual is not selected primarily for some specialized management purpose, *unless* the individual is designated because of a lack of confidence in the corporate trustee. In the latter event, acceptance of the appointment is unwise and it should be declined."

I will not attempt to weigh our fourth objective, the "Bargain Price Appointment," because in my research I found that it is incompatible with the other elements we have studied. In fact, it loses substance entirely when compounded with the elements of a well-drawn trust instrument and an appropriate fee provision.

This, then, completes the experiments in our imaginary laboratory. I have no illusions that anyone will leave here with newborn enthusiasm for joint control trusts. I hope, however, that you will concur with my theme—that the usual objections to such trusts are not insuperable, and that in many cases the motive of the trustor is a sound and legitimate one and should be respected. Except in those cases, I do not suggest that we need encourage joint control appointments, but I can see no reason to discourage a potentially profitable and attractive case which is offered to us if we are willing to accept it on a co-trusteeship basis, if it tips the scales favorable in tests similar to those we have conducted today. It would, indeed, be helpful if we could actually measure each such proffered appointment with the scientific precision which I have attempted to paraphrase in my talk. Until, however, our scientists perfect a device which can mechanically appraise the intangible elements of human affairs, our substitute for the chemical balance must be the scale of good judgment, and the weight to be given the elements must be measure on that scale. I believe that in the application of the good judgment standard of measure, the axioms we have established will be found to hold generally true.

Differential Wage Rates Lead to Statism

(Continued from page 883)

sonal abilities of the various borrowers. Land and buildings would rent at different rates varying with the ability to pay of the different tenants. Subjected to fact finding, the customer would be required to open his books so that the grocer, or perhaps, a "fact finding board," could determine his ability to pay for butter and eggs. The man seeking to rent a home for himself and his family would submit his books of income and expense to the prospective landlord, or to the board.

This whole process would of course be entirely lacking in practical standards, fantastically cumbersome and complicated, and utterly unworkable. Fixing price ceilings by government edict, tough as that task is, even in the minds of its proponents, would be only child's play compared with the task of setting on each product a separate price for each purchaser.

Probably few persons would advocate any such method of determining the rate of interest, the rental of land and buildings, or the prices of goods and services generally. Would a wage system involving a separate price for each buyer of the services of labor be any more logical or work any better?

The contrast with the operation of the free market is brought out by the very term used. "Ability to pay," only recently introduced into the language of wage theory, has long been a technical term in the field of taxation. Here it has been used to show the difference between a certain method of determining each persons' tax payment and the method by which the prices of goods and services generally are determined. The advocates of taxation according to ability to pay argue that, whereas one pays for goods in general the prices set, alike for all, in the competitive market, taxation is not to be regarded as paying a price for government services—what the services are worth—but should be on an entirely different basis; i.e., "the citizen's ability to pay."

It is the function of the free market to determine the prices of goods and services and so to induce the producers to bring forth what the people desire, so that there may be the maximum possible satisfaction of human wants. Wage rates which are determined by demand and supply in a free labor market help to guide workers into those lines of effort in which their services will produce what consumers (including workers and their families) most want. Fixing wages on the basis of the employer's profits introduces an entirely different principle. It puts wage rates out of line with prices generally and destroys the operation of the free market.

Free Markets Prevent Special Privilege

Under a free labor market, different wage rates for the same kind of labor could not long exist. Differential wage rates would be self-defeating.

To see how this works, let us imagine a community in which wage rates for a certain grade of labor had been established for every employer, each according to his ability to pay as measured by profits. There would be just about as many different wage rates as there were employers. Some would be quite high, because the particular enterprise had been or was expected to be very prosperous. Some would be very low, paid by the unsuccessful entrepreneurs. And there would be wage rates scattered along the scale between the highest and the lowest.

Now what would happen under a free labor market? Of course those getting the low wages would be dissatisfied. Some would strike for higher pay; others would apply for jobs with the firms that pay high wages for the same kind of work. The low-wage firms would find that they could keep their workers only by raising wages. The high-wage concerns would see that they could lower wages and still get all the workers they wanted.

After considerable milling about,, an equilibrium wage rate would be settled. At this rate, the same for all workers doing the same kind of work, each employer could get all the workers he wanted, and every worker willing to work for that wage could get a job. In other words, this wage rate would "clear the market," as the economists say. There would be employers who could make little or no profit paying this rate, but that would in no wise enable them to get labor for less. There would be other employers who were making handsome profits, but that would not compel them to pay higher wages.

Now if this illustration may have appeared somewhat far-fetched as to its assumed starting point, there is nothing far-fetched about the final upshot, which is in fact just about what we normally find wherever a free labor market prevails.

Suppose now we start with a different and more realistic assumption. Given a previously established equilibrium, let us assume that labor centers its demands upon a few of the most prosperous firms. That appears to be what has recently been going on in the United States. And let us further assume that these few firms, on account of high profits, are induced to raise wages. Still assuming a free labor market, what happens? Just about the same as before. The high-wage firms are swamped with workers seeking jobs. They soon realize that there is no necessity of their paying extra high wages in order to get workmen. They drop their wage rate down to about the rate that generally prevailed for that kind of labor. We are back at equilibrium once more—a level of wage rates permitting employment for all, with all workers of equal ability receiving about the same wage for the same type of work.

Ability-to-Pay Policy Requires Labor Monopoly

We have a real problem of different wage rates for the same work only when there is not a free labor market—when there is labor monopoly.

Assume that the most prosperous firms are compelled by union pressure, with or without support from government, to acknowledge superior ability to pay and to raise their wage rates accordingly. The rest of the workers in the community who are performing labor of similar grade, see certain favored laborers getting better pay. Their first reaction may be to demand a raise from their own employers. But the latter, not having the requisite ability, must refuse if they want to stay in business. The low-paid laborers may then try to shift to the high-wage firms. But against all except those who already belong to the high-paid employees' union this move is blocked. The closed shop prevents their obtaining employment unless they belong to the union; the closed union refuses them admittance.

When the same union covers laborers in a number of firms, some paying higher wages than others, the situation is slightly different. There may now be no union interference with a laborer who seeks employment with the high-wage firm. But now it is the employer who refuses. He has just had a higher wage rate forced upon him. That gives him no ability to hire more workers; rather the reverse. A reduction of wage rate may enable an employer to increase his working staff with profit. An increase in wage rate—especially if caused by external pressure—is more likely to lead him to discharge some of his less competent laborers or those doing less necessary work.

Rising profits tend to induce an employer to hire more workers and to offer somewhat higher wages as an inducement. But an increase of wage rates which is brought about at the expense of profits reduces the employer's incentive and his ability to take on more workers.

Therefore, if a certain automobile producer should, for example, on account of his superior ability be forced to grant a wage increase that other automobile manufacturers could not meet, he would hire fewer workers, even though his union were willing to admit more members. This application of the ability-to-pay wage policy would thus exclude certain laborers from employment or force them into low-wage jobs.

So long therefore as powerful labor unions could maintain their monopoly position, we would have the spectacle of different wage rates side by side for the same kind of work.

Monopoly Equilibrium Is Unstable

But in contrast with the equilibrium reached under the free labor market, this is not a condition of stable equilibrium.

It would soon be generally known by the laborers in any community that some firms were paying higher wages than others. Those who worked for the low-paid concerns would naturally be dissatisfied and jealous. They would demand wages equal to their fellows and insist that fact-finding boards look into the ability of their respective employers.

Whatever the finding of the board in any particular case might be, dissatisfaction would continue, supported by strikes, citing the time-honored union rule of "equal pay for equal work." But many employers could not pay the higher rates; they would not have the requisite "ability" which made higher wages temporarily possible to their more fortunate competitors. The less prosperous concerns would thereupon be forced out of business; either because they declined to raise wages and their employees refused to work, or because, having yielded to their workers' demands, they went broke.

But this is not all. Suppose two different departments of the same corporation are, by separate accounting, shown to have different rates of profit. It might seem to the workers in the more prosperous department that they would gain by separation; they could logically demand that the company be split into two corporations. One can imagine the chaos that would result from such a program carried to its logical limit.

Again, assume that a company pays higher wage rates than others. Will the employees of this company acquire a vested right to their high-paid jobs? The existence of such vested rights will hardly be overlooked. Is it so far-fetched to envisage the labor union assuming the right to say who shall have the high-paid jobs? After all, this is not so very different from the present common practices of certain closed shop unions which charge high initiation fees, require years of residence in the community, or require a vote of the members for admission.

Dissension in the Ranks of Labor

Still we have not exhausted the elements of instability in a condition of differential wage rates, maintained by sheer force of a monopolistic union or unions. Such a rate necessarily contains stresses and strains which must tend to break out in dissention and disruption within the ranks of organized labor itself.

If different groups of laborers, each with its own union, have unequal wage rates for the same grade of labor, is it not to be expected that strife will arise between the unions? In their national organizations, how will the privileged union defend itself against the under-privileged, when the latter appeals to the labor union doctrines of "equal pay for equal work" and the "solidarity of labor"?

If the differential wage rates prevail among members of the same union, the disruptive forces would appear even more serious. How will the union, under such conditions, explain its accomplishment for some of its members while failing to do equally well for others? It appears inevitable that dissension would arise, leading perhaps to cleavage into two or more separate unions, with subsequent conflict within the ranks of labor.

A condition somewhat like this was foreshadowed in the U.A.W. late in January, 1946, when Mr. Reuther, commenting on the wage settlement between the Union and the Ford and Chrysler Corporations, said, as reported, "in the ultimate settlement of the General Motors case the corporation must pay a higher wage increase than Ford or Chrysler in order to compensate the General Motors workers for the hardship the corporation has forced upon them." (New York "Times" Jan. 28, 1946, p. 1) Incidentally, here is a new theory of wage determination, hardly to be reconciled with the ability theory.

Is Ability To Pay the Real Aim?

Of course differential wage rates may be only a stage in the drive for wages for everybody equal to the highest. It is probable that this is the idea of those unions which are now stressing ability to pay. The plan is to get the highest possible wage from certain prosperous firms and then demand that all other employers come up to this level.

In other words, the union goal is not an equilibrium of differential wage rates based on each employers's ability. Rather the ability theory is merely the convenient instrument for starting a wage increase for all. This line of attack, pressed to the bitter end, would result in some companies granting the raise and others going out of business because they could not pay it.

This would both demonstrate the instability of differential wage rates and imply rejection of the theory of ability to pay as a continuing rule of wage determination.

Monopoly Wage Rates Cause Unemployment

Whether the ability theory is used as an excuse for monopolistic wage differentials or as a device for raising wage rates in general above free market levels, unemployment will be the result.

Let us suppose that a labor union has picked out an especially prosperous employer and compelled an increase of wage rates based on his alleged ability to pay. Other members of this union are working for other employers, whose ability to pay the higher wage rates has not been shown or is admittedly non-existent. Yet pressure of the lower-paid members and threatened disruption of the union will lead its officers to demand the higher wage rate, regardless of ability, and to enforce the demand by a strike. Those employers who cannot pay either refuse to comply and lose their workers or yield and later fold up. In either case the result is unemployment.

Similarly, laborers outside the union that has secured the higher wage rates will make demands for equal wages upon their employers. Some at least will be unable to pay; they go out of business, and unemployment results.

Bringing In the Government

While unequal wage rates exist, those laborers who find themselves receiving lower wages than others doing the same grade of work may be expected sooner or later to bring pressure upon government. Government will be called upon to arbitrate the disputes between warring unions over unequal wages and to force equality of rates. Because of political pressure, government will be unable to resist the call.

When wages are set by government, the decision will be determined by political pressure rather than by economic considerations. Since the laborers represent many more votes than the employers and investors, a wage-fixing government is likely to be a labor government. In wage negotiations, it would be labor and government vs. employers.

In this unequal contest it is hardly to be expected that government would propose a compromise involving reduction of the

(Continued on page 908)

Differential Wage Rates Lead to Statism

(Continued from page 907)

forced upon employers supposed to have superior ability to pay. Instead, it would require equalization by forcing up the lower rates. Those employers who had not the ability to pay would be forced out of business. Unemployment would be the result.

Whether or not the government is committed to the maintenance of full employment, spreading unemployment causes insistent calls upon government for relief. This adds strength to the ever-present temptation to accept any excuse to embark on extensive development of government industry, subsidies, deficit spending, currency inflation, and "the managed economy."

When things have reached this stage, through government arbitration of labor disputes and government employment of labor, the government will be in control of wages. There will be no more a free labor market, or free collective bargaining. Government will set wage rates as well as commodity prices, and when government has responsibility for wages and authority to determine rates, labor itself will cease to be free. Laborers will no longer have power to accept or refuse employment. They will not be left the choice of occupation, or working place, or employer. They will go where they are sent, do what they are told, and accept the pay government dictates.

This is what happened to wages, employment, and the status of labor under government domination in Russia, Italy, and Germany. It means the end of freedom for labor.

Compare the Free Economy

All this is in contrast with the free economy. Under freedom, wage rates tend to approximate certain levels determined in a free market by the forces of demand and supply. They are reached through voluntary agreement between employers and employees.

Under such free market conditions, all workers doing the same work tend to get about the same wage. Wage rates in general approximate levels which attract enough investment and job-making enterprise to provide "full employment"—jobs for all who want them. Employers who utilize their workers and machinery more efficiently tend to make more profits. With higher profits they expand their operations and seek to hire more labor. Rising profits and rising demand for labor result in rising wages.

Those employers who cannot pay the going wage rates are eliminated. But when wage rates are determined by bargaining in a free market, the passing of those employers who cannot pay does not cause unemployment. It simply means that industry is gravitating into the hands of those employers who are better able to keep going and provide jobs.

In the free economy government does not have responsibility for wage rates. It does not have to have a "wage policy." Government's function is to make and enforce fair and equal laws in the interest of the whole community and to act as the impartial referee when required by the conflicts of interest between different factors of production.

Rising profits and rising wages have prevailed in all those nations which have established and maintained free markets for commodities and services. Only as government has come in to establish or support monopoly and to control prices, wages, or profits in the interest of one class or another, have chronic unemployment, political turmoil, and stateism made their appearance.

Exercising Trustees Discretionary Powers

(Continued from page 838)

accept the appointment or designation.

I have seen, and no doubt you have, criticism leveled at trust institutions by reason of the administration of trusts under instruments that were too restrictive and too inflexible. While that criticism was unjust in that the trust institution had no power to do other than it did; i.e., carry out the terms of the trust as provided in the instrument, nevertheless the criticism is still made and it is most difficult, if not impossible, to justify the administration of that type trust to the ordinary or average layman. After all, a bank or trust institution is a semi-public institution even though the capital may be private money and, if we do not perform the requisite banking and trust functions in a proper and satisfactory manner, some system will be developed whereby the public will receive proper service. Consequently, I think that it behooves each of us in the trust business to carefully examine the instruments under which we are to act and to see that those instruments contain provisions which will enable the trust to be administered in an efficient, capable and satisfactory manner.

Among the provisions that, in my opinion, should be in most instruments are wide discretionary powers and in discussing trust relationships with prospective customers I think that we should reason with them in a clear and logical manner the advantages and disadvantages of having wide discretionary powers, the advantages of which are very much greater than the disadvantages. If after doing so the Settlor is still unwilling to grant such powers, then the instrument should be so drawn as to make it clearly apparent from the face thereof that the Settlor desires to restrict the provisions of the trust expressly to those set forth in the instrument.

In approaching any problem involving the bank or trust institution as a whole, primary consideration must be given to the public relationships involved in that, even though our respective institutions may be strong financially from the standpoint of capital, surplus and undivided profits, the most valuable asset any of us have is the reputation of our institution for ability, integrity and capability, that being something that may be intangible from the standpoint of dollar value, but nevertheless it is the factor that is paramount in the minds of the public from whom we derive our business and our profits.

I choose to look at a trust arrangement as a living thing and one that provides flexibility, adaptability and practicability. In other words, if anyone today is to create a trust arrangement, I think that it is safe to assume that none of us has the foresight or the judgment to attempt to forecast what conditions might be over the life of the trust with respect to living standards, living costs, investment conditions, the needs, desires or wants of beneficiaries, or even, if you please, the ability of the beneficiaries. Therefore, the only thing that we can do in creating a trust arrangement is to pick our trustee with care and as meeting the standards that we desire, and then to vest in the trustee wide discretionary powers to enable the trustee to exercise its best judgment from time to time on the basis of the then existing conditions and the needs and requirements of the beneficiaries, and I think that, if an individual is unwilling to vest in the trustee such powers, then that individual had best not use that particular trustee. Our ability to satisfy the requirements of the beneficiaries and to render the quality of service that we should render in the administration of our trusts is affected materially by the powers that are granted to us in the instrument and, unless those powers are broad and discretionary, we are definitely curtailed in performing our duty.

As we all know, there are two types of powers in practically all instruments; viz., (1) mandatory powers (those which require a trustee to do certain things), and (2) discretionary powers. In connection with mandatory powers there are, of course, discretionary powers. However, this paper does not deal with that type discretionary powers, but rather it deals with the broad discretionary powers which should be conferred upon a trustee in order to enable it to carry out the wishes and desires of the settlor of the trust. A trust can be made just as flexible as the settlor desires, not only with respect to investment and management provisions, but likewise in connection with distribution provisions, and the needs and requirements of the beneficiaries. In fact, the only limit that I know of that must be placed on the granting of discretionary powers to trustees is that the powers so granted must not enable the trustee to act in an illegal manner or be contrary to public policy.

Discretionary powers of the type dealt with by this paper may be classified into three primary groups; viz., (1) those having to do with the management of trust property, (2) those having to do with payments of income and distribution of principal to and for the benefit of beneficiaries, and (3) those having to do with the trust relationship. Among the discretionary powers found in modern instruments having to do with the management of trust property are the following, although the list is not intended to be all inclusive:

1. To retain or dispose of original property.
2. To make loans to the settlor's general estate.
3. To participate in business reorganizations.
4. To continue to carry on a going business.
5. To apportion expenses between principal and income.
6. To invest in "legals" or "non-legals," including common trust funds.
7. To borrow money, secured or unsecured, for the benefit of the trust estate.
8. To compromise, arbitrate or abandon claims.
9. To set up reserves for taxes, depreciation and repairs.
10. To make leases, irrespective of the duration of the trust.
11. To exercise options and rights.
12. To vote stock in person or by proxy.
13. To carry stocks or registered securities in the name of a nominee.
14. To amortize premiums and accumulate discounts.
15. To make distributions in kind or in cash.
16. To discontinue distributions in the event the beneficiary assigns, alienates or hypothecates his interest in the trust estate, or in the event there is a judicial levy against his interest in the trust estate.

Among the powers having to do with the payments of income and distribution of principal to and for the benefit of beneficiaries are:

1. To fix the manner of distribution; i. e., either as and when the income is collected or to distribute in equalized installments.
2. To apply the income or the principal for the use and benefit of the beneficiary, this discretionary power doing away with the necessity of having a conservator or committee appointed in the event the beneficiary should become incapacitated.
3. To distribute the income or principal in the trustee's discretion, this power having substantial advantages for income tax purposes.
4. To distribute to a minor or apply funds for the benefit of a minor without the intervention of a guardian, this power doing away with the necessity of a guardianship in the event of a minor beneficiary.
5. To encroach on principal for the needs and requirements of the beneficiary.
6. To determine when the principal is to be distributed among a class of beneficiaries and, if distributions are to be staggered, the amounts to be distributed at such times.
7. To anticipate income.
8. To provide principal funds to a beneficiary to enable him or her to enter into a business or profession, etc.

Among the powers having to do with the trust relationship are:

1. To resign the trusteeship.
2. To terminate the trust.
3. To transfer the trust to another corporate trustee in another state.
4. To name new co-trustees.

From the list of the foregoing discretionary powers you can see that almost any contingency can be provided for by the use of powers of this type. In fact, an instrument properly drawn, with discretionary powers, seems to me to be the best medium for the head of a family to provide for the welfare of his family after his death. In other words, he can through such an arrangement with a reliable corporate fiduciary assure his wealth being used for the maintenance and support of his family, the education of his children, and the ultimate passing of the remainder of his property to his descendants after the primary objects of his bounty have been provided for. Such an arrangement insures unto the Settlor that degree of flexibility, adaptability and practicability that he himself could exercise in the handling of his property for the benefit of his family had he continued to live.

It is quite common in instruments containing wide discretionary powers to name co-trustees to act with the corporate fiduciary, the co-trustees usually being some adult member of the family or a friend of the family. While I know there are a number of trust institutions that do not look with favor upon co-trustees, nevertheless in this type arrangement I think there can be no real objection to having a co-trustee, especially by reason of the personal problems which arise in the administration of this type trust; i. e., personal relationships of the beneficiaries, and that is especially true if the co-trustee be an adult member of the family. Where an instrument contains broad discretionary powers, such as those mentioned above, it is necessary that the procedure for the exercise of those powers be properly set up and maintained by the corporate fiduciary. Generally speaking, I think that as to the exercise of such powers where the exercise does not involve a major decision the discretion may be exercised by the trust committee; i. e., the trust officer handling the account could prepare a memorandum covering the discretion to be exercised and that memorandum in turn can be initialed or approved by a majority of the members of the trust committee. However, where the exercise of a discretionary power is of major consequence, then the exercise of that power should be approved by the executive committee, if the bank operates under that system, or by the board of directors, if there is not an active executive committee. When I say, of major importance, I do not mean providing modest sums of money for unforeseen emergencies confronting the beneficiaries or the education of one of the beneficiaries or the hospitalization of one of the beneficiaries, but rather I mean discretion which involves the continuance of a business, the distribution of a trust, and items of that nature.

I know that there are a number of institutions in trust business who do not look with entire favor upon discretionary trusts of this nature on the basis that such an arrangement imposes upon it too much responsibility. I think that attitude is one of least resistence because, after all, we are representing ourselves to be experts in the administration of trust accounts and we should be willing to assume such risk and responsibility as is involved in this type arrangement as, if the instrument is properly drawn, such risk can be minimized providing the institution has a proper and experienced staff in its trust department and, if it does not have a staff of that nature, then it should not be in the trust business. In other words, I think it is our duty to provide to the public a satisfactory and proper method and medium for the administration of trust accounts and a wide discretionary power is a necessity, if the needs and requirements of the beneficiaries are to be provided for, and I feel sure that in administering trusts of this nature, trust service and trust business as a whole are enhanced in value in the minds of the public.

The ordinary settlor who wishes to establish a trust is coming more and more to want one with wide discretionary powers by reason of the uncertainty of present economic conditions, as well as by reason of having knowledge of the inadequacy of trusts which are restrictive and inflexible, which I think speaks well for the administration of trust business in this country in that the public as a whole is coming to have more confidence in this type arrangement and the method in which trust institutions have administered trusts.

Simply as a sidelight, on the basis of experience in administering discretionary trusts of the character covered by this paper, the trust officer can look back over his experience of years and derive a great source of satisfaction from his contacts, in realizing that a widow has been provided for for life, that her family has been educated, and that the children have taken their places in the world equipped to meet the daily problems of life, all of which is not quite as cold as purely handling money and investments from day to day. This type arrangement has a definite place in our economy and in our social structure, and I am sure in the long run will redound to the benefit and respect for trust institutions, although I will admit that it involves more work and responsibility in administration than does the ordinary trust which is limited purely to one having mandatory powers.

"Our Reporter on Governments"

By JOHN T. CHIPPENDALE, JR.

The government securities markets are under the full influence of the summer dullness, which usually comes to an end with the passing of this month. . . . Price changes have been minor on very light volume. . . . The market is on the professional side, although there has been some scattered buying for the account of savings banks. . . . Not much of a trend in either direction is expected for the immediate future, despite the opinions that the market has not yet reached the point of stabilization. . . . It is believed that there will still be pronounced price movements which will afford careful followers of the government securities markets excellent opportunities to acquire obligations at yields that they consider favorable. . . .

The buying range from 2.32% to 2.35% is still considered attractive by most of the money-market experts for the longest ineligible bond. . . . As for the bank issues, a yield in he neighborhood of 2.10% for the 2½% due 9-15-67/72 is looked upon as a favorable area to start scale buying. . . . For the 2% due 12-15-52/54, scale purchases should be made as this bond approaches a 1.40% yield basis. . . . These yield ranges are the lower limits that money-market experts believe are satisfactory areas to begin accumulation of issues in sizable amounts, in event price declines should be accompanied by substantial volume. . . .

GOOD TRADING MARKET

This does not mean that securities should not be bought at yields that may be higher or lower than those believed to be attractive by the experts, because it is well known that very few buy at the bottom of any move. . . . However, scale purchases by investors begun at these limits, with additions from time to time, should give a favorable return for the whole block of securities being accumulated. . . .

The fact that a good trading market is looked for should enable shrewd buyers of government securities to pick up obligations that they need on a scale basis during periods of price gyrations. . . .

THEORY AND PRACTICE

Despite all the stories that are being heard in the financial district about higher interest rates and the lack of buying interest on the part of institutional buyers, particularly the life insurance companies, one of the country's largest industrial concerns recently sold to a group of these same life insurance companies a substantial amount of long-term securities at prices to yield about 2.45% for 20-year obligations, and 2.51% for the 30-year issue. . . .

This seems to be a paradoxical situation, because if those that talk higher interest rates really believe it, why should they be loaning money for such a long period and at such low rates? . . . It seems as though a more favorable buying opportunity should be in the making in the future if there is to be higher interest rates. . . .

The credit of the industrial concern that obtained this loan is among the best in the corporate field. . . . Therefore, if the yields that were obtained from the institutional buyers, for the corporate securities sold to them, were to be used as a yardstick to measure the yields on government bonds (the best credit in the world), and it should be just the opposite, then the return available on Treasury issues, based on the rates for this loan, is so far out of line that it makes the government issues look very cheap. . . .

It is believed there should be a yield differential of between 0.35 and 0.50% in basis, in favor of the government obligation compared with the highest grade corporate bond. . . .

OTHER INSTANCES

The rate also obtained by two other large industrial concerns for loans with maturities from five-year to ten-years, likewise indicates that the banks and insurance companies are not too fearful of a substantial change in the short-term and intermediate-term rates. . . . If the rates for these loans are to be taken as sign-posts of the future trend of short and intermediate-term interest rates, then it seems as though comparable maturities of government securities are in a range where some profitable buying can be done by investors that are interested in acquiring the best security in the market. . . .

BUYING TRENDS

The 2¼s of 1959/62 have been taken by institutional buyers even in this dull, inactive market. . . . As a result, these bonds have been giving a better performance than some of the longer restricted 2½% issues. . . . The spread between the Victory 2¼s and 2½s has narrowed recently as the savings banks have sold the soon-to-be eligible 2¼s of 56/59 and put the proceeds into the 2¼s of 12-15-59/62 instead of the Victory 2½s. . . . Talk of a new issue of 2½s may have had something to do with the purchase of the 2¼s instead of the 2½s. . . .

Switching out of the three issues of 2s of 1949/51 still continues, with the bulk of the bank funds being reinvested in the 2s of 51/53 and the June and December 2s of 1952/54. . . . The short 2s are at about peak levels now and will be losing premium from now on, so they are likely candidates for a shift into the longer maturities of the 2s. . . .

In the ineligible issues, the 2½s due 1966/71, according to reports, have come in for selective buying among the non-bank investors. . . . They believe that this issue will be less vulnerable marketwise to a new issue of restricted bonds. . . . Also the eligibility date for this bond is some eight years shorter than the 2½s due 12-15-67/72. . . .

The bank-eligible 2½s due 9-15-67/72 are still being put away by the smaller commercial banks, with savings deposits, since these institutions have not yet been able to get sufficient consumers and mortgage loans to offset the increase in time deposits. . . .

CERTIFICATE REDEMPTIONS

The redemption of $1,250,000,000 of certificates on Aug. 1 reduced the holdings of the New York City member banks of this security to about the level of June 5, when they amounted to $2,596,000,000, compared with the position on Aug. 7 of $2,571,000,000. . . . When the holdings of certificates went under the $2.600,000,000 mark in June, these institutions added to their inventories of certificates until they had reached a level of between $2,700,000,000 and $2,900,000,000. . . .

It is believed in some quarters that the New York City member banks do not want their holdings of certificates to be decreased much from the levels that have been prevailing prior to the latest redemption. . . . If that should be the case, and these institutions feel that they need holdings somewhere between $2,700,000,000 and $2,900,000,000 for liquidity purposes, then they are not as likely to be sellers of this security as in the past, to put the proceeds into longer-term issues. . . .

A NEW LOW

The certificate holdings of the Chicago member banks for the week ended Aug. 7 amounted to only $989,000,000, the lowest level for a considerable period. . . . Whether the positions of these institutions in certificates have reached a point where it may be advisable not to have them depleted further is not known, but it is the opinion of some money-market followers that they are close to such levels. . . .

The continued redemption of certificates by the Treasury may, in the not distant future, be having the desired effect on the deposit institutions.

The Coming Rise In Bank Stocks

(Continued from page 880)

now in prospect without at least a doubling of the commercial loan total. Higher volume, higher prices, and higher inventories combine to mean higher loan totals, and in an inflationary period, the only effective limiting factor is an actual shortage of bank credit, which is certainly not in prospect over the forseeable future.

The banks' present inflated level of Government security holdings is not an obstacle to normal credit expansion; on the contrary, it is an incentive. The reporting member banks now hold $10,693 millions of Treasury certificates and bills; assuming that this total declines dollar for dollar with the War Loan deposits, they would hold more than $3 billion if all the War Loan deposits were drawn down, plus almost $5 billion in short-term Treasury notes and a further very large amount in short bonds. The very low yield on these short term holdings provides not only an incentive to replace them with higher-yielding loans, but it also provides the banking liquidity, to a greater extent than ever before, to finance a tremendous expansion in loans, and in deposits.

The coming loan and deposit expansion will take place, not as a replacement for, but, to a great extent, on top of the present inflated level of security holdings and deposits. For the banking system as a whole, an increase in loans means an increase in deposits. To margin a $10 billion increase in loans and deposits, the commercial banking system would have to liquidate less than $2 billion of its present large holdings of short term securities, assuming no change in the present 20% reserve requirement for central reserve cities. To the extent that the banking system sells securities to individual and institutional investors, there will be an offsetting decline in total deposits; to the extent that the securities find their way into the Federal Reserve system, which is more likely, there will be no decline in the deposit total.

The individual banker, of course, does not look at the picture from the overall point of view here presented but from his own immediate banking point of view. If he makes a $100,000 loan. he figures on selling $100,000 of his existing assets to make room for the loan, and he doesn't figure on an offsetting increase in deposits. It is sometimes difficult to get the banking fraternity to agree on the inflation prospect for any particular bank because frequently the individual banker fails to see that his own loan activity is being duplicated all over the country, and that the $100,000 he has created will come back to him in the form of increased deposits, assuming that his bank maintains its relative position.

If our basic assumptions are correct, it follows that bank assets and bank earnings are in for a period of further large expansion, this time as a result of private rather than public financing. In considering the merits of the individual banks in New York City, it is interesting to note that it is the branch banking institution, rather than the purely Wall Street banks, which have experienced the largest increase in loan income, and it is probable that this trend will continue until a much later stage of the cycle.

Comparative operating figures for the 1946 half for 11 leading New York City Banks which publish interim earnings are summarized below.

(000's omitted)

	Income from Loans First Half		Total Oper. Earnings First Half		Net* Oper. Earnings First Half	
Bankers	$4,315	$3,523	$14,682	$14,443	$4,572	$5,523
Chase	9,272	7,648	32,416	29,419	9,606	8,426
Chemical	3,136	1,998	10,128	9,083	3,890	3,587
First National	N.A.	N.A.	8,323	8,820	4,615	4,754
Guaranty	5,636	4,955	24,370	22,523	9,785	7,680
Irving	2,405	2,169	9,832	8,833	3,656	3,383
Manhattan	3,869	3,252	10,135	8,996	2,803	†2,611
Manufacturers	5,203	4,195	18,938	16,520	5,442	4,986
J. P. Morgan	N.A.	N.A.	4,591	4,663	1,963	2,198
‡National City	7,624	5,826	37,823	32,305	9,591	8,376
New York Tr.	1,696	1,664	5,924	5,910	2,238	2,278
	$43,156	$35,230	$177,162	$161.515	$58,161	$53,802
Total Ave. Inc.		22.5%		9.7%		8.1%

N. A.—Not available. *After all expenses including tax reserves. ‡Includes City Bank Farmers Trust Co. †Excluding a $400,000 non-recurring tax saving.

Garbutt Assoc. Ed. of "Trusts and Estates"

Glenn Garbutt has been appointed associate editor of "Trusts and Estates Magazine," his primary interest to be in the reporting of investment and economic developments.

Mr. Garbutt entered financial circles in New York in 1930 with Harris, Forbes & Co., and was with Chase Harris Forbes Corp. in San Francisco. From 1933 until called as a reserve lieutenant, CAC-AUS, in 1942, he was with F. S. Moseley & Co. and more recently with the brokerage firm of W. E. Burnet & Co., both of this city.

Bump With Lester

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—Sherwood W. Bump has rejoined the staff of Lester & Co., 621 South Spring Street, members of the Los Angeles Stock Exchange. Mr. Bump was formerly with Walston, Hoffman & Goodwin.

Government Economy Inflation Weapon

William K. Jackson, President of the Chamber of Commerce of the United States, addressing the opening session of the National Institute for Commercial and Trade Organization Executives at the Northwestern University in Chicago on Aug. 12, said that the Federal Government could wield the country's most powerful weapon against inflation by curbing its own expenditures, according to a special dispatch to the New York "Times" from Chicago on Aug. 12, which added:

Mr. Jackson called on Congress to establish an over-all budget committee to recommend a ceiling on appropriations and to coordinate the total with expected revenues.

"This would be a radical departure from our present system under which appropriations are made without any regard for the anticipated revenue totals for a given year," he said.

The Chamber of Commerce has asked business groups to refrain from seeking special Federal appropriations for the benefit of individual States or local communities, Mr. Jackson said.

Mr. Jackson asked the businessmen to campaign for legislation to "equalize the responsibilities as well as the rights" of labor and management.

"Jurisdiction disputes, boycotts, coercion, intimidation, mass picketing, blocking of public highways by strikers and prevention of access to private properties do not represent law and order, but mob rule," he asserted. "They should be removed by legislation."

As CIO Views Price Rises

(Continued from page 882)

striking proof of the mastery over public policy exercised by the business community. Spearheaded by the National Association of Manufacturers every conceivable business group has been hewing away at price controls throughout the war. Since V-J Day the drive has been intense. Radio and newspaper propaganda has been supplemented by tremendous pressure on OPA, exerted frequently through Congressmen and businessmen on OPA's staff.

In March of 1946, OPA adopted new policies by which it abandoned its traditional hold-the-line policy and launched an aggressive program to remove price ceilings from large numbers of commodities, and to allow generous price increases for those remaining under control.

Added to relaxation of controls over scarce materials by the Civilian Production Administration, and the release of rationing and other food controls by the Department of Agriculture, the new OPA policy set off a new upsurge in wholesale prices, including many basic materials that had been held quite stable since early in the war.

The new decontrol program took price ceilings off thousands of commodities. Before long it was removing them by whole categories, loosely defined. Practically no check of the effect on prices was made by OPA, but the effect on related commodities was clear. Manufacturers refused to produce these when the could produce and sell goods free of control. Extent of the diversion of scarce materials to decontrolled goods also was not known to OPA, but there can be no doubt it was substantial and has impeded much-needed production of essentials.

After giving automobiles a first round of postwar price increases, OPA so interpreted the President's wage-price executive order of Feb. 14 as to grant a second round and then a third round of increases.

This step, made applicable to all reconversion products, completely reversed the President's order. Manufacturers were assured of good profits on output far below capacity, whereas the President clearly intended and ordered that return of normal profits should await the return of high production. To achieve its purpose, OPA provided that every wage increase be automatically reflected in higher prices, without regard to actual labor costs or to present or future profits. In many cases wage increases that had not been agreed to and were not being paid were fed into the OPA formula and prices went up.

OPA also used incentive pricing with increasing liberality during this period. It raised ceilings on the theory that higher prices stimulate greater production. Withholding of production to enforce such action by OPA was frequently reported in the commercial press.

During its suspension, OPA has not been idle. Schedules of goods slated for decontrol has issued almost daily. Plans for raising prices immediately upon renewal of authority have been prepared.*

Price increases will be rapid and widespread from now on. Rollback of ceilings to the June 30 level will be talked about but not carried out. Rent ceilings will hold for the present, but must give way before long under the pressure of rising prices. Legalized inflation is what Congress prescribes and OPA policy is well adapted to that purpose.

The OPA solution for the wage-price problem will have even more lasting effect. It re-establishes for the postwar economy the same high-profit low-output pattern of operation that characterized American big business before the war. High unit profits permit industry to earn good returns on capital even though output is low. This policy requires that prices be high with respect to wages, and insures that every wage increase workers win will promptly be capped with higher prices on the products they make. Here is the root cause of continuous underemployment and recurrent period of unemployment. OPA gave its official sanction to the re-establishment of this policy in March 1946.

Labor opposed this decontrol procedure of the government at every step. It predicted the inevitable inflationary result. Its advice was ignored. Now, as the government program, executed under the whip lash of dominant business interests, bears fruit in inflation, business and the newspapers which speak its voice unite in placing the blame for inflation upon labor's wage demands. Even some officials of government echo the voice of business in making labor the scapegoat for their surrender to forces which proved too strong to control.

Consumers Must Fight Bare-Handed

Inflation already is well begun. By June 30, wholesale prices of basic commodities were rising rapidly as a result of the radical relaxation of price controls by OPA in March.

Within three weeks after OPA expired, the basic index rose 25%, but some of this rise appeared to be temporary. These commodity price increases naturally tend to be reflected in retail prices as stores replenish their supplies. Increases in the over-all cost of living come more slowly, though certain prices have already risen strikingly—for example, meat and butter.

Extent of the inflation authorized under OPA since March, and of the uncontrolled inflation thereafter, is illustrated in Table 1.

TABLE 1—BLS wholesale price indexes illustrating effect of relaxation of controls by OPA in March, and end of controls in July, 1946.

(100 = 1926)

	Raw Materials	Semi-manufactured Products	Manufactured Products
Feb. 24, 1945	115.7	94.8	101.6
Feb 23, 1946	119.7	98.5	103.4
June 29, 1946	126.7	104.4	107.8
July 20, 1946	141.4	108.5	118.9

Increases over periods shown, stated as weekly average rise in points of index.

	Raw Materials	Semi-manufactured Products	Manufactured Products
Feb. 24, 1945, to Feb. 23, 1946	.08	.07	.03
Feb 23 to June 29, '46	.39	.33	.24
June 23 to July 20, '46	4.90	1.03	2.78

Further increase of the cost of living by at least 15 or 20% appears likely to occur unless the inflation is checked. This outlook for consumers is bad enough. There are few family budgets that can stand such curtailment of buying power without hardship, and, in millions of cases, without severe deprivation.

A 20% rise, however, will be mild compared with what may happen if the public becomes persuaded that the coming price rise will continue indefinitely, will not break within a year or so, and will not be followed by prices at lower levels than at present. In that event, more and more families will jettison their savings, believing that goods or real estate at almost any price are more secure than dollars.

Much depends, therefore, on the degree to which consumers take confidence in their ability to check and finally to crack the speculative boom by refusing to buy any but a minimum of necessities. The government has abandoned them to their own devices. Confidence in their power is an essential ingredient of the struggle that lies ahead.

Determination of consumers to make a bare-handed fight against inflation will be increased by an understanding of what they are up against. Some of the particularly vicious aspects of inflation are glossed over when it is measured merely as a percentage rise in the average cost of living. On the other hand, the forces that promote and profit from inflation are more vulnerable than they seem. Such matters deserve careful study and wide publicity.

A Wage-Cutting Device

For example, let us consider inflation not as a rise in the cost of living, but as a cut in wages. A rise of 20% in living costs equals a wage cut of nearly 17%. For the average manufacturing worker this equals a loss of 17 cents an hour. This kind of wage cut is more universal than any series of wage increases labor has ever obtained. It strikes all workers alike and quickly. It avoids the long, laborious process of separate negotiations and strikes by which wage gains are won.

In other words, inflation as a wage cutting device is more efficient and more swift than any machinery we have yet discovered for raising wages. At the present stage of events we can accomplish more by price action than by wage action to maintain the purchasing power of our wage income. If consumer resistance cracks inflation, the resulting fall of prices will reverse the universal wage cuts that are now taking place.

Success in forcing prices down cannot possibly break the wage scales in existing contracts. What we gain will be a real gain. It is not so sure, however, that widespread wage increases can be won at this time. If won, they are likely to be promptly reflected in further price rises. Any stimulus to higher prices will be eagerly seized upon, and multiplied, by the speculative operators who now occupy the driver's seat. This is one of the facts of inflation that labor should reckon with in its fight to protect its standard of living.

Rationing in Reverse

Determination of consumers will be fortified also by understanding how unequally inflation falls upon families at high and low income levels. It draws its nourishment from the ready purchases of the well-to-do and on the strength of that support visits the full impact of its deprivation upon millions of people at lower income levels.

For those who do not have the money to pay rising prices, inflation works as a rationing system in reverse. Instead of assuring an equal sharing of the available supply, it makes certain that all of the supply shall go to those who can pay and none to those who cannot.

Economists tell us this is the normal function, is indeed the purpose, of prices in our kind of economic system. This is how supply and demand are brought into agreement.

An unusually candid statement of this theory appeared in a New York "Times" editorial on April 22, 1946. In support of its charge that price control was interfering with the normal function of prices it said, "Higher prices cut off the less urgent demand and steer available supplies to those buyers who are willing to pay more because of more urgent demand."

Urgency of a child's hunger, presumably, is measured by the size of its parent's purse. Rising prices recognize this distinction and channel scarce foods to those children whose parents are able to pay.

As prices continue to rise, more and more people are rationed out of the market. First luxuries, then the decencies, then the necessities of family living must be foregone. Already the food problems of low-income families are becoming increasingly acute. High prices of fats in particular will take the fat foods out of the reach of those families who normally rely upon them as a cheap source of energy. A crisis may arise this winter. Starvation at home will challenge continued relief of starvation abroad, with the probalility that the relief will be stopped but hunger at home will not be assuaged. Such are the fruits of inflation.

Organized labor should note that more and more families are reduced to poverty as inflation proceeds. Impoverished workers are a disgrace to a civilized nation. They are also a constant threat to collective bargaining.

Inadequate Savings

Unequal distribution of family savings gives inflation additional opportunity to inflict hardship upon low-income families while fattening on the spendings of those who are better off.

Savings, we have recently learned, are more unevenly distributed than incomes. The Federal Reserve Board reported in June on a survey of family holdings of government bonds, savings accounts and checking accounts. Currency holdings were not included.

The top 10% of family units holds six-tenths of the total savings. The top 50% holds 97% of the total. The next 25% holds 3%, and the lowest 25% holds none.

If all the savings of the entire lower half were pooled and spent at the low level of average income in that half (it is $1,150 a year), they would last just one month and eight days. (See Table 2.)

TABLE 2—Family spending units ranked according to income and savings, and the duration of average savings if spent at the rate of average income at each level.*

Divisions of family spending units	Average money income	Average savings	How long savings would last if spent at average income rate
Top 10%	$7,609	$10,566	1 year, 4 months, 20 days
2nd 10%	4,218	3,000	8 months, 20 days
3rd 10%	3,413	1,761	6 months, 5 days
4th 10%	2,891	1,065	4 months, 12 days
5th 10%	2,348	696	3 months, 17 days
6th 10%	1,826	348	2 months, 9 days
7th 10%	1,565	174	1 month, 10 days
8th 10%	1,304	87	24 days
9th 10%	783	none	
10th 10%	261	none	

*The averages are approximations derived from percentage distribution tables in the original report of this survey by the Bureau of Agricultural Economics. The rankings of spending units by income and by savings were separately determined and therefore do not include identical units in each decile group, but the above comparison probably provides a reasonable approximation of the actual situation.

When inflation destroys the purchasing power of their income, they will find but brief relief by spending their savings.

"Easy" Payments the Hard Way

As the value of incomes shrinks and savings are drawn upon, inflation will cause many consumers to borrow. Expansion of consumer credit under the spur of rising prices may well prove one of the most injurious effects of inflation. It stimulates further inflation and it encourages consumers to go into debt to pay high prices that will not hold.

Between those who do not need to borrow in order to keep up with inflation and those who can't borrow because they earn too little, there is a large part of the population which both can and will. Some of them will borrow in order to make ends meet while the squeeze is on. Other will borrow in order to buy early rather than late, believing they can beat the rise and effect a saving.

A large and aggressive industry stands ready to exploit this demand for borrowed money. It is already at work. Government statistics show that from October 1945 to April 1946 the increase in total consumer credit outstanding was greater than for any similar period since reports were first gathered 16 years ago. Charge accounts are at a peak. During the first four months of 1946 installment loans were being issued at a rate 20% more rapid than in the previous record year of 1941.

These are the danger signals of an additional potent source of inflation and of great possible injury to consumers who find themselves over-persuaded by the credit-manufacturing industry. Even in normal times the product this industry sells is largely spurious. It creates not one single additional dollar of purchasing power, but on the contrary takes huge sums from consumers by its excessive interest charges skillfully exacted through a long sequence of "easy" payments.

The only genuine article consumers buy from this industry is time. But when inflation is under way, the value of buying early rather than late is doubtful. Consumers may beat the rise in prices in this way, but they probably are outsmarting themselves by doing so. When inflation ends it is over for the cash buyer. Not so with the borrower; he must continue to reckon with it so long as his time payments continue, perhaps for many long months after new and better goods can be bought at lower prices than he contracted to pay.

Consumer credit has been subject to wartime controls. They still stand, and there is no present intention to relax them. Their effectiveness, however, appears to be slight. Need for stringent control of credit is now greater than during wartime, but a Congress that scuttles price control is not a Congress to dampen the eager profit expectations of so powerful an industry.

How Long and How Far?

How long will inflation last, and how far in its upward flight will it go? Any plans consumers make to combat it must be based on some kind of appraisal of the dimensions of what they are fighting. If we cannot make predictions, we can at least gauge the factors that favor or oppose continuation of the inflation now under way.

First we must reckon with an enormous volume of money in the hands of individuals and business. Currency and checking accounts totalling 100 billion dollars, are more than double what is considered normal, by pre-war standards, for the present level of economic activity. Savings accounts and government securities held outside of banks are readily convertible into money, and the total of these is 150 billions, half again as large as the outstanding money supply.

Banks also hold a huge fund of government securities which can be turned into cash or can be sold to Federal Reserve banks and used as a credit base for extension of loans in the ratio of six to one. Bank credit, therefore, is enormously expansible, and the government's fiscal policies render it impotent to restrain the banks in this regard.

There simply is no doubt that if quantity alone is what governs there is enough money on hand to

*"The Office of Price Administration," says the well-informed "Journal of Commerce," July 24, "has completed the processing of a large batch of price increases which will be put into effect as soon as the OPA revival legislation is enacted into law . . . It was said that approximately two-score price schedules, a substantial segment of the economy, would be affected."

finance an inflation of great proportions. It is more likely, however, that consumer expenditures will prove to be the limiting factor which will put the brakes on inflation and stop its upward flight.

Consumers have high current incomes and large savings that they can spend. Income payments to individuals are at as high a level as in the war years, although wage and salary payments included in the total have dropped 10% from the war peak. But consumers do not spend all they earn. Preliminary indications are that during the second quarter of this year they were saving at a rate of some 13 billions a year. This is only half their wartime rate of savings, and is about down to a normal proportion of expendable income as measured by pre-war habits. This suggests that consumers will hesitate to make increased expenditures out of current income as prices rise.

They have in their hands, however, some 80 to 100 billions of accumulated savings, which is a large backlog compared with their present annual expenditure of about 120 billion dollars. A survey made in 1945 revealed that few consumers plan to draw upon their savings to buy either houses or durable goods, and that most of them hope to hold on to savings for use in an emergency. Yet the possession of a large backlog may encourage them to spend a greater than normal proportion of current income. For many consumers, also, the present increased cost of necessities doubtless constitutes an emergency which will cause them to draw upon savings.

The Federal Reserve Board estimates that expenditures out of savings may add 5 to 7 billions to the annual rate of consumer spending. Expansion of consumer credit, if the present rate holds, can add another 3 to 5 billions to total spending. If, in addition, consumers spend an unusually large proportion of current income, these three sources of spending money might add some 10 to 15 billions to the annual total which is now running 120 billion dollars.

Such a sum will not finance much inflation. But there are two other sources of increased spending. One is the factor of fear. If consumers become frightened at the possibility that prices may go very much higher and for a long period of time, they will begin to draw out their savings to convert them into goods. This 80 to 100 billion dollar fuel supply, if used, will stoke enough inflation to burn the economy to a hard cinder.

The other factor is increased production. As production schedules are stepped up, consumer incomes will expand. At the same time, however, the increased supply will offset the increased income and at the high profit margins that will prevail, the dollar values placed on the increased supply of goods will keep well ahead of the increased consumer income that is derived from producing them.

This is not an inflationary factor, therefore; but neither is it the sovereign cure for inflation which many voices today proclaim it to be. Release of hoarded goods, to be sure, puts a brake on rising prices. But increased factory output increases both the supply and the money available for buying it, and its net deflationary effect, while difficult to estimate, certainly is not overpowering. We would be ill-advised to rest easy in the simple faith that production will rise like a cool tide to quench the fires of inflation. Long before the slow creep of those waters reaches the bonfire, consumers either will have exhausted the funds which they have to spend, or will have quit feeding their dollars to the flames because they have discovered that they are stoking the fire that is giving them a roasting.

There is no convincing reason, furthermore, to believe that production will be significantly stimulated by inflation. Every day's news from the business world brings new evidence of bottlenecks which arise from price uncertainties, scarcity of essential materials, and doubts about future deliveries. It is the practice of the press to attribute most such difficulties to (1) OPA and (2) strikes by organized labor; but no realistic observer can fail to see that speculative pricing together with disorderly, unplanned and unregulated struggles to acquire scarce materials are the basic ills of production at this time. Accelerated inflation is more likely to increase than to cure these ills, which in turn will speed the inflation by delaying the expansion of output.

Having said all this, can we say how long and how far the inflation will go? There are three answers which may have some value in gauging the outlook.

First, if consumers take fright and begin to liquidate their savings, we are in for a catastrophe of the first order. Real estate, especially, will soar to dizzy heights.

Second, if consumers hold on to their savings but continue to buy at rising prices as much as their current incomes will permit them to buy, the cost of living will continue to rise rapidly, and may go up 20% in about a year. Many commodities, of course, would increase by far more than 20% if the over-all cost of living goes up by that amount.

Third, consumers may strike against rising rents and prices. That is to say, they may become unwilling to pay high prices before the time arrives when, on the whole, they are unable to pay them. This is the one prospect now in sight that may check inflation soon and allow the nation to escape a first-class boom-and-bust with all its political and economic hazards. Therefore it deserves examination in some detail.

The Customer is King

The distinction between "can't buy" and "won't buy" is important. Limitation of consumer buying due to inability to pay begins at once when inflation starts. In fact it is present before the inflation, since we are never without a large number of citizens who are economically disfranchised by poverty. As prices rise, more and more families join their ranks; they become unable to pay; they cut down the volume of their purchases.

Eventually and inevitably inflation will outpace the ability of the consuming public to pay its rising prices. This brings its downfall. It is of the nature of inflation to destroy the purchasing power it feeds upon, because inflation is profiteering gone crazy. It is a concentrated dose of the same profit-centered practices by which free enterprise as we have known it periodically destroys its own markets, eating the substance out of the people upon whom it depends for its subsistence.

Consumer resistance will end the inflation. Of that we can be sure. But resistance based only upon "can't buy" is not likely to strike its effective blow until too late — until inflation has thoroughly fleeced consumers of their spending money and has set the stage for still greater injuries when the boom goes into bust. Nevertheless, organized labor and all other consumers should set it down as a fact that they can break inflation and that sooner or later, they will do just that. They have done it before; they will do it again. If they can do it later, they can do it sooner—providing they work at it. There is power for their arm in knowing that what may seem at the moment so difficult is entirely possible—is, in fact, inevitable.

A great deal hangs upon whether consumers will become **unwilling** to pay before they become **unable** to pay. They will have to wait too long for the latter. The former they can have at once. Early refusal to pay rising prices will save them billions of consumer dollars while inflation is on the way up, and will earn them billions of income dollars during the readjustment that will follow inflation.

Some of the after-effects of inflation will be felt in any event. Already we are so far into it that we shall not get out without a shakedown. But the readjustment that is now in store for us, should we crack inflation promptly, will be mild compared with what will follow an inflation that has run its whole dizzy course. The higher we go, the harder we fall. An early reversal of rising prices will shorten and soften the period of readjustment. Therefore, the sooner the better.

Probably the most common reason why many consumers will not strongly resist rising prices is the demand for goods they had to do without during the war. They are impatient; the goods are here; they have the money.

On the other hand, many consumers suspect, and with good reason, that these first post-war products are little more than face-lifted versions of obsolete pre-war models, streamlined for the sucker trade and glamorized with the new magic of electronics.

There is the fact also that consumers today are better organized, better informed, than in any previous inflation. Organized labor now speaks with the voice of consumers, and throughout the country organized consumers have found their own voices.

Most fundamental fact of inflation that will determine whether consumers do or do not put up effective resistance is their belief as to the future course of prices. If enough consumers can be convinced of the right answer soon enough, they can be expected to bring inflation to an early and well deserved conclusion.

That answer is: **Prices, although rising rapidly now, will not rise forever, but on the contrary are bound to come down again, so that by saving their dollars now consumers will get more for them later on, and this they can expect probably within some 18 months at worst and within three to six months at best.**

Consumers who see no end to the rise in prices will spend now, and so they should. But those who know that prices must come down again before too long will hold on to their savings and nurse their incomes, getting along from hand to mouth and buying only what is most necessary.

The prospect of cracking inflation by consumer action is not so hopeless as it may seem. The power of manufacturers and merchants to charge what they please and make consumers like it is more apparent than real. There is, in the first place, the fact that this power is self-destructive. It carries its own death warrant; its days are numbered. It insists upon destroying itself; every inflation always does. Consumers need only speed the day.

In the second place these high and ever higher prices which today come at consumers as the most substantial of realities are in fact speculative values reared upon a flimsy structure of long chances taken by market operators, manufacturers, middlemen and other assorted gamblers. Not costs, but hoped-for turnover profits, account for the greater part of the rise. The whole structure is as shaky as it is rotten. This means that consumers do not have to take the price structure apart brick by brick. They need only kick out one brick and the structure falls. That kick, which consumers can, and sooner or later will, deliver, is simply to rebel — to refuse to pay these prices. Let them implant fear in the speculators — that their gamble will not pay out, that consumers are not the suckers they took them to be — and the trick is done. Speculators will then unload their inventories, cancel forward contracts, sell for what they can get, and get out from under.

When this day arrives the same seemingly automatic magic that has run prices up to fantastic levels, will just as smoothly run them down again. The consumer need only give the command. The customer is king, as free enterprise in its advertising proclaims him to be. A healthy portion of righteous indignation at this hour, matched by a stubborn refusal to pay the price, will prove how true this is. King Consumer need but exercise the prerogative of his sovereignty — "I do not choose to pay." But he had better speak with a united voice.

All over the country, consumers are beginning to speak and to act in unison against rising prices. The International Executive Board of the CIO has urged members of labor organizations along with other consumers "to mobilize for nation-wide defensive action to refrain where possible — individually and in an organized fashion — from avoidable purchases, to demonstrate to industry and to government their opposition to profiteering, to protect by local and national action and by every available weapon their right to food, clothing and shelter for their families."

Higher Profit Margins Forecast Larger Dividends

(Continued from page 884)

dustrial company dividend payments has been upward since late 1942, but the total rise has been only 22%.

In contrast industrial dividend payments from the low of 1922 to the middle of 1924 increased by 52%. The further increase into 1929 was 170%. Again from the low of 1933 to the middle of 1935 industrial dividend payments increased by 42% and the subsequent advance into early 1937 was another 92% added on to the 1935 payments.

Importance of Dividends

The importance of dividends to the level of stock prices, especially in a market that has reached as low a yield basis as this market,† cannot be overemphasized. It was undoubtedly, worries about dividend payments during the transition period that caused some investment uncertainty earlier this year. The risk was that with work stoppages and earnings declines, caused by labor and raw material difficulties, dividend payments might, at least temporarily, be cut or deferred by a number of companies. A number of rates were reduced, but enough offsetting increases took place to maintain the slow upward trend in force over the last several years.

The significant point is that we are now at that juncture in the recovery phase of business where more substantial dividend increases than witnessed thus far should be seen, and should this occur it will contribute importantly to a higher stock market. Furthermore, the economic background is such as to suggest that the earnings available to manufacturing industry will be sufficient to make industrial dividend payments over coming months more liberal than at any time in recent years.

Dividend payments in relation to earnings have been at moderate levels, a reflection of conservative policies well justified during the war years when many companies were either experiencing abnormally large earnings because of war demands or desirous of harboring cash resources for then unknown costs of reconversion to a peacetime basis.

Now with the process of reconversion and transition to peacetime operations well advanced, more generous dividend policies may be expected, providing only that the broad economic background permits a satisfactory level of earnings and the outlook here is favorable.

In any further advance predicated upon expanding earnings and dividends, the industrial market is likely to move more as a unit than over the past year, for what has happened over the past six months has been the development of a number of cross-currents that have brought individual stock prices into better balance.

Durable Goods Stocks

Durable goods stocks generally are selling below prices justified by earnings potentials, given an uninterrupted period of full production, because of lingering investor doubts over the intermediate term outlook. By the same token non-durable goods stocks, which rose abruptly in the early months of the year and suffered sharp declines in recent months, are currently selling at prices below a reasonable capitalization of current earning power.

Such groups as electrical equipment issues, steel stocks, railroad equipment shares, heavy machinery and farm equipment shares should out-perform the market in any general advance. Spending stocks, of which movies, retail trade and liquor are typical normally experience their largest earnings in the second half year and current prices appear to represent over-conservative valuations of probable earnings and dividends. Bearishness toward aircraft manufacturing stocks appears overdone.

The following are believed to offer good relative values in the current market:

Issue	Recent Price
American Bank Note	40½
American Brake Shoe	55¼-56
Amer. Mach. & Fdry.	35
American Rolling Mill	40½
American Smelting	64
Beech Aircraft	21¾
Bethlehem Steel	113⅝
Boeing	28¾
Budd Mfg.	18⅛
Case (J. I.)	48½
Cutler Hammer	36-37
Deere & Company	53
Devoe & Raynolds A	34¼
Douglas Aircraft	90
Fairbanks Morse	72½
Foster Wheeler	40½
Francisco Sugar	29½
General Electric	46⅛
General Tire & Rubber	51¼
Glidden	51
International Harvester	94½
National Steel	96⅞
Oliver Corp.	29⅞
Pullman	61⅞
Westinghouse Air Brake	36⅝
Westinghouse Electric	33⅛

†One dollar of industrial dividends is capitalized in the current market at about $28. In the low market of 1942 one dollar of industrial dividends was capitalized at about $13.

U.S. International Commitments May Lead to Disaster

(Continued from page 879)

of the barrel. Of course the decline in production of consumers goods, and the absorption of such goods by our occupation forces, together with all the destruction which occurred under military operations added to the general scarcity.

A quick survey of these fiscal policies and depreciating currencies furinshes one with much material for thought in connection with the fiscal policy followed by the previous and present administration as it previously related to and does now relate to our deficit financing, the monetizing of our federal debt, the reduction of taxes when income was exceedingly high, the slight attention given to the proposition of positively arresting the growth of our federal debt, low interest rates or cheap money policies, and the surface attempt to prevent a decline in the buying power of the American dollar through such political economic umbrellas as OPA.

The U. S. International Program

These matters cannot be considered to any material depth without bearing in mind the policy established by the United States in connection with World War 1, whereby the announcement was made to the world and the policy established that we would support certain other countries in their military programs, but with the strict understanding that the government and the people of the United States would ask for no war booty, claim no territory, and accept no reparations of consequence. This whole approach was further supported by the numerous loans made by individual American citizens and corporations and by the United States Government during the interim November 1918 to Jan. 1, 1933. Furthermore, it is impossible to give this whole matter proper consideration without bearing in mind the economic, political and social consequences which must eventually flow from the participation of the United States in the following agreements, programs, and general policies:

(1) The Four Fredoms enunciated by Mr. Rosevelt.

(2) The Atlantic Charter released to the world by Messrs. Roosevelt and Churchill.

(3) The Declaration by the United Nations, with the United States a party thereto.

(4) Lend-Lease, which cost the people of the United States directly a sum estimated between $40 billions and $50 billions, and which indirectly may cost the taxpayers of the United States another $5 billions to $25 billions before the job is completely finished.

(5) Thirty-five Mutual Aid Agreements executed between the United States and other countries throughout the world, which agreements further obligate the taxpayers of the United States; call for a revision downward of our tariff duties and a general revamping of our international trade policies.

(6) Our participation under the leadership of Mr. Roosevelt in the United Nations Relief and Rehabilitation Administration in connection with which there is so much international scandal and pilfering on a large scale going on at the present time.

(7) Our participation in the San Francisco Conference, which led to the creation of the United Nations Organization with its Security Council and other machinery which among other far reaching objectives tremendously involves all of the taxpayers of the United States in the affairs of other nations.

(8) Bretton Woods with its International Monetary Fund and International Bank for Reconstruction and Development, both capital structures of which together with the lending power of the bank must be primarily financed by the taxpayers of the United States if the Bretton Woods Agreement is to prove successful.

(9) The British Loan of an initial commitment of $3,750,000,000 which must be provided by the taxpayers and the bond purchasers of the United States.

(10) The International Trade Organization which is now taking form, and which is a part of the British Loan Agreement and overall approach in our new world program.

Oppressive Policies of Foreign Nations

In further consideration of this far reaching international program of the United States it should be kept in mind that for centuries some four or five major forces have been at work in many of the other top ranking nations of the earth, and especially in most of those countries with which we have allied our efforts, and particularly certain other countries where there is such great need for social and economic reforms. Some of the forces to which I now refer are the following:

(1) The recurring burdens which down through the centuries were placed upon the nationals of the countries involved for the specific purpose of financing great wars primarily engineered and encouraged by certain militarists operating at that particular time and place.

(2) Burdens of tremendous significance imposed upon the people either in the form of taxes, as we understand them, or through involuntary servitude for the specific purpose of building great monuments (for example, the pyramids; private tombs with their fantastic riches buried with the remains of the particular leader in power) to honor the rulers of a particular time and period.

(3) Taxes in the form of money and labor collected from the people for the specific purpose of building vast public buildings primarily for the purpose of glorifying the ruler in power, and secondarily for the purpose of providing unnecessary as well as necessary places for the use and entertainment of the people.

(4) The economic burden placed directly upon the people under State or other churches; the pressure being applied in such a manner that the nationals in question had no choice of action other than flee the country or conform. The enrichment of the State and other churches down through the centuries as evidenced by real estate holdings, art treasures and other accumulations which represented the labor of the people, has reached values in the aggregate of fantastic figures.

(5) The enrichment of individual rulers, princes, potentates, etc., through the direct exploitation of the nationals involved, resulting in vast accumulations of treasures and property by the individual ruler at the cost of his subjects.

Here I have only mentioned some of the major forces which have operated.

It so happens that when the Government of the United States was conceived (and all as evidenced by our Federal and State Constitutions, the statutes which have been approved by Congress down through the years, the custom of the people, and the decisions of our lower, intermediate and higher courts) a policy or procedure was accepted which left our people free to primarily escape these bad institutions and policies which have been followed in other countries. The net economic and social consequences of the policies we have followed have allowed our people to exercise their energies and intelligence, produce on a high per capita basis, live simply and practice thrift, and, as individuals, enjoy the fruits of our labor. Until recent years we have been free to use our own judgment, make such contributions as we voluntarily desired to do, and manage our own economic and social affairs without any material interference on the part of the Federal Government. It is no strange thing for the people of the United States to find themselves enjoying individual possessions on a level so far above those of other nationals of the other countries of the earth that a comparison between the social and economic status of Americans with the other peoples of the earth is of little interest to citizens of the United tSates.

But the United States through our entry into World War I and World War II, plus all of the commitments which we have made, together with the policies we are now following, brings us into the arena primarily as a contributor. The other nations of the earth still assert that in the prosecution of their wars they propose to claim territory, capture war booty and they fight for reparations.

History teaches us that a country which is sufficiently successful in prosecuting wars may go along for many years acquiring territory and loot and thus materially relieving the war burdens of their people through bringing back to them the actual goods, art treasures and even slaves so as to more than compensate its own people for the financial and material contribution they might have made to the prosecution of the war. Thus has the game of war been played down through the centuries. But the United States follows a course which says in substance to the balance of the world—"we will help you successfully prosecute your wars but we decline to accept into the United States any loot, reparations or territories to compensate our people for their contribution."

Examples of China and India

The other peoples of the earth are poverty stricken. Their poverty is not due to the fact that they have not worked, but due primarily to these exploitations to which I have referred. The game continues to be played in these countries according to the rules above specified. By this I mean to say leaders are still ambitious. The oppression continues. There are no effective steps being taken to enlighten the people against the oppressors; and the rich leaders of the countries in question are much less concerned about the poverty and the social and economic forces which are at work in their respective countries than are the people of the United States.

Take China and India for instance. The provincial princes, potentates and other aggressors in those countries are primarily concerned with further looting the physical energies and such little intelligence as their subjects have.

These two countries are primarily without means of transportation or communication. Illiteracy, ignorance and superstition are the orders of the day. Literally hundreds of millions of Chinese and Indians have little, if any concern about who is at the head of their government or the form of government under which they must live. In India, for instance, it is quite the order of the day to feed foodstuffs, which could otherwise be used for human consumption, to the Brahma cattle. But it would be a terrible sin to kill the cattle to be used as protein in the form of meat animals in order to sustain human life. It is quite in order from the viewpoint of the Indians, for the people of the United States to ship grain and other foodstuffs to India while at the same time the Indians divide foodstuffs with the cattle.

In this connection it is interesting to observe the testimony of Mr. Paul Porter, OPA Administrator, before the Committee on Banking and Currency of the United States Senate under date of May 10, 1946. I quote from the printed record:

"Mr. Porter. Now, that completes, Mr. Chairman, the presentation of the case of the agency, with the exception of meat, and I would like to state, before asking Mr. Erikson to respond to any questions that members of the committee might have, my understanding of the position of the agencies concerned with respect to a number of suggestions that have been made on an experimental decontrol or a permanent decontrol of meat and livestock products.

"As I indicated in my direct testimony this morning, it is our position that it would not only be very dangerous but perhaps disastrous. We think, further, that the diversion that would be caused of the available supplies of grain would likewise cause many serious complications; and I think that the several agencies of the government, including OPA, the Department of Agriculture, and the Office of Economic Stabilization, are united in their belief that every effort should be made to continue the enforcement and control orders rather than to abandon controls in a most difficult field. We feel that experience indicates that the problem can be solved, and we propose to mobilize our resources to solve it, and I do not want anything that I have said in discussing the difficulties of the problem to be taken to indicate that we feel in any sense should we experiment with a trial period of decontrol or with the permanent decontrol of livestock and meat products.

"Now, Mr. Erikson is here to answer any detailed questions that members of the committee may have.

"The Chairman. Yes.

"Senator Millikin. Mr. Chairman, before we get into the technicalities of it:

"I want to say, Mr. Porter, that you open a very new vista when you make the subject of price control an instrumentality of our foreign policy. Are you prepared to comment on that?

"Mr. Porter. No, sir; only to this extent, Senator, that I believe——

"Senator Millikin. There is no authority of that kind in the law, I bring to your attention, to start with.

"Mr. Porter. Except that we must take into account the shortages in determining the balance of supply and demand before any action can be taken; and as an element in those shortages are commitments that have been made, lawfully made, by this government, in the feeding of starvation areas abroad——

"Senator Millikin. I am not now making any final argument for or against, but I invite your attention to the fact that there is no authority in the law for making price control an instrumentality of our foreign policy; and I invite your attention also to the fact that it might be argued that in doing that you are making one segment of our economy carry the burden of our foreign policy.

"Mr. Porter. It seems to me that, from whatever cause there is pressure on prices, that there is the obligation of the OPA under the emergency price control to act."

For so many centuries India and China have been subjected to exploitation, taxation, slave labor and the equivalent of a composite of all of these that what they are primarily concerned about is how they can retain from their daily efforts a sufficient amount of material substance to keep soul and body together. In some of these areas, human beings are born, spend their lives and die in a community without getting as far as five or ten miles away therefrom to see what is happening in the other fellow's community. Due to favorable climatic conditions a great excess of foodstuffs may be produced in one area, while in another area within a reasonable distance there may be crop failures due to particular weather conditions or other adversities, but by reason of the absence of transportation facilities the surplus goods in the first area cannot and are not transferred to the deficit area. For the United States to step in and through such an agency as UNRRA attempt to relieve such conditions to the material advantage of the victims involved in sheer nonsense. For the people of the United States to perform sufficiently as measured in tons of foodstuffs to bring about material relief to the hundreds of millions of people involved and maintain that relief over a period of years would resolve itself into a task which is utterly impossible.

In China, for instance, where the armies of Japan, the United States, and the British Empire operated and where the armies of the Chinese National Government and the Chinese Communistic Government now continue their Civil War, you find where the usual activities of the people have been so completely interferred with that the suffering is of course more severe than would be the case in the absence of the prosecution of war in that general area. The scarcity of goods and the use of the printing press, together with the absorption of consumers' goods by invading armies, have all contributed to depreciating the Chinese currency to a point where it is almost worthless as measured with the currencies of countries such as Egypt, Siam, Sweden and the United States.

Not a Problem for U. S.

These leaders and oppressors let the people of the United States worry about the poverty and the degradation of the hundreds of millions of Indians and Chinese.

No country is rich enough to buy the good-will of the leaders and the nationals of other countries. If all of the people of the United States reduce themselves to sheer poverty they cannot possibly make a contribution sufficiently large to the hundreds of millions of people in India and China, and all towards removing the poverty in those countries to even make a good gesture. To claim that the United States is the arsenal for Democracy with respect to human beings and blood, dollars and materials, and other physical contribution is to overlook the outstanding and fundamental fact that God Almighty imposes upon other people responsibilities the same as upon the nationals of the United States. If the oppressors of other peoples and other lands are to continue to follow a course which forces their nationals to suffer economically and socially, pray tell me upon what basis can there be found a sufficient amount of strength among the people of the United States to solve the social and economic problems of the peoples of the other parts of the world?

The currencies in many lands are rapidly depreciating because of too much government and bad fiscal policy.

There are three or four rare exceptions. In Siam, Egypt and Sweden the national leaders and the people seem to have their feet squarely on the ground; are in control of their fiscal policies; and are following sound procedure, and they are greatly contributing towards stabilized government and sound fiscal policies in the family of nations. It gives a person possessed with a conservative mind, great encouragement and relief to visit in these three countries, confer with their leaders, and hear these people talk constructively and see them acting constructively in a world as badly disorganized and working at such cross-purposes as we find to be the general rule today. It is only natural that in these countries we find their currencies more or less appreciating in buying power as related to the currency of the United States. For instance, the officials of one of these countries informed me that only two weeks before my visit to that country it had become necessary for them to depreciate the currency of the United States approximately 14%. Many of the people in these three countries feel that the United States is rapidly drifting away from its conservatism, and that unless we establish a more conservative course it is only a matter of time until these other countries will have to further depreciate the currency of the United States.

Time for People to Take Stock

It is time for the people of the United States to take stock of what is going on here. No intelligent person can view without alarm the monetization of our federal debt which has occurred during the past 15 years. Our administrations have done little in the way of informing our people of fundamental causes and consequences. It will be a miracle if the United States escapes a far greater degree of disastrous declines in the buying power of the peoples currency than that which is already evident.

The proper management of the present federal debt (to say nothing about additions that may be made thereto) is of first importance to those people of this country who have some concern about the economic and social conditions of our citizens. Any administration which lightly deals with this question of the "Management of the Federal Debt" hastens our people towards the day when their buying power in the form of our national currency will amount to very little.

Stettinius Named Rector

Edward R. Stettinius, Jr., on Aug. 9 was named unanimously as rector of the University of Virginia and Chairman of its governing Board by the University's Board of Visitors, according to United Press advices from Richmond. The former U. S. Secretary of State and Chairman of this country's delegation to the United Nations becomes the university's 26th rector, the post first filled by Thomas Jefferson.

The position corresponds to that of Chancellor in other universities. John Lloyd Newcomb, as President, is administrative officer. Although he did not remain to graduate, Mr. Stettinus, who is now 46 years old, was a student of the University of Virginia from 1919 to 1924. At present residing in Virginia wthin an hour's drive from the University, Mr. Settinius is reported to have said that he planned to devote as much time as necessary to advancing the interests of the institution, its progress and its welfare "to the maximum degree."

Observations

(Continued from page 878)

their satellite spokesmen, including Mr. Bujade of Yugoslavia, and Mr. Manuilsky of the Ukraine, brought up the Albanian issue, with speaker after speaker repeating the same arguments a la phonograph-record-revolutions; the triplicate versions in Russia, French, and English requiring six hours.

The ability of the Conference to get going has depended to a great extent on the controversial decisions over the personnel of the committee chairmanships, particularly over the Steering Committee and the Italian Commission. Even so, Mr. Byrnes has clearly been unable decisively to clamp down on M. Vishinsky's or M. Molotov's diatribes on the Italian treaty. It largely depends on the parliamentary ability of the Steering Committee's Chairman whether the Conference finishes its work before the General Assembly is scheduled to meet. This timetable is extremely necessary, for if the Paris Conference should stop for an intermission, it is generally thought that the Russians will block its reconvention indefinitely. Hence a coming result of the Russians' present filibustering may be a forced choice between, on the one hand continuing this conference and entirely abandoning the UN's General Assembly this year; or on the other hand of indefinitely *sine die* abandoning the peace-making before the completion even of these tentative pacts.

V. Molotov

* * *

In connection with these delays it must be further borne in mind that the agenda in a sense is only preliminary, because Germany and Japan, which actually compose the crux of peacemaking, are excluded therefrom. In this connection, Mr. Evatt's vociferous championing of the rights of small powers must be recognized as being motivated, not by concern over Italy, Finland, and the Danubian States *per se*, but by the Australian Foreign Minister's desire to establish a satisfactory pattern for the later making of peace in the Pacific. Joined with Mr. Evatt in his pro-Small Power battle because of their ultimate concern over the Pacific, is New Zealand; and with their eyes on the German settlement, Belgium and the Netherlands. Completely outside of this lineup, of course, are the Russian satellites, who vote as a solid bloc of "stooges": Czechoslovakia, Yugoslavia, Poland, the Ukraine and White Russia.

Herbert Vere Evatt

* * *

The Soviet's Economic Warfare

While the Conference verbiage rages on, Soviet and Satellites, Inc., are sparing no effort, nor procrastinating in the slightest, in pushing their own economic campaign.

Moscow is vigorously proposing to Sweden that she turn her freign trade eastward by agreeing to earmark for export to the Soviet 300,000,000 crowns worth of goods a year, in exchange for Russian goods of 100,000,000—a bargain hardly to the enrichment of Sweden.

In the disposition of Germany, the degree of centralization of her administration will be the main determinant of Soviet economic influence in that country. The removal of commodities from the Russian zone is causing Germany's inability to pay for her indispensable imports by a gap equivalent to over $400,000,000 annually, thus creating an additional heavy financial burden that must be borne by the financial resources of the occupying powers. Despite Germany's dire financial difficulties, $10,000,000,000 is being officially demanded by Russia from Germany by way of "reparations."

The Russian policy definitely is violating the provisions of the Potsdam Agreement, which created economic unity of Germany as a whole, and specifically forbade Russia's present removal of commodities or currently produced stocks.

In another sector the Soviet satellite Yugoslavia, is claiming $1,300,000 in reparations from Italy, because of property damages inflicted on her. This brings the total of reparations claimed by the small nations against Italy to $5,736,000,000.

In Austria Russia has transferred Soviet-held Austrian industries to her own ownership, thus violating agreements, and directly countering the restoration of sovereignty. Here again the Russians have absurdly stretched the interpretation of the term "Reparation" beyond all reasonable limits, and distorted it as an excuse for economic penetration.

* * *

The Lack of Principle in Peace Making

From the worldwide public's view, the most discouraging feature of the Conference, is the complete absence of basic *principle* and integrity. Compared to the present utterly cynical injustices and haphazard inconsistencies, Versailles represented the epitome of principle. Now there is being achieved neither principle nor even expediency. Paris is not even getting the partial benefits of Power Politics arising from an effective alliance with Russia. So to the world the efforts of Mr. Byrnes, no matter how indefatigable or sincere, look distressingly abortive.

* * *

Toward an International Civil Service

The formulation of a Secretariat by the United Nations is confronting the concerned top officials with great difficulties. They have been making valiant efforts throughout the summer months to acquire a corps of the most expert individuals in a worldwide representation. But the factor of urgency has been a severe handicap, many central governments being unwilling suddenly to release experts from their service. Then too there has been a great practical difficulty in achieving the desired geographical balance in the distribution of jobs.

A great and worthy effort is now being made to establish a single unified civil service for the UN Organization and its specialized agencies. It is hoped that the unified personnel will include all of the following specialized agencies: the International Bank Organization, the Food and Agriculture Organization, the International Bank for Reconstruction and Development, the International Monetary Fund, the Provisional International Civil Aviation Organization, the UN Educational Scientific and Cultural Organization, the World Health Organization, and the International Relief Organization.

It should be a fundamental aim of the World Organization to develop a truly expert international civil service, in the highest concept of that term. That is, the underlying qualities should be *expertness*, and professional *permanence*. In these respects it must follow the traditional lofty practice of the British civil service rather than the United States Government job technique. That is, political "pull" in the designation of appointees must be eliminated, there must be no geographical log-rolling, nor should ideological opinions of the individual be determining; and an overall career spirit with pride and a consciousness of permanence, must be instilled. All this is far from easy. But it can and must be done!

Barter and Bulk Buying

(Continued from page 881)

large scale by the civilian agencies of the United States Government is to continue is regarded as a retaliation provoked by the definite conclusion of the Anglo-Canadian wheat deal. Since Britain chose to disregard the American objections to that deal, the United States Government has made, it is contended, a gesture to show that it is also quite willing to use the weapon of bulk buying, if necessary. It is even said by some that, while the United States is anxious that every other country should give up bulk buying, as a nation, it means to make use of that method. The fact that doubt has come to be cast on the sincerity of the American policy in favour of private trading is another manifestation of the new tendency to regard American statesmanship as highly Machiavellian—just as American opinion is in the habit of attributing Machiavellian motives to British statesmanship.

There are other instances which are quoted by those who believe that the Washington Administration does not live up to the free trade doctrine it preaches for the benefit of others. There is the bulk buying of Cuban sugar. There is the barter agreement between some leading American firms and the Italian Government. There are the terms of the loans granted by the Export-Import Bank, under which the borrower country has to spend the proceeds in the United States. British opinion is beginning to become conscious of the extent to which trade discrimination is practiced by the United States.

According to one explanation, the American policy in this sphere simply aims at strengthening the bargaining position of the United States at the Internatonal Trade Conference next year. Until recently it was generally believed over here that bargaining at that conference would assume the form of inducing Britain and other countries to abandon discriminatory trading methods in return for a drastic reduction of the American tariff. And since it is generally assumed that such a drastic reduction is politically impossible, there is a widespread feeling that the trade conference is doomed to break down. It is now beginning to be realised that, in addition to the tariff wall, the United States will have another bargaining weapon. They can offer the abandonment of discrimination by the United States in return for abandonment of discrimination by other nations.

According to another explanation, the growing tendency towards the adoption of discriminatory trading methods by the United States is simply due to the rising trend of American prices. Discriminatory trading is always the weapon of the country the price level of which is too high. A country with low prices can afford to depend on multilateral private trading. A country with high prices on the other hand, is inclined to play for safety by assuring its markets abroad and its imported supplies by means of "artificial" trading methods. During the 'thirties Germany resorted to discriminatory trading, because the prices of its goods were too high owing to the rearmament drive. It was widely assumed that Britain would have to pursue a similar policy after the war, in order to ensure that she can recover her foreign markets and that she can cover her requirements of imported raw materials. Indeed, discrimination has come to be regarded as Britain's national policy, which she was prepared to relinquish up to a point in return for the loan of $3,750,000,000.

Now that American prices have apparently risen above British prices, there is a revival of confidence in Britain about the possibility of balancing international accounts on the basis of multilateral private trading. On the other hand, it is felt over here that in the course of the next few years the United States may well assume the role which Britain meant to play in the post-war world, and will seek to safeguard her trade by discriminatory means. It is considered to be well within the realm of possibility that by the time the international trade conference meets Britain will be defending multilateral private trading against the American policy of discrimination. This may sound fantastic, but the world has witnessed more absurd changes of policies.

NASD Amends Uniform Practice Code

The board of governors of the National Association of Security Dealers, Inc., has approved amendments to the National Uniform Practice Code to provide for settlement of regular way contracts on the third full business day following the date of the transaction, instead of on the second full business day, as at present. An announcement was issued on Aug. 8, by the NASD to this effect, the advices also stating:

The amendments will become effective to cover transactions made on Thursday, Aug. 29, 1946, and securities traded regular way on that date will be deliverable Wednesday, Sept. 4, 1946.

Lang and Rozell in Reserve Bank Posts

The directors of the Federal Reserve Bank of New York have appointed Peter P. Lang, formerly Acting Manager assigned to the Foreign Department, a Manager; and have appointed Walter H. Rozell, Jr. an Acting Manager. Both Mr. Lang and Mr. Rozell have been assigned to the Foreign Department. The Bank's announcement Aug. 9 added:

"Mr. Lang has been with the bank since 1926; and has been connected with the Foreign Department since 1932. Mr. Rozell has been with the bank since 1932. He was formerly Chief of the Reports and Analysis Division of the Foreign Department and, more recently, Special Assistant in that Department.

The Balance Sheet of Liberalism

(Continued from first page)

Today the lines are more sharply drawn than ever before. The forces of reaction bent on rooting out the reforms instituted by our late liberal leader, Franklin D. Roosevelt, are emerging from their hiding places. They are calling for us to turn back to normalcy and to the good old days of the 1920's.

But this time they have learned from experience. They know that the American people will not be taken in by their subtle phrases. Consequently, like the chameleon, they have adopted different colorations. Unlike the chameleon, however, which changes its color only for self-defense, they do so to further their own personal and political ends.

Who Are the Liberals?

Consequently, it becomes more important than ever for us to examine our own ideas of liberalism, to question and to bring the full light of public scrutiny to bear on these multi-colored, self-professed champions of the liberal way of life. We must ask ourselves—Who are the Liberals? What constitutes a Liberal?

Certain self-styled "liberals" such as former President Herbert Hoover, my able colleague, Senator Taft, and the Republican National Chairman, the Honorable B. Carroll Reece, have claimed the title. They have sought to wrap themselves in the mantle of Thomas Jefferson, zestfully quoting his statement that "That government is best which governs least." Allow me to remind them that, because of the conditions actually existing in Jefferson's time, he then rightly saw big government as the sole potential oppressor of the common man. Today, the situation is very different. Confronted with the economic and political power of the trusts, monopolies and cartels, he would, even as did his spiritual and political successors, Woodrow Wilson and Franklin D. Roosevelt, quickly have distinguished where the true danger lies and have advocated effective government regulation and control to protect the common man against exploitation and oppression at the hands of this modern menace to their freedom.

The spokesmen of entrenched interests, realizing that the American people cannot again be lulled to sleep by their political and economic bromides, have embarked upon a new technique. Now they piously disown the rantings of the franker if less reactionary of their school, and, instead, seek to clothe themselves in the shining raiment of defenders of what they fervently proclaim to be "the American way of life."

The "American way of life," indeed! I protest in the name of Thomas Jefferson, author of the Declaration of Independence and the Bill of Rights! I protest in the name of Andrew Jackson, hard-hitting foe of the vested interests of his day! I protest in the name of Abraham Lincoln, whose faith and belief in mankind transcended the color line! I protest in the name of Woodrow Wilson, who first awakened the international conscience of America! I protest in the name of Franklin Delano Roosevelt whose mantle the reactionaries of the 21st century will doubtless seek to don!

But let us return to the question of what does constitute a true Liberal. The record of the two great political parties, while contributing abundantly to the wholesome growth and progress of our country, leaves no doubt in the minds of students of politics as to which party follows the conservative political line and which follows the liberal line.

Jefferson, Wilson and Roosevelt Liberals

Jefferson, Wilson and Franklin D. Roosevelt best represent the liberal principles for which the Democratic Party stands, while men like Benjamin Harrison, William McKinley and William Howard Taft represent the stout conservatism of the Republican Party. This general definement of party principles is not always applicable to the individual representatives of the two major parties, for oftentimes we find great leaders of liberal thought on the Republican side of the aisles in the House and Senate and at the same time we hear the voice of conservatism raised by members on the Democratic side of the aisles.

In recent years, the Republican Party has been able to boast of such liberals as the LaFollettes, Sr. and Junior, Norris of Nebraska and Borah of Idaho, while on the Democratic side, we have had stalwart conservatives such as Cotton Ed Smith of South Carolina, John Sharp Williams of Mississippi and Carter Glass of Virginia.

Further emphasis on the differentiation of views of the two parties I recall a statement by Senator Hatch (D., N. M.) who explained that the Republican Party has never successfully sponsored a major, liberal reform measure since the days of Abraham Lincoln, and, again, a statement from Woodrow Wilson that "the Republican Party has not had a liberal thought in 40 years," which, with the passing of time, makes it 70 years now.

Of course, we all recall the crusading liberalism of former President Teddy Roosevelt and of Wendell Willkie, but we cannot forget what happened to them within the Republican Party for attempting to reform this political citadel of conservatism.

Basic Concept of Liberalism

Liberalism, to my mind, is rooted in two basic concepts. One lies in the ethical and spiritual field. It is a firm belief in the dignity and fundamental integrity of mankind, in the knowledge that progress is necessary, it is inevitable and desirable, and in the profound conviction that, given the opportunity, mankind can build its own brave new world without the help of self-styled all-powerful totalitarian "leaders" or "master races."

The other consists of a burning desire to implement this fundamental belief—to fight for its full realization to the end that all mankind shall be free, not only politically free, but free economically as well as spiritually to enjoy the fruits of the earth. It is this driving force, this craving need, this insatiable appetite to better the lot of humanity which has motivated our great liberals, religious and political alike, from the dawn of recorded history down through the years to our own generation.

I submit this definition in all humility—well conscious of the fact that others have doubtless stated the case for liberalism much more eloquently than I can ever hope to. This thought, however, I should like to emphasize. The Liberal cannot and must not be judged by words alone. He must be judged by his deeds. Lip-service is not enough. Nor can he be judged by his stand on one issue alone, but on the entirety of his political and economic philosophy and on the steps he takes to implement them.

Judged by one issue alone one might even be misled into considering the distinguished and capable Senator Robert Taft a liberal! After all, his name is joined with that of a truly great Liberal as a joint sponsor of the Wagner-Ellender-Taft Housing Bill! But a more careful examination of his record shows that he for the most part, like the members of his party, consistently voted against the will of the people and in the interests of special privilege. While, on the one hand Senator Taft was sponsoring housing for our veterans, on the other he was leading the fight to emasculate price control and force the price of homes above the capacity of the veteran to pay!

No, one liberal act does not make a Liberal. Even Benito Mussolini did drain the Pontine marshes and make the trains run on time. Yet history will hardly classify him among the Liberals of our day.

Liberalism Not a Matter of Party Affiliation

Nor is Liberalism a matter of political party affiliation. I am proud of the fact that my party, the Democratic Party, has long been in the forefront of the battle for liberal principles. I am proud of the fact that it gave birth to the New Freedom of Woodrow Wilson and the New Deal of Franklin Roosevelt. But I must frankly admit that I have been deeply disturbed by the actions of some members of my party and also of some developments in certain sections of the nation, where hooded vandals, hiding under the fair name of democracy, are seeking to undo the progress which has been so hardly won in the past few years, and to perpetuate, on any sacred soil of freedom, the bestial doctrines which we have defeated at so grievous a cost on foreign shores.

No, I am sorry to say, all has not gone well with the Liberal cause in this past year. President Truman charted the way with his 21 points which he first presented to the Congress almost a year ago. His program constituted a veritable economic Bill of Rights. Yet, nearly a year later, we find that few of his points have been adopted.

As the late Al Smith used to say, "Let us look at the record." One of the most important planks in President Truman's platform was the adoption of a permanent Fair Employment Practices Commission, an FEPC with teeth, empowered to see to it that the political principles embodied in our Declaration of Independence and our Bill of Rights are carried over into our complex economic life of today. This proposed legislation merely asked that the fundamentally American idea of freedom of opportunity for all, regardless of race, color or creed, be written into the law of the land.

Yet FEPC lies dead—no, not dead, for that ideal can never die—but stunned-beaten down by an obstinate, obdurate minority of conservatives, some bent on preserving their own special privileges, others looking longingly into the past and heedless of the world of the future. These men not only showed a callous indifference to the multitude of contributions — and the sacrifices, rendered by minority groups to our common war effort—but, even more serious, they, by their actions, cast grave doubts in other lands across the sea on the motives and the war aims of the United States. It will be difficult indeed for the peoples of those nations to reconcile our words with our deeds, for they are not in a position to know that these men speak only for an outmoded minority, a minority which could win only by employing that most undemocratic of all parliamentary tactics—the filibuster. This minority deliberately closed its eyes to the wishes and the welfare of the American people as a whole in order to concentrate all their energies on exercising their tongues! Yet perhaps this was not a true test of liberalism versus conservatism—for many conservatives — let it be said to their credit—voted for the FEPC. But many self-styled Liberals—when faced with the issue—were found wanting.

The Fair Labor Standards Act

But let us move along to another of President Truman's essential planks. After a strenuous battle, the United States Senate passed a bill amending the Fair Labor Standards Act to raise the minmum wage of our industrial workers to 65c an hour and to extend its provisions to thousands of workers not covered by the present Act. This was a major victory for the forces of liberalism. It would seem a simple, elementary economic fact that we cannot achieve full production and sound prosperity while thousands of Americans are compelled to struggle along on a mere pittance of 40c an hour. Yet this bill—a bill essential to the healthy functioning of our economy—was quietly throttled to death by a small group of conservatives in the Rules Committee of the House of Representatives! The cause of liberalism — or rather Americanism—suffered another damaging setback.

Again, the President, seeking to declare it a national policy that every American citizen able and willing to work has a right to work, asked for the passage of the Full Employment Act. This bill was finally passed and signed by the President on Feb. 29, 1946, but not until it had been watered down somewhat from the legislation for which the President had asked. Nevertheless, it was a step in the right direction, and it will be perfected as time goes on.

Price Control

In the light of what has subsequently happened to price control, we can be thankful indeed to the Liberal leadership which was able to achieve even this minor victory, for, in the face of ever-mounting costs-of-living, the honest, hard-working men and women of this country would have been even more hard put to it to make both ends meet than they are today.

This issue of price control provides one of the most enlightening pictures of the true Liberal as opposed to the Conservative. Never, I venture to say, has Congress been subjected to such a barrage of propaganda as was leveled against price control. The entrenched interests brought up their heaviest artillery in this fight. They did so because they knew that the great masses of the people were for price control—they knew that the average man had not forgotten the cycle of "boom and bust" that followed the last war—yet they believed that by pouring out their money to purchase ads in which they constantly reiterated a series of economic falsehoods they could so confuse the American people that their aims could be achieved.

For three long weeks the future of price control hung in the balance while the forces which believed in free competition in an economic situation where supply and demand were not in balance were allowed to have their way. You are all aware of what happened—soaring prices, rent evictions, and economic misery for all those on a moderate fixed income. Coupled with this was the prospect of further strikes as American workers found their hard earned gains wiped out by rising inflation.

Aroused by this issue as never before, the American people made their voice heard. They were in full sympathy with President Truman when he vetoed the sham Price Control Bill which had just been passed by Congress—and they made that sympathy known! It is significant that a number of those who led the fight against the OPA have since been retired by the electorate to private life. This was a clear-cut issue between the Liberal, forward looking point of view and that economic mentality which has progressed but little beyond the doctrines of Adam Smith. These proponent of the outworn and outmoded theory of "laissez-faire" seem to believe that there is something inherently evil in planning our economic future, in arranging our affairs so that we will not again be faced with the disastrous cycles of inflation and depression which have so often plagued us in the past. They forget that any corporation executive who failed to plan his operations in such a way as to bring in the greatest margin of profit would receive short shrift from his board of directors! But they would deny similar foresight to the representatives of the American people.

Thanks to the courage of President Truman and the innate good sense of the American people, price control has been restored. True, it is not price control as we have known it. The OPA bill as finally passed and signed leaves much to be desired. But, while it still leaves us sitting squarely on top of an economic atomic bomb, it at least insures that the fuse has not been lighted, as it surely would have been had the authors of the various crippling amendments had their way.

Undermining the Housing Program

The same forces of reaction who fought so hard against price control are today hard at work undermining Wilson Wyatt's Housing Program. This program is designed to provide homes for our veterans and their families. Surely these men deserve the best that we can give them! Surely they should not be asked to exchange the foxhole for the slum! Yet that is precisely what is happening today. The magnitude of the need for housing, not only for veterans but for all our people, staggers the imagination. We must make up, in two short years, a backlog which has grown increasingly serious over the past twenty years, if we are to avoid broken homes, the sickness, the juvenile delinquency which inevitably follow in the wake of inadequate housing facilities. It is a program which would require the best efforts of all of us, industry, labor, and the householder, working together as a team. Instead, what do we find? We find the opponents throwing their full weight into an attempt to defeat the Wagner-Ellender-Taft Bill — a bill which Wilson Wyatt has declared is essential to the success of his program. And I regret to say that, for the moment at least, their attempt has been successful. I wonder how the Members of the Congress who permitted this bill to die can honestly face the boys who sacrificed so much in order that they might preserve their own comfortable way of living. Again it was a struggle between liberal, forward-looking proponents of progress on the one hand, and conservative objectors of change in any form on the other. And again, I am sorry to say, the forces of reaction have carried the day. Apparently, they saw nothing un-American in slums and juvenile delinquency, but they clamored about Socialism, Communism, and un-Americanism when this statesmanlike attack was made no one of the major problems of our day.

Yet another program which President Truman asked, one which will, in my opinion, grow increasingly important, was a program calling for encouragement of scientific research. This was later embodied in the legislation creating a National Science Foundation. Despite Senate approval, and despite the clear implications of the atomic age, this program, too, is interred in the extensive cemetery of liberal legislation. Here again, fear of change, of progress, of cutting adrift from old customs motivated the conservative dissenters. Liberals have consistently and valiantly fought for the measures which I have mentioned. Despite heartbreaking defeats, they have not lost faith. Nor will they do so. I could go on to discuss the fate of each of the President's proposals, but it would serve no useful purpose. The ratio of defeats to victories would not be materially changed.

If I seem to have painted a gloomy picture, I have done so for a purpose. I have done so to point out how much remains to be done, how bitter the fight will be, and how strong are the forces which must be overcome. I have dealt only with domestic issues, although it is hard today in this shrinking planet to distinguish between domestic and world problems. In truth, we also have many international headaches to solve—the atomic bomb, world security, reciprocal trade, colonial possessions, the peace treaties, Palestine.

But of one thing we may be sure. The liberal approach will win out in the long run, for it recognizes the necessity of progress, and it bases its position on the fundamental truth of the dignity and integrity of Man. We may suffer setbacks, temporary defeats, but we will win, for the liberal cause is the cause of the future; it is the cause of progress, just as surely as the conservative cause is the cause of the past. And, despite the efforts of reactionary, backward-looking men, an increasingly better future for the common man has been and always will be inevitable. And during this grand march of history, it is ever the task of the liberals to seek out new and higher peaks to climb, for it is the glory of true liberalism that it views each successful step merely as a prelude to another bigger and better step toward a fuller realization of its ideals. True liberalism acknowledges no finite or final horizons.

Production Record Since V-J Day

(Continued from page 881)

51.2 million in the slump that followed V-J Day. Now we face the task of consolidating these gains by ever-increasing production and employment opportunities.

(2) The yearly production rate of goods and services for civilian use has increased more than $30 billions since V-J Day. The production rate of capital goods and of goods going into business inventories has multiplied almost four times since a year ago. Total construction—residential and non-residential—also has jumped almost four times since V-J Day. Some of these increases reflect increased prices but certainly not the major part. Total income payments to individuals today equal or exceed the war peak of $163 billions and have climbed more than 60% over the peacetime peak of $100 billions in the fourth quarter of 1941.

(3) We have successfully avoided the deflation which threatened when war plants closed and millions of demobilized men returned to look for peacetime jobs. But inflation remains a constant threat. It must be fought daily by all of the people and with all of the powers of their Government.

(4) Almost a quarter of a million new businesses were established in the last half of 1945, and there is every reason to hope that the birth of new businesses will continue at a high rate. Profits in heavy industry declined sharply since V-J Day due to losses of war contracts, abnormal expenditures made during the reconversion period, and inability so far to return to full production. This is a temporary and foreseen situation. In the remainder of the economy, however, profits before taxes were well maintained, profits after taxes were at the highest levels on record. Farmers are looking forward to bumper crops, and can sell at good prices all the foods and fibers they can grow.

A more detailed examination of the reconversion record follows:

Production

At the beginning of this fiscal year production by private business was at an annual rate of more than $162 billion — and still rising. This compares to $109 billion in 1941, our highest prewar year. The bulk of the goods ($147 billion of the total of $162 billion) was purchased by private buyers, the Federal, state, and local governments purchasing less than one-tenth of the total. Although some of this increase in production is due to the rise in prices, the physical volume of civilian goods produced is still greater than ever before in peacetime.

Despite our high production levels we are not yet producing enough to meet demand for most items. In the case of many types of goods — automobiles, many durables and other items using steel, housing and some types of clothing — we have not yet equalled our prewar peak rates. Some shortages will continue the rest of this year, and longer.

Manpower

In July of this year the civilian labor force of 60.4 million included 58.1 million persons with jobs and about 2.3 million actively seeking jobs. Not only is the civilian labor force larger than ever before — in peace or war — by the proportion of unemployed is probably the lowest for any peacetime year since we became an industrial Nation. No significant increase in unemployment is expected the remainder of the year. Labor shortages are beginning to appear in some areas and in some industries. Fewer than one million recently demobilized veterans are still looking for jobs. The remainder of the unemployed are primarily workers changing jobs.

Agricultural employment in July accounted for about 10 million jobs. This will increase seasonally for a few weeks, then decline. Offsetting the decline somewhat will be the retirement of students from the labor market.

Agriculture And Food

A year ago, on V-J Day, American farmers, who had stepped up production about one-third during the war, were harvesting a bumper crop. This year's harvest promises to be one of the most bountiful the Nation has ever had.

Yet, in spite of higher production, consumers have often been unable to buy all they want of some foods and fibers. There have been few "surpluses" like those that depressed farm incomes in prewar years, primarily because domestic consumption is higher than ever before. In addition, during the past year we have sent abroad over 417 million bushels of wheat and other bread grains to prevent starvation and death in famine areas abroad. The demand for food and the income of farmers will remain high during the coming year, but many of the food and fiber shortages which have harassed American consumers during the war will gradually disappear.

Industrial Relations

The past year has been a period of readjustment after three and a half years of all-out production for war. Wages did not lag so far behind prices as was the case after the last war, and the majority of wage increases were negotiated through the normal process of collective bargaining. However, the industrial disputes of last Winter and Spring, together with shortages of materials and components, caused delays in production. During the past 60 days there have been no new strikes in key industries, hampering national production. If we can continue this fine record for the next few months, we shall be well on our way toward full peacetime production.

Income

Total income payments to individuals during the second quarter of 1946 were at the annual rate of $161 billion. Today they probably equal or exceed the all-time war peak of $163 billion. Spendable income during the past year was far above peacetime records. The Nation's consumers have been buying more goods than ever before, thus providing a higher standard of living for our population, which itself has increased by about nine million since 1940. This increase, together with the high level of income makes effective today's huge demand for the products of industry.

Government Controls

Following V-J Day, the government adopted a policy of relaxing emergency war-time controls as speedily as possible. Today, the only controls still in force are those necessary to increase production of scarce and critically needed commodities and to combat inflation.

Demobilization

Up to August 1, 13.3 million men and women were demobilized from the armed services, 10.4 million since V-J Day. Their assimilation into the economy has generally been smooth and rapid. Nevertheless, their return to civilian life has served to bring into sharp focus many problems, including veterans' education and housing.

The Veteran

In July about ten million veterans of World War II were employed. Most veterans have had only short periods of unemployment.

About $1.3 billion in readjustment allowances have been distributed to veterans — practically all since V-J Day.

More than 600,000 veterans have already returned to college, and the number will more than double next month. The educational institutions, the States and the Federal Government have cooperated to achieve an unprecedented expansion of facilities for the accommodation of student veterans.

Housing

Although considerable progress has been made in the Veterans' Emergency Housing Program, the shortage of housing in many areas is today more acute than at any time during the war. The peak of housing demand is not expected until this Fall. The goal of 2,700,000 residential units started by the end of 1947 is the minimum number required to alleviate an emergency.

Fiscal Policy

The President recently reaffirmed the policy of economy in Federal spending, and announced a program for reducing expenditures by $2.2 billion in this fiscal year. The major economy will result from curtailment of construction, but other means of reducing Federal expenditures will be developed.

Inflation

Although we have achieved much in the transition period, the threat of inflation still casts a shadow over the future. We must not mistake temporary gains in production, employment and income for permanent stability. To achieve that, we must maintain some stabilization controls until our industry starts turning out the high level of goods demanded; we must maintain a fiscal policy of high taxes, reduced public expenditures, credit controls and debt retirement. Public support of prices and restraint in buying are no less important now than before the fighting stopped.

Quick Action, No Red Tape, to Govern OPA Price Adjustments

(Continued from page 882)

costs and when supply and demand have come into balance, as required by the new statute.

Supplementary Pricing Standards

An additional set of pricing standards has also been provided for producing, manufacturing and processing industries under the new law. Because there has been considerable misunderstanding over the application of these manufacturer pricing standards, I want to discuss them at some length.

The law clearly defines the standards by which price adjustments are to be granted. These standards will be the rule by which we will grant adjustments.

It is important for those who have come forward with glib suggestions for a free-and-easy method of granting increases, to examine the law. OPA is not a free agent. Cost data must be supplied by industry, then analyzed by OPA. It would be as illegal for us to grant price increases as the result of collective bargaining as it would be for us to roll prices back as a result of collective bargaining. The law states specifically that industry advisory committees must provide cost and price figures to OPA, and that increases can be granted only after such data have been made available.

Because there is so much misunderstanding on this point, it would be well to examine the law, which reads: "Any industry advisory committee may apply to the Administrator for the adjustment of the maximum prices applicable to any product in accordance with the standards set forth in this section, and *shall present with the application comprehensive evidence with respect to costs and prices.*"

Obviously, you can't reach into a hat and pull out cost data for an entire industry. Such information can come only from industry itself. It won't be easy, I know, for industry to provide this information, but the law requires it and OPA must have it in order to grant legal adjustments. After comprehensive figures come in they will be carefully analzed and legal adjustments granted as speedily as possible. Though the law gives a limit of 60 days, I am certain that if industry provides all necessary information, in a large number of cases results will be available before the 60-day dead-line. However, businessmen themselves know that analysis of cost data is not a sleight-of-hand trick—it is a job that takes a careful, methodical calculation.

There can be no doubt that it will be difficult for some industries to collect the statistical material necessary. Congress recognized that OPA, on its own, could not assemble data for each industry rapidly enough to do an effective job. Therefore, it wisely placed a major share of this responsibility upon industry itself. Some industries may find that their books have not been set up properly to obtain the necessary breakdowns—some may find it necessary to hire additional accounting personnel.

We are determined to grant adjustments on a businesslike basis, and urge industry to present complete information when asking for adjustments. We do not intend to engage in collective bargaining. We intend to grant adjustments which will be based on the formula provided by Congress. That is, maximum prices will be established on the basis of the industry-wide 1940 average price of a product plus the industry-wide average cost increases since then. This formula is subject to limitations: (1) if the current price covers the total current costs plus the industry's overall 1940 percentage ratio of profit to sales, no further increase would be required; or, (2) if the industry cannot show that a substantial increase in production is practicable without reducing the output of another equally needed product, then the law does not require that an adjustment be given provided the product is realizing a *reasonable* profit.

We are all well aware of the fact that industry is worried about the words "reasonable profit" which were written into the Act by Congress. Our staff has been working overtime drawing up definitions which will clarify such phrases and spell out the procedures which must be followed by industry to obtain relief. These procedural regulations not only will outline methods of obtaining price adjustments, but set well up standards for relief; explain what is meant by "substantial increase in production" and "reasonable profit"; set up a definition for "representative sample"; and list in detail the kinds of data required and how they should be presented. Every effort has been made to draw up these procedural regulations so that they will be easily understood. Obviously, however, it is a complicated matter and not as simple as A, B, C. One thing must be pointed out—the law does not give OPA any real leeway and the procedural regulations are drawn up to conform with the statute.

If industry believes that the accumulation and presentation of cost data will be a headache, let me assure industry that it will be as difficult for us to analyze the information as it was for industry to present it. However, the OPA and the industry and the American public have a common stake—that is production. Everyone realizes that production is the most effective means of preventing a wild inflation. Uncontrolled inflation is, in the long run, as disastrous for industry as for consumers and the nation as a whole.

Some industrialists may want to hold back production until price adjustments have been granted. This is a shortsighted point of view that can be proven on two practical grounds: (1) many industries will probably find that their costs figures will allow only moderate price increases. Holding back will in the long run be more costly to them than getting under production with a knowledge that necessary, justified increases will be granted in short order; (2) price control has only one year to run and the law provides that products shall be decontrolled as rapidly as supply approaches demand. The sooner manufacturers get into full production, the sooner they will reach the stage where all controls can be removed. Immediate production means immediate money in the bank, a high level of employment, and the approach of decontrol.

Demoralization in the Commerce Department

(Continued from page 886)

Department business than his predecessors, Jones and Hopkins, and certainly more than Roper. With his division chiefs he holds monthly meetings. Still he is "far away."

Wallace's Reorganization

Wallace's first mistake was made as soon as he became Secretary. He immediately decided that everything which had been done in the Bureau of Foreign and Domestic Commerce in Washington and in the field had been wrong, and must be changed. At headquarters the Bureau was to be made into five "offices" and in the field the Department should be organized like the Agriculture Department's system of county agents. The reorganization of the Bureau into offices was ultimately effected by Mr. Wallace, and his field-service ideas have eventually borne some fruit in the enlarged field-service appropriations authorized this summer by the Congress and the consequent expansion to 75 of the number of field offices of the Department throughout the country.

Although the Bureau was last year reorganized, for administrative purposes it still exists on paper. But the 1945 reorganization was none the less real. For the most part, the Secretary placed men with business experience at the head of these offices. The Bureau of Foreign and Domestic Commerce continues to show on the organization chart as headed by Director Amos E. Taylor, a Bureau employee since the Hoover Administration, who simultaneously directs one of the five new offices, the Office of Business Economics. At the head of the Office of Domestic Commerce Mr. Wallace placed Brig. Gen. Albert J. Browning (since resigned from the Department), a former wall-paper company officer. Mr. Evert L. Stancliff, a Los Angeles businessman, was put in charge of the Office of Field Operations. A few weeks ago Stancliff was replaced by Carlton Hayward, a former WPB official.

An ex-Congressman, L. F. Arnold, heads the Office of Small Business, a new office created to placate this special interest. Arthur Paul was brought over from FEA to head the Office of International Trade. From the WPB Donald Nelson's last public relations chief, Bruce Catton, was taken by Wallace to head a new Office of Information directly under the Secretary. Catton's deputy is Mr. Don Burgess.

Many of the difficulties nowadays complained of by Department officials stem from the activities of the Office of Information and of the Office of Program Planning, which is also directly responsible to Mr. Wallace. The latter office is headed by Philip M. Hauser, a former assistant director of the Census Bureau. On Hauser's staff are two former WPB officials, Lewis Bassie and Harry Magdoff, as well as other advisers. Both Catton's and Hauser's offices have plenary powers over the other offices and divisions of the Department, telling them what they may or may not issue in the way of public information, sometimes sending down conflicting orders and contributing materially to the confusion and deterioration of morale within the Department. Disputes which result have to be settled by the Secretary himself and he is often too busy, officials report.

In a recent meeting at the Department attended by some representatives of business concerns, Under Secretary of Commerce Alfred Schindler made an unmerciful attack on the Department's Office of Information for releasing material to the public without protecting the Secretary. While officials of the Department have privately complained on other occasions concerning Mr. Catton's office handing out confidential reports, Secretary Wallace himself has been guilty of the same breach, to the considerable annoyance of some of his own embarrassed officials. The most notorious example was the handing out by the Secretary to newspapermen of a portion of a confidential staff report on the supposed ability of the automobile industry to sustain a basic wage increase without raising prices. The report, dated Oct. 25, 1945, was made public on Nov. 1, at a time when the wage issue was an acute public question. Publication of the report greatly strengthened the hands of the labor unions seeking a substantial increase which they subsequently obtained. After they obtained it, Wallace—having meanwhile had to engage in embarrassing correspondence with the Automobile Manufacturers Association—issued a retraction with explanations.

As stated in the Secretary's retraction of March 15, 1946, the report he gave to reporters on Nov. 1 was only a portion of a hypothetical projection based on certain assumptions, none of which were included in the portion of the report which he had given out. The report, moreover, had not even been prepared in the Commerce Department, but had been drafted by an economist in another government agency and submitted to the Department for possible publication. Responsible Department officials claimed at the time that the Secretary should never had handed out only a part of the report and in any case should have first consulted them. If one assumes that Mr. Wallace gave out the report impetuously, considering its timing and implications, one must conclude that either the Secretary was day dreaming at the time or else is unbelievably naive. Many businessmen of course reached the different conclusion that the Secretary knew full well what he was doing and purposely intended to help the unions.

If, however, one rejects the latter explanation and examines the full text of the confidental report, part of which the Secretary made public, one is struck by the fact that there is nothing in the report to the Secretary to show that it was not the work of the Commerce Department. On the contrary, the assumption was warranted that the Department's economists endorsed the conclusions on page 5, reading as follows:

"SIGNIFICANCE:

"It is apparent that present cost-price relationships are such throughout industry that a basic wage increase is possible without raising prices. For 1946, a general increase of 10% is possible. Such an average would mean a rise of 15% or a little more in the manufacturing industries. Some industries could afford more, some not so much. The automobile industry is in the former class—15% can be granted without adverse results in the first prewar year of restricted operations, and a further increase of 10% can be given for 1947 when production will have reached peak rates.

"A much higher wage income will have to be secured if demand is to be sufficient to produce full employment by 1948."

Those officials who prepare regular reports for the Secretary for Cabinet meetings know the circumstances under which such reports must be used and the virtual certainty that the Secretary will use only the concluding summary of a long document, such as that just quoted.

Whatever the extenuating circumstances, the incident turned out to be a colossal blunder by Mr. Wallace.

A More Recent Case

There have been other instances of publicity involving the Department and Mr. Wallace to the embarrassment and annoyance of the staff. On July 22 the President gave out to the press a rather long mimeographed report which starts as follows:

"The President has received the following statement from the Department of Commerce on 'Domestic Economic Developments':

"The spurt in prices following the lapse of OPA controls at the end of June boosted the Bureau of Labor Statistics index of daily spot market prices for 28 basic commodities 25% during the first 16 days of July. Farm products, foods, and imported goods have generally shown the greatest response to inflationary pressures. Only 7 of the 28 commodities showed no change in prices over this period—in the case of 4 of these 7 commodities, prices are determined by the government."

The report itself plainly and several times states that its statistics came from the Bureau of Labor Statistics. This was just another of the regular reports which the Commerce Department officials send to the Secretary for his information.

Perhaps in this case not alone Mr. Wallace is not to be blamed for its release to the public in a manner to fasten the report's findings on the Commerce Department, but the incident reveals once more why Department officials complain among themselves that it is risky to send anything confidential to the Secretary. In the case of this White House release, Secretary Wallace brought the original staff document back to the Department and gave it to Mr. Hauser to fix up as a release. Houser's office took out a few sentences referring to charts and the release was ready.

Relies Heavily on His Special Advisers

Within the Department it is believed that a weakness of Mr. Wallace as an administrator is that he relies too heavily on the people he brought into the Department with him as advisors on "program planning" and public relations. These men, who have a reputation of being "yes men," exercise too much authority without responsibility. Their own work gives evidence of being inadequately coordinated. More experienced Department specialists are all too often bypassed. For instance, on an interdepartmental petroleum committee the Department is represented by young Fitzgerald of Houser's staff, rather than by one of the Department's petroleum experts.

Morale among older officials of the Department is affected also by the fact that so many higher-salaried survivors of the liquidation of the FEA and SWPC have been brought in and placed over them. In the retrenchment now demanded by the Congressionally-trimmed but still large Department budget, these newcomers are on guard to see that they and the friends they brought with them are as protected as possible from the budgetary pruning shears. The result is that the Department has had to release other and frequently more desirable employees who came to it during the war.

Wallace Takes the Blame; Would Avoid Depression

Despite reports to the contrary, insiders say that Mr. Wallace is not one to try to shift the blame when things go wrong, but often takes the blame when it really is not his. Wallace probably really expected to do a good job for business when he took this position. Several times he has testified that he wanted the post so as to prevent a postwar economic tailspin. His present views on this matter he set forth in an interview published this month in the Philadelphia "Record."

Despite his intentions and his speechmaking, Secretary Wallace has been losing the confidence of businessmen. To some extent this is explained by the way old Bureau men have been subordinated and kicked around, often without Wallace's knowledge. When a bad mistake is made, Wallace's attitude seems to be not to blame anyone but himself; to say: "Well, we have had this lesson, and this won't occur again." He seems to live rather in a dream world of his own creation and not to realize his remoteness from the operational aspects of the Department. In the Department of Agriculture Wallace did better. He has an inherently sympathetic attitude toward farming. He seems unable to think sympathetically about business, but to regard it as a deterrent in many ways.

While businessmen regard Mr. Wallace as more a Secretary of Labor than of Commerce, it is observed in Washington that he has been cooling off toward the CIO, which may explain the criticisms of Commerce Department dismissals of employees of the Office of International Trade. These criticisms have come from Local No. 3 of the United Public Workers of America, a CIO union.

Illustrating one cause of Mr. Wallace's unpopularity with businessmen and his lack of public-relations sense so surprising in one of the Secretary's political experience was the fact that in making a Los Angeles address recently he spoke under PAC auspices, rather than those of some business organization.

Wallace Stymied on Incentives Study

When General Browning was in the Department he was actively interested in doing something to provide greater incentives to management through tax policy. When this matter was first disclosed to the press in a Wallace press conference attended by General Browning, some of the reporters thought that the Secretary looked surprised. However, it has since been brought to our attention that the Treasury Department was agreeable to the Commerce Department's going into the subject of tax incentives but that Secretary Wallace deferred to Labor Department objections and shelved the project.

Planners Cause Problems

The Bureau of Foreign and Domestic Commerce is not normally a regulatory body. However, when FEA's export licensing functions were transferred to the Bureau, the Commerce Department acquired many control-minded officials. As a result during recent weeks, especially after the temporary demise of OPA on June 30, the Department has found itself embroiled with CPA in bureaucratic differences over the question of export controls.

Another case of embarrassment developed during the Department's lobbying on Capitol Hill for a larger appropriation. The Acting Director of the Office of Small Business, L. F. Arnold, who would have become an Assistant Secretary of Commerce had both Houses of the Congress approved the pending bill to create three new assistant secretaries of Commerce, reportedly succeeded in having written into the Department's appropriation bill while it was being considered on the floor of the Senate an appropriation increase for the Office of Small Business of $1,557,000 above the recommendation of the Commerce Committee. This amendment, which was offered by Senator Murray, was later considerably modified. Arnold reportedly also was responsible for getting inserted in the measure calling for three new assistant secretaries of commerce while the bill was in the House Committee, a provision giving the Commerce Department power to supervise and coordinate the small-business activities of all government agencies!

House Committee Critical

In its report on the 1947 appropriation for the Commerce Department last April the House Committee on Appropriations was very critical of the Department's ambitious plans for expansion. Citing the requested increase in the appropriation from the $2,837,800 allocated to the Bureau of Foreign and Domestic Commerce in 1946 to the $12,920,000 budgeted for the Bureau's five successor offices for 1947, the House report said:

". . . the committee . . . is not convinced that such wholesale expansion as is proposed is either advisable or necessary. Furthermore, the committee is somewhat fearful of the effects of the Department's superimposing on an established organizational structure a large group of high-salaried employees transferred from agencies established for a war purpose. In the Office of International Trade, for instance, there is a total of 138 employees earning salaries of $6,000 or more per annum. Of this number, 106 have been transferred from the Foreign Economic Administration. In addition to this, every office appears to be administratively topheavy.

"With respect to the departmental activities . . . the committee is of the opinion that many of the proposed aids to business are superfluous, and many of the proposed services reach too deeply into the problems of individual management. With respect to the development of the foreign trade of this country, the commitee could no help but feel that much of the program as presented duplicates present activities of the Department of State . . ."

Trimming Down Is Painful

As the above-cited protest of Local No. 3 suggests, trimming down a government office is a painful process. The Department has less money this fiscal year than its present components last year had in their separate identities and less than Congress was asked to give the Bureau. In the budget estimate to-be-revamped Bureau of Foreign and Domestic Commerce was set down for $12,920,000. The Congress appropriated $10,150,000, or much less than the expenditure rate on June 30. The reduction in staffs made necessary by the reduced over-all budget does not mean that employees let go must find jobs in private employ. Many are simply transferred to other government agencies. There are a variety of ways of taking care of people in Washington.

Just what have been the effects to date on the number of Department employees appears not ascertainable. An inquiry through the Office of Information after several hours elicited the information that for the moment the question cannot be answered exactly. The following figures were supplied: On Sept. 30, 1945, the Bureau of Foreign and Domestic Commerce had 812 on its payroll. On March 11, 1946, it had 872 and there were working in the Bureau as well 815 former FEA and 498 former SWPC people who, in coming to the Bureau, had brought their own payroll appropriations. Grand total, 2,185. On July 31 the Bureau payroll showed only 576; but, although FEA and SWPC no longer exist, the Bureau does not yet have the payroll data of the employees of those two war agencies now working in the Bureau. It believes that there were on July 31, 988 FEA and 559 SWPC people. Total, 2,123. Momentarily, the Trojan Horse seems to be swallowing its unhappy host.

Permissive Incorporation Issue Potent Subject Among NYSE Firms

(Continued from page 879)

ated on the question. All communications should be addressed to the Editor, The Commercial and Financial Chronicle, 25 Park Place, New York 8, N. Y. The names of those submitting comments will be withheld on request.

BROKER No. 1

It would appear that Wall Street knows more about the business of others than about its own affairs. The corporation has developed as the logical outgrowth of the evolution of business organization. The exclusive presence of the partnership in an industry as dynamic as the securities business is an anachronism.

I do not know what the effects of the corporate form of organization will be upon the securities business. It will take time for the corporation to demonstrate just what benefits it can provide. It makes little difference what the experience with incorporation has been on other exchanges. If any firm on the New York Stock Exchange feels that the corporate form of organization would help it in any way then it should not be denied the right to avail itself of this form.

BROKER No. 2

We see only a temporary tax advantage in incorporation—temporary because the Government is bound sooner or later to look upon incorporation as a device for tax evasion. The brokerage business will find it difficult to justify capital formation, we think, since unlike the manufacturing industry, for instance, it can not claim any necessity for depreciation allowances.

To gain this rather doubtful advantage, we feel furthermore that we ourselves would have to give up so very much. We do an institutional business and under incorporation we believe we would lose some of our business. Under incorporation there would be nothing to prevent small corporations of two or three men, representing some institution, to be formed for the purpose of making investments for this institution without the necessity of paying brokers' fees via the medium of a Stock Exchange membership.

BROKER No. 3

Our firm has not yet taken a definite stand on this question but we are inclined to favor the proposition. It would seem that incorporation would help a firm to put aside funds in good times to take care of the needs of bad times. We realize, of course, that it could very well turn out to be that at some future date the tax advantage might be entirely on the side of the partnership.

BROKER No. 4

I have been an advocate of permissive incorporation for twenty years and by permissive I mean just that. I would not want to see the Stock Exchange itself incorporated as it has functioned very well in its present form of organization. But I see only gain in permitting those member firms to incorporate which feel that it is in their interest to do so. A company can always un-incorporate anytime it wishes to do so.

Incorporation—in the form proposed for the Stock Exchange firms—would merely expand the "family" type of business common in our industry. As I visualize incorporation, the common stock would be owned by the active participants in the business and non-voting preferred stock by the outsiders who could be the wives of members or other close relatives or friends. In line with the present tendency of the tax laws to reduce the amount of wealth any one individual can hold, shares in the enterprise would be available in small proportions. In the old days—before inheritance taxes—a partner had the opportunity to really build up his capital. Today, it is incorporation which enhances the permanency of capital.

Despite the fears of the opposition, banks would never seek membership in the Exchange because they would not want their trust departments to become involved in the competition for securities. Some small firms in the securities field which now bring business to the Stock Exchange firms might come in, yes. The fact isn't stressed enough, though, that the greater the breadth of the market, the better the market. In a way, the more firms that enter the Exchange, the better.

Incorporation, it has been claimed, would lead to greater governmental supervision of the securities business but it is difficult for me to see how the industry could be supervised any more than it is at present. It could be pointed out how the more the securities industry is subjected to the regulation of the type that has been practiced, the better. The influence of the Securities and Exchange Commission, to my mind, has been good.

BROKER No. 5

I am opposed to permissive incorporation. Ninety per cent of the firms that do an underwriting business are in favor of it but most of the houses that stick to the brokerage field are against it.

Perhaps I am being selfish in the way I think because I, for one, want to know that, whenever I have any dealings with another broker, I am protected by the unlimited liability rules that govern in the partnership. A man with $5,000,000 might be very well willing to risk half his fortune in a corporation, knowing that the other half will be safe. I prefer to do business with the man who would be liable to the extent of all his assets in the various transactions in which he engages.

The tax advantage claimed for incorporation has been greatly exaggerated. It will be only a matter of time when the tax authorities will revise their rules to cover what they will believe to be the attempt by Wall Street firms to evade the payment of taxes.

BROKER No. 6

The "Chronicle" is to be congratulated in opening its columns for comment on the pros and cons of permissive incorporation of New York Stock Exchange firms.

It is unfortunate that most of the discussion thus far has been from the angle of whether or not permissive incorporation will redound to the financial benefit of members concerned rather than whether or not it will benefit the public.

Dominant in the discussion thus far has been the question of whether the individual member would be better or worse off from the tax standpoint. Similarly other major issues are being discussed, unfortunately, from the same basis. Granting that all these are perfectly legitimate considerations, the question which might well be asked is what has such a limited viewpoint got to do with the public interest which, after all, is the sole reason for the existence of the New York Stock Exchange.

When any change as far-reaching as permissive incorporation is proposed, the proponents of such a change should be prepared to point out convincingly just in what degree the public will be benefited. No such arguments have as yet been clearly outlined or, if they have, the public is unaware of such arguments.

Thus far those advocating the proposition have shown clearly how they might derive benefit themselves but such arguments are subservient to the basic issue, namely, serving the investing public more adequately. The case must stand or fall on this issue.

BROKER No. 7

Our senior partner got us juniors together some few weeks ago to discuss what stand the firm should take on incorporation. We did discuss the matter thoroughly and decided to line ourselves up with those who are opposed to it. Among other things, we thought that some banks would be able to obtain membership in the Exchange under incorporation and that we might therefore lose some business.

As a junior partner, I am very definitely opposed to incorporation. In the brokerage business, we are dealing with intangibles and I feel, therefore, that each of us in it should be held fully liable for all transactions.

Some of the advocates of incorporation think that the junior partners can build up their equity in the business better under incorporation. Since to build up the capital of a firm much of the earnings can't be distributed, I ask the question just exactly how would the junior partners get their money. They could never be sure of the exact value of their interest in the company. The partnership has proved to be a sturdy form of organization for the type of work we do and I am in favor of letting matters stand as they are.

OPA Should Be Abolished

(Continued from page 882)

election. What could be expected of an agency in this Administration, allied as it is with these forces, except an anti-American attitude and policy such as that of OPA?

(2) The OPA and the New Deal are employing the old familiar tactics of smearing producers and business. This technique is first, to force business to operate at a loss. Then, when businessmen curtail production rather than sustain these losses, the smear artists of the New Deal proceed to condemn business as "conspirators." *The only conspiracy is that of the New Deal against our system of private enterprise.*

(3) The Price Decontrol Board which will begin hearings next Monday will reap the same miserable failure to get production, similar to that of OPA's failure, if it is infected by the New Deal synthetic philosophy. That philosophy is one of punishing and regimenting business in order to hold the price line rigidly.

(4) Those cases wherein OPA has recently granted price relief to business merely serve to emphasize the fact that in hundreds of areas, no price relief has yet been given. This only serves to point up the crazy-quilt inequalities, the favoritism, the catering to chosen sons, which have characterized the present Administration.

Elimination of OPA

When a Republican Senate and/or a Republican House of Representatives are elected in the November elections, the number one item on the agenda of the 80th Congress *should be the outright abolition of OPA.* It should be the restoration of a true system of supply and demand by which prices can rise to their natural level and by which business can get into all-out production and thus combat the menace of inflation. Abolition of OPA would be a death-blow to the state-socialist trend in our country.

Halfway measures, compromise measures, such as the present OPA law, have proven their inadequacy again and again. While Congress is away, apparently the OPA "wiseacres" mean to "play," to make the most of legalistic interpretations of the OPA law and to violate both the letter and the spirit of that law. This is evidenced by OPA's inaction and wrong action in the hide and leather industry.

OPA Maladministration of Leather Industry

The American hide and leather industry is in chaos and is faced with an imminent shutdown resulting in mass unemployment in shoe factories and related establishments because of OPA ineptitude.

Already, shoe factories are rightfully wiring in bitter protests against OPA misrule. Reconversion Administrator, Steelman, on Tuesday stated that there was a "conspiracy" on the part of business to withhold hides from the market until OPA revises its price ceilings or consents to decontrol hides and leather. I know of no such business conspiracy, and from all indications, I believe this Steelman statement is a *typical New Deal smear.*

Steelman attempted to pass the buck to Congress, saying OPA had no authority to decontrol hides and leather. Yet, the OPA law enacted by Congress delegates more than adequate authority to decontrol items as fast as possible.

Why should businessmen in this industry be forced to operate at a loss? We know that under OPA, 80% of the meat industry operations were in the black market. We know the damage this did to the hide and leather industry. We know that during the three week Emancipation Period from OPA, hide and leather prices rose to more natural levels but definitely not as high as previous black market levels.

I recommend now that *there be immediate decontrol* of hide and leather products. Such decontrol should be for a minimum testing period of several months. I believe that results during this period will demonstrate the fundamental merit of *permanent decontrol,* and that such permanent decontrol should be enacted once the case for it has been proven.

The Pattern of OPA Rule and Ruin Must Be Ended

The basic failure of OPA has been the failure of its officials to comprehend the fundamental problem: namely, to reach full employment through all-out production. Instead of OPA starting at the point of smearing business leaders, it should start at the point of how to keep the shoe making employees of the country employed, how to get shoes to the American public by insuring all-out production of shoes, which will mean shoes at fair prices and of high quality. What happens if the American shoe industry comes to a halt as is imminently possible?

(1) There will be *mass unemployment* in the shoe and leather industry.

(2) There will be *importation of foreign shoes,* with resultant *permanent* irreparable damage to the American domestic shoe industry.

(3) The bureaucrats will state that since there is mass unemployment in America (created by themselves although they won't admit it), there is need for more and more unemployment relief, more and more taxpayers' money to be spent in government projects.

(4) Because of the lack of production and because of unemployment, there will be loss to the government in taxes.

This is the pattern of rule and ruin and these are four of the results of OPA maladministration.

Instead of complicating their problem, if they are at all sincere, why don't they simplify it and get it down to its basic essential—**full** employment and all-out production through a reasonable profit to business?

Need for Investigation of OPA

When the 80th Congress convenes, with I hope and trust, Republican majorities in both Houses, after completing the No. 1 item on its agenda of abolishing OPA outright, it might well set up a *Special Investigating Committee to review thoroughly the OPA's record during the war and post-war years.*

I believe that the findings of this committee will give a permanent lesson to the American people of the danger of State Socialism in our land, the danger of vesting slide-rule theoreticians, long-haired men and short-haired women, in government bureaucracy with life and death power over free enterprise. The scandals of OPA maladministration could be fully exposed by such a committee.

Heller Stocks Offered By F. Eberstadt & Co.

F. Eberstadt & Co., Inc., heads an underwriting group which is publicly offering today 10,000 shares of 4% cumulative preferred stock, par $100 (with non-detachable common stock purchase warrants attached) and 80,000 shares of common stock, $2 par, of Walter E. Heller & Co., a factoring and commercial finance firm with offices in Chicago and New York. The preferred stock is priced at $101 per share plus accrued dividends from August 1 to date of delivery and the common at $16.75 per share.

Net proceeds from the sale of the preferred and 70,000 shares of common stock will be applied by the company to general working funds. 10,000 shares of common stock are being sold by two stockholders.

The company, incorporated in 1919, is engaged in financing sales and other operations of a widely diversified group of manufacturers, distributors, processors of and dealers in various kinds of products.

Consolidated net income for 1945 amounted to $498,833 after deducting $413,814 for Federal taxes on income and for the five months ended May 31 of this year net income was $271,883 after providing $183,750 for taxes.

Capitalization of the company adjusted to reflect the present financing will consist of a $3,600,000 long term debt; 27,500 shares of 5½% cumulative preferred stock, 10,000 shares of 4% cumulative preferred stock and 327,765 shares of $2 par common stock.

By exercising the warrants attached to the preferred stock holders may purchase shares of common stock on the basis of two shares of common for each share of preferred at $20.75 per share if exercised on or before Dec. 31, 1948; at $23.25 per share if exercised thereafter but on or before June 30, 1951, at which date the warrants will expire.

Confusion in International Affairs

(Continued from first page)

lished by the United States, the "Worldgraph," (page 24) informs the reader. And the report goes on to state:

"Britain's severe war trials gave rise to defensive trade practices, including various artificial import controls, that prevented healthy economic relations with the United States. These barriers to an unimpeded flow of goods and services will disappear through operation of the Anglo-American Financial Agreement which will provide Britain with dollars badly needed for purchase of imports. Within a year, Britain will end trade restrictions including the requirement of licenses for all imports. That system, in practice, discriminated against American imports in favor of Empire products for which no dollar expenditures were necessary."

However, our British cousins seem to have worked out something else in lieu of import licenses, that certainly don't appear to be looking toward breaking down world trade barriers. An example is the British Canadian wheat agreement, completed shortly after the U. S. loan to Britain finally was approved.

One effect that the United States had expected from the British loan—or financial agreement—was that Britain would be induced to restore world trading to private trading interests as rapidly as possible. At least that was one of the representations made to Congressional committees by the advocates of the loan.

But instead, the Socialist-Labor Government of Britain seems to be planning instead to perpetuate government trading in exports and imports. Of course that means infiltration of government buying and selling into the home markets—just a matter of time until government in business becomes government IS business.

The British-Canadian Wheat Agreement

The British-Canadian wheat agreement, largest grain deal ever negotiated as far as I know, provides for the sale to the British government of 160 million bushels of Canadian wheat at $1.55 a bushel in each of the next two years; 140 million bushels at a minimum price of $1.25 in 1948-49; and 140 million bushels at not less than $1 a bushel in 1949-50. The $1.55 is only about three-fourths of the current United States price. The agreement calls for Britain taking about half of Canada's exportable surplus for the next four years; if the prices each year are below current world prices, that will have a strong tendency to lower world wheat prices.

Now let's get one thing straight before we go any further. What I have just said, and am about to say, in regard to British government purchases, is no criticism of Britain's right to follow such a policy. The British regard government purchasing—just as they regard the State Socialist form of government—as essential to their recovery. And there can be no charge of bad faith on the part of Britain when they continue to follow that policy.

My understanding is that while negotiating over the British loan-subsidy (polite term is the Anglo-American financial agreement), the British representatives made it plain to our negotiators that they would not give up the government purchase program as one of the conditions of the loan. So our folks side-stepped the matter in the agreement finally drawn up. Whether our own State Department was wise in following such a policy, and in allowing many members of Congress who voted for the loan to believe that the agreement would promote a return to private trading, is another matter. The British got their loan-subsidy and practically without any strings attached that cannot be cut at will by Britain. They can spend those dollars anywhere in the world—and will.

Incidentally buying agreements between Britain and other governments cover a wide range of products; all of Australia's exportable meat, butter and cheese; for Argentine meat; for Canadian cheese; for all exportable sugar from British colonial possessions for a four-year period.

There also is a three-year contract for all the bacon and ham Canada can produce for export; a 20-month contract for all sisal produced in British East Africa; a one-year contract for all the exportable tea in India, Ceylon, and British East Africa. This last involves 95% of the world production of tea. My information is that Britain is making permanent contracts for government purchase of all cocoa grown in British West Africa—60% of the world's production.

Of course, technically the British could respond to this by calling attention to the fact that the United States Government still is engaged in government buying as a hangover from the war—Cuban sugar, Chilean copper, Bolivian tin, Malayan and East India rubber, and a few other commodities. We are supposed to bring government buying to an end as soon as possible. But of course there are those in our government who believe thoroughly in government in business to the greatest possible extent. And these folks would be only to glad to point out that with Britain and Russia (followed necessarily by smaller nations in Europe) going hell-bent for government conducting business, the United States must follow a similar policy or forfeit both world leadership and foreign trade.

What Our World Leadership Amounts to

Just what a world leadership amounts to that has to follow and make itself subservient to other nations in matters of world trade; that has to yield to either the wants of Russia or the needs of Britain in the game of world power politics — just how much world leadership there really is in such a program is at times beyond my comprehension.

But one can always console oneself by going to the Bible and reading that passage which says it is more blessed to give than to receive. And there is no question that a credit of $3,750,000,000—good American dollars—will be of great help to Britain in financing these government purchasing programs, as the American dollar today is in good standing the world over. And ultimately those American dollars will come back in exchange for American goods, even though these are not purchased directly by Britain with proceeds of the Anglo-American Financial Agreement—if our producers and manufacturers are able to export at prices low enough to meet foreign competition after the world's immediate postwar needs are satisfied.

If the government purchasing program succeeds, the wheat prices contained in the British-Canadian agreement presumably will be the basis of world wheat prices in the succeeding postwar years. It is too early yet, of course, to make any predictions along that line. But that agreement, and the others mentioned, do indicate a continuation and perhaps extension of government controls the world over, for some years to come. The usual accompaniment of government economic controls have been what we now call black market operations. Black market operations have grown to such proportions in other parts of the world that severe measures have been taken by government to try to limit their operations; France, for instance, is threatening the death penalty for black market operators.

The Paris Peace Conference

Now for another subject, which perhaps has not been given the attention it deserves, because of our more immediate interest in prices, wages, current living conditions; the difficulties in getting a place to live, what we want to eat and wear; the prospect of getting an automobile and the numberless other things that we have come to regard as necessities under the higher standard of living the United States attained under the capitalist system that is under attack by those who would return to a modernized version of the European feudal system of the Middle Ages, or the serfdom system of Asia for centuries past.

My suggestion to you is not to expect too much of the Paris Peace Conference. And do not expect too much to be accomplished by Secretary of State James F. Byrnes in that Conference. The cards are stacked against the American Secretary of State; against the American dream of a better world as envisioned in the Atlantic Charter promulgated by the late President Roosevelt and Winston Churchill in the summer of 1941. At Teheran and again at Yalta, again and again, President Roosevelt entered into secret agreements which handed over rich territories in Europe and Asia to the Soviet Union. Russia already has collected on at least some of those agreements — the annexation in Europe of Lithuania, Estonia and portions of Finland, Poland, Rumania, Czechoslovakia, and Germany. In Asia, by the agreement at Teheran and approved at Yalta, Generalissimo Stalin got the Kurile Islands, the southern half of Sakhalin Island, special rights and interest in Manchuria.

Moreover, Stalin got from Roosevelt—there apparently was not anything that Churchill could do about it, so obsessed was our late President with the idea that he could handle Stalin after the war was won—Stalin got half of Germany and the northern half of Korea! Germany for an undetermined number of years; Korea for at least five years. Also Stalin's program of moving populations by the millions to fit into the Russian scheme of things was agreed to, so anxious was Mr. Roosevelt to "keep Stalin in the war." In short, when President Truman went to Potsdam a little more than a year ago, Stalin had won for Russia in two conferences with Roosevelt and Churchill, about all the territory that Russian Czars had failed to get, over more than two centuries.

There wasn't anything that Mr. Truman could do about it at Potsdam. Having got the territory mentioned, Mr. Stalin did not waste any time arguing why he should keep those gains; he went after more—oil territory in Mid-east; territory on the Adriatic and the Mediterranean; agreement to set up a Communist regime in Spain; threat of Communist governments in most of western Europe. Mr. Roosevelt held good cards for the game of power politics when Mr. Hull went to Moscow; still held the best cards when he went to Teheran; only hopes of drawing good cards some time in the future when he left Yalta; Mr. Truman was only a kibitzer in the game after Potsdam—as soon as American troops started coming home.

Don't expect to much from Jimmie Byrnes at Paris.

652 Employees of Stock Exchange Authorize Strike, Says Union

(Continued from page 881)

to which the unionized Stock Exchange employees belong, therefore would seem to be following a precipitate course in reversing the ordinary processes of collective bargaining. Some degree of hot-headedness in the picture may quite properly be attributed to the apparent youthfulness of the membership and its very obvious inexperience with collective bargaining procedures.

The walkout yesterday had very much the air of the "show of strength" demonstrations which the CIO usually accompanied their initial efforts at collective bargaining in the major industries in recent months. The practices of the CIO in fact has been to put on several such demonstrations in rapid succession and with mounting crescendo to impress everyone, and particularly the employer's bargaining group, with its power.

Everything is not running smoothly for the union in its efforts to win recognition from Harris, Upham & Co., either, and Mr. Schram thought, too, that perhaps the walkout was a move to get him to convince Harris, Upham & Co., that it should do business with the union.

The union has tried, he said, to get the Exchange to agree to include in its next contract the provision that it would bar the business of any member firm from the floor against which the union were to go on strike. The Exchange could agree to no such arrangement, he said.

The U. F. E. is seeking a 25% increase in pay for its members, a five-day week and seven-hour day, overtime on a daily basis and other employee benefits.

Since the union and the Exchange are not actively negotiating a new contract at this time — beyond the point of informal discussions — the walkout yesterday came as a complete surprise to the Exchange, Mr. Schram indicated.

Mr. Schram said the union has always been free to contact him at his office anytime it wanted to do so. In fact, he pointed out, he had seen M. David Keefe, President of the union, in his office only the day before.

Mr. Schram also made the following statement yesterday:

"The walk-out this morning of employees who are members of the independent union was a direct violation of the union's contract with the Exchange. This contract which has until Oct. 15, 1946, to run contains the following provision:

" 'The Association (The independent union) agrees that so long as the grievance machinery provided for herein is followed by the Exchange and the Exchange abides by the decision of the Arbitrators during the term of this Agreement, the Association and the members of the Association will not cause, sanction or take part in any strike (whether sit-down, stay-in, sympathetic, general or of any other kind), walk-out, picketing, stoppage of work or slow-down.'

"Despite the absence of those employees who walked out, the market opened at the usual time and operated normally. The operations of the Stock Clearing Corporation were suspended temporarily, but without any inconvenience to the public.

"There is no dispute of any kind between the Union and the Exchange. No representations have been made to the Exchange indicating any differences. No advance notice was given to the Exchange of the walk-out. The Exchange itself has meticulously observed the provisions of its contract with the Union."

The following statement was also issued yesterday by Harris, Upham & Co., relative to the efforts of the union to win recognition from the firm:

"Harris, Upham & Co. is a national organization with offices throughout the country. Its employees are subject to the National Labor Relations Act. The Union has filed a petition for certification with the State Labor Relations Board. We have advised the Union and the State Board of our willingness to consent to an election before the National Board, but we do not believe the State Board has jurisdiction.

"The manner in which this controversy can be settled is by a formal hearing before the State Board on the question of jurisdiction and a formal decision by the Board or the Courts. The State Board has advised both the Union and the employer that it will send a notice of such a hearing promptly, to which the Union President replied that he probably would not attend the hearing.

"If the Union strikes it will be striking against the orderly procedure for determining this question."

Nat'l Cellulose Common Offered by Floyd D. Cerf

Floyd D. Cerf Co. of Chicago headed a nation-wide banking group which on Aug. 14 made a public offering of 200,000 shares of $1 par common stock of the National Cellulose Corp. at $6 per share. With each ten shares the purchaser will also receive one warrant, giving the right to purchase an additional share of common stock at $7 per share anytime within five years.

The corporation, which is 19 years old, is a leading manufacturer of facial tissues, towelling and other paper and cellulose products. Prior to the war, its manufacturing facilities were being operated on a 24-hour basis seven days a week but during the war, because of pulp allocations and OPA restrictions, it was operated only six days a week on a 24-hour basis.

Proceeds from the financing, estimated at $1,000,000, will be used principally for constructing an additional plant at Baldwinsville, New York, where the Corporation's principal plant is located. Construction of a new power plant is also planned. The additional productive facilities will quadruple present production.

Net income for the year ended March 31, 1946, after all charges and provision for taxes, was $138,210, equivalent to 70 cents per share on 200,000 shares of common stock outstanding.

Directors have announced their intention of inaugurating dividend payments on the stock this fall. Capitalization will consist solely of common stock.

Its products are sold through the largest drug, grocery and department store chains over the country, as well as through large distributing companies which, in turn, sell to smaller retail outlets.

Bacon Co. Admits

SAN FRANCISCO, CALIF. — Robert M. Bacon and John S. Wright have been admitted to partnership in Bacon & Co., 256 Montgomery Street, members of the San Francisco and Los Angeles Stock Exchanges.

Atomic Power—It Must Be Controlled!

(Continued from page 890)

thought we were signing up simply for a course in nuclear physics. We soon discovered, however, that we were being given education for survival.

The more we learned about atomic energy the more we realized we were faced with extreme alternatives. We could, with this new power, build a civilization such as mankind has never known or, with this same power, we could destroy civilization utterly. That great elder statesman, Bernard Baruch, phrased it most cogently when he described our choice as one between the quick and the dead.

That course in physics I have mentioned has given me a slight nodding acquaintance with the Einstein formula that the energy produced by atomic fission equals the mass times the speed of light squared. From my experience on the Atomic Energy Committee, I have deduced another formula. I have observed that the seriousness with which one considers atomic energy varies directly as the square of the mass of his knowledge of the subject. It is only those who do not understand the revolutionary character of nuclear fission who think of the atomic bomb as just another bomb, who think of atomic energy in terms of the power we have derived from coal, oil and water. The revolutionary character of atomic energy demands a revolution in our thinking. The new age requires new thought, for the only power on earth greater than atomic energy is the power in the mind of man.

To the men and women of this time have been given a task and an opportunity unparalleled in history. Never before have the men of one age walked so consciously and so deliberately across the border into the next age. The two roads to the future stretch before us, one leads to World destruction; the other to World peace. The choice of the good plain people of the earth is obvious, yet the task of guiding humanity to the desired destination will require from the Men of government such wisdom, imagination and courage as has heretofore been required only from the men of science in giving us atomic power.

But we do not have forever in which to make a choice. It is already two days beyond the first year since the first man was vaporized by the transformation of mass into energy. When will that great ball of fire, that inferno of extinction, come again? Next year? Next month? Perhaps tomorrow?

"We cannot save the world
Tomorrow or the next day or the next.
If we would save the world, we'll have no chance except this moment that passes as it comes."

So we speak of saving the world but even if one thinks only of saving himself there is no way to do it other than by adding himself to the sum total of those who would save the world. "No man," said John Donne, "is an island unto himself. Each is a promontory." And promontories, in this air age, are no less vulnerable to attack than other places of the earth. We could be so foolhardy as to assume that he will survive while the world is destroyed all around him? To save oneself one must, willy-nilly, save the world. And in this day and age that can only mean saving it from war.

New Concepts of Warfare

Right here is where we must begin to apply the new thinking. Our old concepts of warfare are as outmoded as the spear and the long-bow. If the last war was a mechanized war the next will be an atomic - biologic - supersonic - gaseous - hemispheric - stratospheric-arctic and sub-arctic war. In the last war we thought in terms of destroying cities. The next will destroy nations. All this may sound like fantastic fiction, but it is undeniably fantastic fact.

There are some who admit the nature of the next war but blithely assume that all the horror and annihilation will befall our enemies while we remain untouched and inviolate. Such people, too, need some new thinking. Our defense frontiers are fast disappearing with the perfecting of the flying missiles—those pilotless projectiles that will move through the atmosphere under their own power for practically limitless distances at speeds faster than sound. These instruments will provide means of dropping atomic bombs anywhere on the face of the earth.

Because new thinking requires new terminology let me help you become adjusted to the new age by rattling off a glossary of just a few of the various types of missiles we have already developed in this country: the Azon, the Bat, the Felix, the Flying Stovepipe, the Gargoyle, the Glomb, the Gorgon, the Holy Moses, the Moby Dick, the Private A, the Private F, the Razon, the Roc, the Tiny Tim, the Wac Corporal. If there is anyone here who can define and describe these various missiles, he is truly in tune with the times. You see, even teachers have lots to learn.

I have mentioned only a few of the projectiles we have developed in this country. Many of them we can assume are capable of carrying atomic-warheads. Who knows what other nations have up their sleeves? The scientists tell us as an accepted fact that there is no foreseeable defense in science against the atomic bomb. Our military experts now recognize the fact that our many huge cities and the concentration of our industrial areas make us extremely vulnerable to atomic attack. If flying missiles can carry atomic bombs to any part of the world and if we are dangerously vulnerable to such attack, wherein lies our safety?

It has been suggested—and not merely by starry-eyed idealists, as some have labeled our scientists—but by a top board of War Department experts that it may be necessary to disperse our cities and move our industries underground.

Let no one think that this is an idea from the brain of some crack-pot. It has been made public that the War Department is even now conducting an investigation of our caves and caverns for possible use. The official report of the Strategic Bombing Survey issued from the White House a few weeks ago admits that no defense can prevent appalling damage to our cities in case of atomic attack. The report speaks of "dispersal, concealment protection, and constant readiness of . . . forces . . ."

"Though a reshaping and partial dispersal of the national centers of activity are drastic and difficult measures," the report states, "they represent a social and military ideal toward which very practical steps can be taken once the policy has been laid down." The report suggests three programs: the setting up of a national civilian defense organization now, the working out of a plan in advance for the evacuation of unnecessary inhabitants from threatened urban areas and a plan for the rapid erection of adequate shelters for people who must remain.

Fantastic and unbelievable as it may appear, the idea of evacu-

Fantastic and unbelievable as it may appear, the idea of evacuating our cities—this great metropolis of New York, for instance—was advanced months ago by the scientists in testimony before the Senate Atomic Energy Committee. Scientists, as I have especially learned in the last few months, are notably men who deal in facts. They tell us science has no defense against the atomic bomb. They tell us we, in this country, are peculiarly vulnerable. They tell us we must look for security beyond men of war and beyond weapons of war, for war, which has always been incredible, has not become intolerable.

Our Defense Is Law and Order

Professor Einstein has warned us: "Our defense is not in armaments, not in science, nor in going underground. Our defense is in law and order." And Dr. Harold Urey, Nobel prize winner in chemistry and one of the prime scientists on the Manhattan project, has pointed out the same truth in a different way: "The safety of countries in the future, like our personal safety in cities, must rest on the law and conscience of man."

And even the War Department—through its board of experts who studied the implications of the atomic bomb—arrived at the same conclusion. "The only sure defense of this country," their report states, "is now the political defense."

Before I take up the subject of the political defense—which is simply another way of saying international control—I would like to discuss briefly another alternative which has been advanced by thoughtless or evil-minded persons. I say that such people are thoughtless or evil-minded because either they do not realize the implications of what they suggest, or else they favor those implications. Incidentally, I want to make it clear that I have never heard such a suggestion from the lips of any responsible public official, either military or civilian. The suggestion I refer to is based on the advancement of American imperialism. We can have peace in the world, such people say, but it will be Paz Americana. All we have to do is conquer or subdue the rest of the world. Many of the nations of the world, these people will tell you, are now exhausted after years of warfare. Their industries are crippled while ours have just demonstrated a high point of productivity. We alone of all the nations of the earth now have a stockpile of atomic bombs and the plant for continued produciton. Let us conquer the world, they say, and then we will be free from the fear of attack. That is the line of reasoning of these thoughtless or evil-minded persons.

Such people either do not realize or do not care that in promoting such a program of imperialism we stand to lose more than we could ever gain. In the first place, even with all our weapons superiority we might be no more successful in a program of world conquest than was Hitler and the German general staff. After all, Americans have no monopoly on love of country. We would inherit the resistance and the hatred of the peoples of the world. We would have to live in constant fear of uprising and retaliation. We might feel free from the danger of atomic explosion, but we could never be free from the danger of social explosion. We might be masters of the world but we would be slaves to fear. In order to regiment and police the world we would be forced to regiment and police our own people. We would have to abandon our historic freedoms and our traditional democracy and become slaves to a fascist state. We might, with sufficient repression, live in peace, but it would be a stultifying and deadening Peace in which there would be no true happiness.

U. S. Alone Cannot Solve Problem of Control

And yet we all realize that we cannot alone solve the problem of international control. Other nations, must of necessity, give their consent to an effective plan for control. To withhold adherence to a fair and equitable plan for abolition of the death dealing properties of the atom; to withhold adherence to a plan for the peaceful use of atomic energy for the benefit of mankind because of spurious and outmoded concepts of sovereignty will arraign the offender before the united opinion of good men everywhere. I do not doubt that the United Peoples of the World will know how to deal with that tragic situation if it arises.

There is, however, one road which we can travel—and indeed which we *must* travel—if we would save ourselves and save the world. That is the road of world cooperation. Here, again, we need new thinking. We cannot think in terms of the League of Nations because we are not living in the world of the League of Nations. That time is gone and we are faced with the age of the unlocked atom. It behooves us, then, to do first things first by establishing an international control of atomic energy. More words have been used about atomic energy than about any other single subject in the same period of time but, in essence, atomic energy is the least controversial subject in the world. The facts of atomic energy are incontrovertible. And the most incontrovertible fact of all is that this power must be controlled or it will destroy us.

Domestic Control First

Although I publicly advocated world control within one month of the dropping of the bomb on Hiroshima, I have consistently maintained that it was imperative for us, who alone had this power, to establish domestic control first as an aid and complement to world control. We have intelligently met the challenge—the domestic control bill signed on Aug. 1 is the answer.

It recognizes the possibility of change and it is postulated for international control. It states specifically that international agreements shall supersede any provisions of the bill which conflict with such international arrangements.

Such international negotiations as you well know, are now in progress in this city. These negotiations must continue above all else. It is unthinkable that they should not be concluded successfully. Old ideas and preconceptions must give way before the force of fact and the one undeniable and unalterable fact is that atomic energy is here to stay, that it contains possibilities for the destruction of our civilization and that we must therefore control it if we would save ourselves and our world.

But what form of control? What sort of organization? How should it be set up and how shall it function? As far as I am concerned, the one supremely important necessity is *effective* control. By effective control I mean a control which will prevent a surprise attack. I mean a control system which will sound a signal and alert the world at the first evidence of violation of the international agreement. That means a continuous world-wide inspection system by an international body. A plan for such a system was advanced in the Acheson-Lilienthal report and presented with some changes to the United Nations Atomic Energy Commission by our delegate, Mr. Bernard Baruch.

As I see it the plan has two important aspects: first, it provides for a system of alarms around the world against the misuse of atomic energy, through a rigid inspection system. Secondly, the plan provides for the peaceful development of atomic energy by all the nations working together through the international authority. The atomic bomb will pass out of military use and atomic energy will be scrupulously confined to peacetime purposes under international supervision.

The achievement of agreement on details will not be easy but I have every hope that when the negotiations now taking place in the United Nations Atomic Energy Commission are concluded, the world will see the beginnings of such an international atomic energy body. When that comes into being the good plain people of the world will again be able to breathe freely and to sleep peacefully in their beds at night.

Of course, that will be only the beginning. That will mean simply that the present leaders of the nations understand the nature of atomic energy. To be certain that no one, anywhere, ever develops a desire to turn atomic energy against the peace of the world, it will be necessary that everyone, everywhere, understand. That is a job for education. That is a job for educators. It has been said that civilization is a race between education and catastrophe. In the age of the atomic bomb that race has reached the home-stretch. May you, whose business is education, be strong and fleet in the final dash.

U. S. Credit to Stimulate Trade to Ethiopia

The $3,000,000 credit to the Government of Ethiopia by the Export-Import Bank, which was announced early in July, will materially stimulate United States exports to that area, according to the Office of Internaionanl Trade, Department of Commerce. In indicating this the Department on Aug. 9 added:

"The main purpose of the loan is to enable Ethiopia to purchase American trucks and tires so that produce now immobilized inland can move to ports. The Djibouti-Addis Ababa railroad was hard hit during the war by inadequate maintenance and is currently able to move only half the freight available at the capital. Motor transport was seriously reduced by military operations and inability to replace worn-out vehicles.

"The balance of the credit will be used almost entirely to purchase capital goods for maintenance and development of production facilities. These include tanning machinery, flour mill equipment, oil expellers, garage equipment, gold mining equipment, road graders and tractors for the rebuilding of roads, structural steel and electrical equipment, including wire, transformers, motors and water pumps.

"The Department of Commerce estimates that Ethiopian expenditure of the loan funds may be broken down approximately as follows: autos, trucks, spare parts, and tires—about 70%; machinery, road building equipment, mining equipment, electrical equipment, and garage equipment—15%; and hardware, building materials and other items—15%.

The announcement of the credit to Ethiopia by the Export-Import Bank was referred to in our issue of July 18, page 399.

"Economic Fumbling" in Tale of Jackson's Attack on Bank of U. S.

(Continued from page 890)

an apoplectic rage that filled his visitors with fear lest the aged president burst a blood vessel on their account is described with affectionate amusement and admiration. The immense services of Hamilton to his country are disregarded. The reader is allowed to look at Van Buren only through high-powered magnifying glasses. Marshall and Story are written down with casual finality, and Taney is promoted as if no dissent existed; Webster is about the only member of Mr. Schlesinger's flock of goats whose defense he bothers to notice.

The Bank war is properly very important in Mr. Schlesinger's account, and yet he does not make the Bank of the United States a clearly functioning financial institution nor Nicholas Biddle a Central banker with specific monetary policies and programs that can be appraised. Instead he makes the Bank a dim sort of moneyed monstrosity and Biddle a vague, sinister figure, "drunk with power," whose career is a darkened background for Jackson's gleaming achievements. This makes poor history. The Bank of the United States was a central bank and should be discussed as such. But Mr. Schlesinger never uses the term, never mentions the purposes for which the Bank was set up, and never but casually speaks of its functions as public in their nature. He says it was "privately controlled"; but so was the Bank of England and so was practically every other similar institution till recent times. He speaks of the Bank's "profitable relations with the government" as if they were one-sided. He even says the Bank "allowed the government to appoint" five directors—a preposterous statement that may be intended for sarcasm but will be taken by most readers at face value. One might as well assert that the Treasury, for example, or any other government department "allows" the President and Congress to say who shall be at its head; for it was by authority of an act of Congress creating the Bank that the government directors were appointed by the President with confirmation by the Senate.

That the Bank was a public institution formed at the instance of the government and for its convenience, that under Biddle's management it performed its depository services efficiently, furnished a sound and uniform currency, and regulated the state banks, and that the state banks and their borrowers resented its restraint upon credit—these are facts that the Jacksonians liked to ignore. It is less excusable to ignore them now, for they are facts that Gallatin, Dunbar, Catterall, Dewey, and other scholars, on the basis of known information, long ago put outside the field of intelligent controversy. Mr. Schlesinger does not wholly ignore them, but he mentions them in an offhand way as if they had no special significance. "In destroying the Bank," he says, "Jackson had removed a valuable brake on credit expansion; and in sponsoring the system of deposit in state banks, he had accelerated the tendencies toward inflation." Mr. Schlesinger glides over startling facts like these, unstartled; and recognized no need to reconcile them with his general picture of the Bank as an outlaw institution, obscurely dangerous because it "had too much power."

U. S. Bank Not a Monopoly

As to the reality of this power, "there could be no question," he says; and he goes clear out on the limb to say that the Bank "enjoyed a virtual monopoly of the currency and practically complete control over credit and the price level." This is sheer romance. Mr. Schlesinger contradicts himself to indulge in it, for he often speaks elsewhere of the currency issues of the local banks, clearly implying thereby that no "monopoly" existed. In reality, of course, the Bank furnished about a quarter of the total paper circulation. As for "practically complete control over credit," the Bank had nothing of the sort, nor has any central bank ever achieved it, even though it should. As for "practically complete" control of the price level, the idea is ridiculous; it would be hard to surpass its utter detachment from the findings of price analysts and historians, to say nothing of common sense. But Mr. Schlesinger leaves the solid earth frequently, in little things as well as big. For example, he speaks of the Bank's "alacrity in opening new offices" in 1831 and 1832 while renewal of the charter was pending, as conclusive evidence, in Taney's words, of its determination to fasten itself on the country. R. C. H. Catterall found "not a grain of evidence" to support such charges, and no one has produced any since. Far from showing "alacrity" in opening new offices, the Bank established none after 1830, in which year it established the last four of the 29 it had in all; of these, all but ten had been set up during the Bank's initial organization in 1817.

Mr. Schlesinger's failure to make proper use of the work of scholars who have written authoritatively on the Bank seems to me inexplicable. I found reference to Mr. Catterall on only one point of fact, and the whole body of Catterall's judicious and thorough work is neglected for a superficial presentation scarcely above the level of Mr. Marquis James's unpenetrating account in his "Life of Jackson." I had rather Mr. Schlesinger had shown no knowledge of Catterall whatever; for then he would have spared a reviewer the painful effort to understand how he could revive Benton's composities about the branch drafts without remarking Catterall's disposal of the question 50 years ago. The same is true of Dewey, who confirmed Catterall, and of Gallatin, whose unimpeachable contemporary testimony clearly indicates the public nature of the Bank, Biddle's good performance before Jackson's attack, the want of justification for that attack, and the degeneration of Biddle after his failure to withstand the attack.

Mr. Schlesinger makes much of the distinction that although the Jacksonians were understood to be opposed to all banks, they opposed only the note-issue function and not the deposit function. He devotes an appendix to this point and seems to consider it creditable to the Jacksonians, as if it showed how well they understood banking. The opposite is what it shows. For the differences between note and deposit liabilities are only those of form, and one is as capable of mischief as the other. When Mr. Schlesinger quotes Gallatin to show that banking in the United States was universally understood to mean note issue, he should quote the same authority to the effect that there was not "the slightest difference" between note and deposit liabilities—and incidentally he should enjoy making Webster contradict himself by saying not only that note issue was the essential function of banking but also that it was "not an indispensable ingredient" of banking. Mr. Schlesinger has loyally picked up the Jacksonian confusion on this matter. The actual result of the program he praises was to free both the note and deposit functions from regulation—a blunder that the National Bank Act in 1863 and the Federal Reserve Act 50 years later both purposed to undo.

Mr. Schlesinger properly emphasizes the fact that Jacksonian democracy reflected eastern as well as frontier influences, but it seems to me that he errs in associating the eastern influence with labor alone and not with business enterprise. There was no more important factor in the Jacksonian movement than the democratization of business, which ceased thenceforth to be the metier of a predominantly mercantile, exclusive group, or commercial aristocracy, as it was in the days of Hamilton, and became an interest of the common man. This process of democratization went hand in hand with the rise of *laissez-faire*. Mr. Schlesinger appears to see no break in the business tradition, and makes Hamilton represent it as much in 1940 as he did in 1790. But to identify business enterprise of 1840 with business enterprise of 1790, it is necessary to slur over too much—for example, the appeal of Jackson's politics to money-makers like Alexander Hamilton's own son, who was one of Jackson's supporters and advisers, and like Henshaw, who frankly wanted the United States Bank overthrown so that he and his friends might have room for a big bank of their own. It is also necessary to slur over the more general fact that the speculation which mounted to the panic in 1837 was a great popular phenomenon and reflected the current interests of Americans no less than did the labor and utopian movements of the time. Authentic and American as the latter were, they still were typical not of American behavior as a whole but rather of the idealistic rebellion of minorities against the rising spirit of free enterprise. For a brief period all the diverse dissatisfactions with the old order of things united behind the picturesque intransigence of Andrew Jackson, with this new, un-Hamiltonian spirit of free enterprise prominent and powerful among them. The honeymoon was brief, and in 1840 enterprise eloped with the Whigs. But while it was supporting Jackson, it had separated the corporate form of organization from monopoly and put forth the promise that anyone could be a capitalist, an investor, or a speculator; and it had made banking a form of business "free" and open to all. Business had become the citadel of rugged individualism, and American conservatism had become rooted not so much in Wall Street as in the breasts of rural capitalists and village entrepreneurs—to the recurring embarrassment of liberal and radical causes ever since.

In Hamilton's day business had been strongly federal, but it was now beginning to see advantages in states rights—a ground of opposition to the Bank that it seems to me Mr. Schlesinger neglects. The states-rights argument had vigorously survived the Supreme Court's vindication of the Bank's constitutionality, thanks partly to strongly held principle, no doubt, but much more to selfish interest. Hence, in destroying the Bank, Mr. Schlesinger's hard-money heroes played directly into the hands of the state banks and of the speculators they abominated. The local banks always called the regulatory measures of the Bank of the United States "coercion" and "oppression," and it was notorious that they wanted it out of the way. In state after state, as its end neared, the legislatures were jammed with charter applications. Benton's words, quoted by Mr. Schlesinger, sound pathetic: "I did not join in putting down the Bank of the United States to put up a wilderness of local banks." He might disavow the purpose but not the deed.

The situation in the United States, with a rapidly growing and acquisitive population pressing to exploit immense resources, was one where the public interest required an extremely powerful restraint upon inflation. The Bank under the direction of Nicholas Biddle was applying that restraint. Jackson, since he abhorred speculation, should have corrected and fostered the Bank. Instead he identified it with the evil it was contending against, a bank being simply a bank to him, destroyed it, and delivered the country to the excesses of a disordered currency and unregulated credit expansion. I do not find fault with him for attacking economic privilege; I find fault with him for *thinking* he was attacking it when in fact he was attacking a semi-governmental institution that restrained speculation. His action was calamitous for a people who were entering a fierce and trampling struggle for conversion of the virgin earth into private property and erection of still more property upon it—a lasting struggle in which the objects of Jacksonian concern have had the most to suffer. Nor should I be fond enough to believe that a central bank or any other governmental instrumentality could have prevented that struggle; but it might have tempered it. And it is significant that today the party interests to which Mr. Schlesinger is allegiant turn to central banking as a first means of accomplishing their social aims. To suggest that the Jacksonians might have sought to nationalize the Bank of the United States as the Bank of England and the Bank of France have recently been would be historically fantastic, but one may question the sagacity of those who went so far in the opposite direction as to destroy the central bank just when it began to be needed most. That action may be excused but cannot properly be praised.

Mr. Schlesinger's book will be widely read; and because its documentation is profuse it will be considered authoritative by most readers. I do not think it should be so considered. It represents the age of Jackson as one of triumphant liberalism when it was as much or more an age of triumphant exploitation; it fosters a simplistic notion of continuing problems of human welfare; and it thickens the myths around a political leader who had more capacity for action than for accomplishment.

Belgium Extends Period For Filing of Claims

The Department of State has been informed by the American Embassy at Brussels that the deadline for filing of claims by American nationals for damage or destruction to their property in Belgium during the war has been extended from July 15, 1946 to Jan. 15, 1947. This was announced by the State Department Aug. 5 which further said:

"Declarations of damage should be filed with the Minister of Reconstruction in Brussels. At present there is no provision in the Belgian law for the payment of a compensation to American nationals. However, Belgian authorities suggest that, as at some future time there may possibly be an agreement with the United States which would provide for the inclusion of Americans in the benefits of the Belgian law, interested Americans should present the essential facts for the census of war damages provided for by decrees of Sept. 19 and Dec. 26 1945, and Jan. 11, 1946. Special forms for the declaration of damages may be obtained in this country through the Belgian Consulates at New York, Chicago, San Francisco and New Orleans.

Urges That Business Explain the Reasons For Price Increases

(Continued from page 882)

lowed the cessation of price control have not been inordinate. The largest increases were in agricultural products, where the consumer bid up prices fiercely. Agricultural prices are extremely sensitive to supply and demand and the producer has no say as to what his products will bring. Furthermore some of the food price increases merely reflect what the consumer formerly paid through his taxes for subsidies to the producers.

"In manufactured goods, the rise in wholesale and retail prices, even where advances have taken place, has been moderate and has been brought about by rising costs, mainly the higher cost of labor.

"It is inevitable that prices should react to an insistent upward pressure as costs go up, whether we have an OPA or not. If the government will pursue a sound fiscal policy, if labor will forego extravagant demands, and if the consumer will use judgment in making purchases, I feel confident that prices can be held to a reasonable level. Eventually, when supply overtakes demand—as it always does—normal competition will become the force that will govern prices. It always has. The law of supply and demand is a natural law. It cannot be legislated.

"Statistics show that we already are attaining high production in many lines, despite the fact that we still suffer from hampering strikes and material shortages. Yet, there are acute shortages in many lines of goods. One reason is empty pipe lines of distribution.

"In ordinary times, these pipe lines are kept filled. When goods are plentiful, shelves are piled high. But during the war customary production was diverted, and the pipe lines were drained. It will take time to fill them again. Until they are, there will continue to be shortages in many products, and prices cannot be expected to drop where shortages exist. But eventually, the public will see America's productive genius pour forth a flood of goods that will outstrip all previous records. The pipe lines will be filled again, and competition will once more be the ruling factor in pricing goods.

"A critical public will closely scrutinize all price rises. Resistance to rising prices is natural. Business owes it to the public, to explain clearly the causes behind increased living costs. Business must not be blamed for costs that are beyond its control—costs which are produced by a multitude of factors that combine to affect the course of prices."

F. H. Koller & Co. Trinity Securities

The firm name of F. H. Koller & Company, Inc., has been changed to Trinity Securities Company, Inc., and F. H. Koller, Jr., has resigned as president, treasurer and director.

F. H. Koller, Jr., announces the organization of a new firm, F. H. Koller & Co. Inc., which will be operated by substantialy the same personnel as the former company. Mr. Koller will be president and treasurer of the new company, and R. S. Koller will be secretary.

J. McCrea French Opens

ATLANTA, GA. — J. McCrea French has formed J. McCrea French & Co. with offices at 22 Marietta Street to engage in the investment business. He was formerly with Wyatt, Neal & Waggoner for many years.

Looking Ahead for the Railroads

(Continued from page 885)

purchase of new equipment was not forthcoming.

The events of the past few months are reminders once more of the close partnership between this richly productive America of ours and its railroads. Neither could prosper; neither could operate without the other. They have a common stake in the equitable and practical solution of the problems of supply, equipment, rising costs and price adjustments so that together they may go ahead to a better future. This is true of all America—that there can be no sound and lasting prosperity without strong and prosperous railroads. It is especially true that the prosperity of the railroads depends upon the successful working of well-balanced enterprise.

We have seen how necessary and how vital to the war effort was the work of that tremendous transportation machine, the American railroads. Likewise, its services are no less essential in the years of reconversion and peace ahead. Without its successful working, there can be no real reconversion in this country, no substantial relief to the despairing peoples abroad.

Outlook Not Too Encouraging

I should like to be able to report to you that the outlook is promising for the smooth and even working of the railroads but, unfortunately, at the moment, the view is not too encouraging. For five years, the railroads handled the greatest tide of traffic ever moved by any type of transportation anywhere in the world. With the end of hostilities, that tide of traffic began to recede.

At the same time this traffic has receded, operating expenses have increased. You are all familiar with the rises in prices of mechanical equipment, supplies and fuel used by the railroads during the war period. Since the close of the war, that rise has continued. It is estimated by the Bureau of Railway Economics that, on the basis of this year's operations, the price rises in these items will add more than $500,000,000 a year to railway operating costs over and above what they would have been on a 1939 basis.

During the past five years, there have been three general increases in railway wages. Again figuring on the basis of 1946 employment, the increases in wages granted in 1941 added $360,000,000; the 1943 wage increase added $334,000,000 and the 1946 increase another $675,000,000, making a total increase of $1,369,000,000 per year in wage cost since 1941. To this should be added payroll taxes on wage increases amounting to $82,000,000 per year. That makes the total increase in railroad expense this year almost $2,000,000,000—of which nearly half, or almost $900,000,000 per year is the result of wage increases and price rises since Jan. 1, 1946. On top of these increases is the enactment into law of the Crosser Bill, which increases railroad retirement taxes and adds approximately $85,000,000 more per year to the railroads' expenses.

During the first six months of 1946, freight rates remained on the same level as they were before the war started in Europe. The result was a drop in railway net income from $274,000,000 in the first six months of 1945, to a net deficit of $43,000,000 in 1946. Effective July 1, 1946, the Interstate Commerce Commission, after summary proceedings and pending more extensive investigation, authorized an increase in freight rates estimated to produce about $170,000,000 in added revenue in the last half of 1946, or something more than $300,000,000 on an annual basis. The Commission has under advisement the matter of further increases on which it is conducting hearings this month.

Freight Car Situation

Nor are these financial difficulties the only obstacles confronting the railroads in this trying period of reconversion. While ton-miles have decreased during these months of 1946, there has been no corresponding decrease in the demand for freight cars. Instead the demand for certain types of equipment, notably box cars, is greater than it was during the war. This increase is due partly because of a slowing-down in the average turn-around time, partly because the average load per car is less than a year ago. The requirements for box cars are more because of exceptional harvests this year and because a greater proportion of box cars is used to carry less than carload freight due to the pressure of deliveries which cannot be made in carload lots because of production difficulties.

More cars require more maintenance and more maintenance means more materials. And any delay, no matter how brief, in the receipt of materials where they are needed can be one of the most disrupting influences in the operation of a railroad. Lack of materials at the proper time means readjustment of schedules which is both expensive and time consuming. Because of mounting costs, the railroads must be run with greater efficiency than ever before and no avoidable delay can have any part in their present-day operations.

As we move into this postwar period the signs along the way point to the difficulties of rising labor and material costs, fuel and supplies, which will tax the ingenuity of purchases and stores and all other departments to produce the efficient and economic transportation that will justify the railroads' place in the parade of progress.

American railroads and railroad men have had to battle continuously to maintain their position as the nation's number one transportation agency and it is with confidence born of these past victories that the railroads of America are going forward through teamwork and perseverance to preserve for the country its best and most efficient transportation.

Cotton Report As of Aug. 1

A 9,290,000 bale cotton crop for the United States is forecast this year by the Crop Reporting Board of the Bureau of Agricultural Economics. The indicated production is 3.1% or 275,000 bales above the small 1945 crop, but is 3¼ million bales below the 10-year average. This forecast in 500 pound gross weight bales is based on information as of Aug. 1.

Prospective lint yield per acre, computed at 247.9 pounds compares with 251.0 pounds harvested in 1945 and the 10-year average of 243.2 pounds. If abandonment is equal to the 10-year average, the acreage for harvest this season would be around 17,991,000 acres. This is only 4.4% above last year's harvested acreage which was the smallest since 1885. Unfavorable weather during the 1946 planting season limited the acreage in many areas.

Generally favorable weather in June permitted chopping and much needed cultivating which had been delayed by a wet May. Stands, already generally below normal because of poor seed and wet soils, were further thinned in cleaning the fields of excess grass. The crop is later than usual especially in North Georgia, Alabama, Oklahoma and parts of Arkansas.

Tomorrow's Markets Walter Whyte Says—

By WALTER WHYTE

Underlying tone now seems to point to coming strength. Some reaction possible but indications show major move will be up.

It's beginning to look like we are in for another one of those hold-your-hats-boys-here-we-go-again things. This is a far cry from the tune this column has been singing for the past few weeks. As a matter of fact when last week's column was pounded out on the Underwood, it looked like it was all over but the alibis. You know, those self-generating pats on the back that we swap with each other explaining how it was the other fellow's stupidity that got us in the mess. And it was only our own business acumen that prevented catastrophe.

Well, that was last week. This week it's a different story. Now if I were a competent and self-respecting market advisor I would go back to the records, pull out a previous statement, and boastfully point to it "see what did I tell you? Here it is black on white!" Then I'd sit back and modestly receive the plaudits of millions of readers. Alright, so it isn't millions, it's thousands. Okay, it's not thousands, it's hundreds. Anyway the proofreader reads this—I think. But being the sort of a guy who doesn't keep records, except the last issue of the "Chronicle" (to read my favorite author, naturally) I haven't the faintest idea what I said in the past. I vaguely recall I was bearish. But if I had to specify what I wrote and when I wrote it, I'd develop a cardiac condition a la Congressman May.

All I remember is that I didn't like the market. And that, dear reader (or is it readers) is all that you'll get from me. Oh yes, I do recall that in last week's opus, I said that the market gave small signs that instead of 195, the 198 figure might be the stopping place for a decline. That makes me out some kind of a hero because the market didn't even get that low. I tell you this because it happened only in the past seven days. And seven days doesn't put any strain on my memory. And besides I remember it because it was just the other day that my wife, reading over my shoulder while I was typing the column said to me, "If you're so smart why don't you make enough money to buy me that coat?" So you see, if you don't believe me ask my wife.

Now to get back to the market, and what to do about it. The latter thought should really be first. For neither of us can buy (or sell) the market. So we come down to what to do about it. Well, despite my new belief that prices will go higher, I don't think we'll see it before some further minor reaction. This means that you don't have to get winded rushing in to buy.

I like the following stocks if they become available on set-backs. Bethlehem Steel between 106 and 108 (it's now 112); Standard Oil of New Jersey between 75 and 77; International Paper 45 to 47; Jones and Laughlin 46 to 48; Republic Steel 35 to 37 and New York Shipbuilding between 18 and 19. There are a few others that appeal to me. These are American Car and Founders, American Steel Founders and Columbia Broadcasting A. I haven't looked at the earnings statements or the balance sheets of any of these stocks. The chances are that on statistical probing few of these, if any, can stand up. For example a few months ago we read that the Government said no more building of ocean liners. That means that New York Shipbuilding will have nothing but row boats to launch. Anyway that is what it's supposed to mean. But the news can say one thing and the stock another. Because despite the news the stock looks higher.

I just realize I've given a lot of space to shipbuilding. I didn't mean to. I certainly don't mean that that stock is better than the others. I merely used it as an example.

Having come all the way down to almost the end of this week's column I should say something brilliant; something erudite that would leave a lasting impression. Unfortunately I can't think of a thing to say. Just before I fall asleep I'll no doubt come up with the most scintillating thoughts, some of which would make me a valuable addition to the Paris Peace Conference. But right now all I want is something cold to drink. And I don't mean what you're thinking. Soda disagrees with me.

* * *

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.]

Thousands of German Children Held by Russia

A high German official said on Aug. 8 that several thousand teen-age German children were taken from their homes in the Soviet occupation zone in 1945 for what the Russians described as re-education and have not yet been returned, it was reported in a United Press dispatch from Berlin on Aug. 8, appearing in the New York "World Telegram" which added:

"Although this official enjoys the confidence of United States authorities, his statement could not be confirmed except by reports of missing children which have reached German church officials and neutral welfare organizations.

"The German official said several thousand German boys and girls between the ages of 13 and 17 were being held in camps and were given no opportunity to communicate with their parents.

"Parents have been arriving in Berlin in increasing numbers to report missing children. They have appealed to Soviet authorities, German church officials and neutral warfare organizations for help.

"'They have taken my last child away from me,' one of the mothers said, 'and the Russian police told me that he will be brought up to be a Communist. If Germany is to be a democracy it should have the right to decide for itself.'"

From Berlin Aug. 13 Associated Press advises said in part:

"Soviet military government through its official news bureau denied today accounts published in Berlin newspapers licensed by the western powers that "thousands of children in the province of Bradenburg had vanished without a trace." At the same time the Russians disclosed that forty-eight members of two secret youth groups were arrested during the last month."

Securities Now in Registration

● INDICATES ADDITIONS SINCE PREVIOUS ISSUE

Abbott Laboratories, North Chicago, Ill.
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 of record July 29 rights to subscribe for these shares on the basis of one share for each 10 common shares held. Rights expire Aug. 13. Price $60 per share. **Proceeds**—Refunding and general corporate purposes.

Acme Electric Corp., Cuba, N. Y.
June 26 filed 152,740 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.

Aerovox Corp., New Bedford, Mass.
July 23 (letter of notification) 25,000 shares ($1 par) common. Offering price, $11.50 a share. **Underwriter**—Ames, Emerich & Co., Inc., Chicago. **Proceeds**—For additional working capital.

Air Cargo Transport Corp., New York
June 19 filed 435,000 shares ($1 par) common stock. **Underwriters**—By amendment. Price by amendment. **Proceeds**—Of the total, 35,000 shares are being sold by stockholders and the remainder by the company. The latter will use $60,000 of the proceeds to repay a bank loan, about $500,000 for new equipment and $250,000 for ground installations at various points in the United States.

Air Express Internat'l Agency, Inc., New York
July 22 filed 125,000 shares of 50-cent par common. **Underwriters**—Newburger & Hano; Kobbe, Gearhart & Co., and Burnham & Co., all of New York. **Offering**—The shares will be offered publicly at $6 a share. **Proceeds**—Estimated net proceeds of $656,250 will be added to general funds.

Airline Foods Corp. of New York (9/3-4)
July 26 filed $1,700,000 of 5% sinking fund debentures, due 1962, and 120,000 shares of 5½% cum. conv. preferred stock ($25). **Underwriting**—Herrick, Waddell & Co., Inc. **Price**—Debentures 99, preferred stock, $25 a share. **Proceeds**—To purchase on or before Sept 17 all issued and outstanding capital stocks of David G. Evans Coffee Co.; Empire Biscuit Co.; San Jose Packing Co.; and James A. Harper Supply Co., and for working capital.

Allis-Chalmers Manufacturing Co.
July 26 filed $15,000,000 2% debentures, due 1956, and 359,373 shares ($100 par) cumulative convertible preferred stock. **Underwriters**—Blyth & Co., Inc. **Offering**—Preferred stock will be offered for subscription to common stockholders at the rate of one preferred share for each seven common shares held. Unsubscribed shares and debentures will be sold publicly. Price by amendment. **Proceeds**—For plant expansion and to increase 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
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 Colortype Co., Clifton, N. J. (9/4)**
Aug. 12 filed 30,00 shares ($100 par) cumulative preferred stock. **Underwriters**—To be supplied by amendment. Price by amendment. **Proceeds**—Net proceeds initially will be added to general funds, however, the company anticipates it will use the funds for its building and expansion program. **Business**—Letterpress printing and lithography.

● **American Fabricators, Inc., Louisville, Ky.**
Aug. 5 (letter of notification) $100,000 of 15-year convertible debentures, due 1961. **Offering**—Price $1,000 a unit. No underwriting. For additional working capital.

American Home Products Corp., N. Y.
June 28, 1946 filed 116,926 shares of ($1 par) capital stock. **Underwriters**—No underwriting. **Offering**—The shares are offered to stockholders of record July 31 in ratio of one new share for each 10 shares held at $85 per share. Rights expire Aug. 16. **Proceeds**—Liquidation of $6,000,000 short term bank loans; balance to purchase additional land, plants, machinery, etc.

American Locomotive Co., New York (9/16)
July 18 filed 100,000 shares each of $100 par prior preferred stock and $100 par convertible second preferred stock. **Underwriting**—Union Securities Corp., New York. Price by amendment. **Proceeds**—Net proceeds, with other funds, will be used to redeem $20,000,000 of 7% cumulative preferred stock at $115 a share plus accrued dividends.

American Overseas Airlines, Inc., New York
July 26 filed 1,049,895 shares of capital stock ($1 par). **Underwriters**—None. **Offering**—Shares are being offered by the company to holders of its capital stock in the ratio of 1½ shares for each share held by record. Price by amendment. **Proceeds**—Will initially become part of general funds and available for general corporate purposes, including payment of short-term bank loans outstanding in the amount of $10,000,000 and which were obtained in March of this year in anticipation of this financing.

American Water Works Co., Inc., N. Y.
March 30 filed 2,343,105 shares of common (par $5) plus an additional number determinable only after the results of competitive bidding are known. **Underwriters**—To be filed by amendment. Probable bidders include Dillon, Read & Co. Inc., White Weld & Co., and Shields & Co. (jointly), and W. C. Langley & Co. and The First Boston Corp. (Jointly). **Offering**—Price to public by amendment. **Purpose**—The common stock, together with $15,000,000 10-year 3% collateral trust bonds (to be sold privately) are to be issued to acquire certain assets of American Water Works & Electric, liquidate two subsidiaries, Community Water Service Co. and Ohio Cities Water Corp., and provide cash working capital. Common stock is to be offered initially for cash to common stockholders of parent and to public holders of preferred stocks of Community and Ohio in exchange for their shares. Stock not subscribed or issued under exchange offers are to be sold for cash to underwriters. For details see issue of April 4.

American Wine Co., St. Louis, Mo.
July 24 filed 120,000 shares ($1 par) common. **Underwriters**—None. **Offering**—Shares being registered are held by Louis E. Golan, President of company, who acquired them last June 5 upon the surrender for cancellation of $432,000 of notes of the company. About 60,184 shares will be offered to stockholders of the company, including remaining shareholders of Cook's Imperial Wine Co., at $3.60 each and at the rate of 12 new shares for each 26 held. The remaining 59,816 shares will be retained by Golan. **Proceeds**—Proceeds to go to the selling stockholder.

American Woolen Co., New York
July 19 filed 525,000 shares (no par) $4 cumulative convertible prior preference stock and 1,050,000 shares (no par) common stock. **Underwriting**—No underwriting. **Offering**—Under terms of recapitalization plan, the company will offer the preference stock in exchange for its outstanding 7% cumulative preferred stock at the rate of 1½ shares of preference stock plus $8.50 cash for each share of preferred. The new common is reserved for conversion of preference stock on the basis of 2 shares of common for each preference share.

Arkansas West. Gas Co., Fayetteville
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.

● **Arkansas Western Gas Co., Fayetteville, Ark.**
Aug. 12 filed 93,430 shares ($5 par) common stock. **Underwriter**—E. H. Rollins & Sons, Inc., New York. **Offering**—Company is offering the stock for subscription to present common stockholders at $10 a share in the ratio of 3 shares for each 4 shares held. Unsubscribed shares will be sold to underwriters. **Proceeds**—At same time of common stock offering, company intends to sell to institutions $1,500,000 first mortgage sinking fund bonds, 3% series, due 1966. Funds from the sale of the bonds and common stock will be used to retire $840,000 3¾% bonds and $210,000 serial promissory note. It will also deposit $600,000 with the trustee under the indenture securing the first mortgage bonds. Remaining proceeds will be added to general funds. **Business**—Public utility.

Armour and Co., Chicago
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. Temporarily postponed.

● **Associated Book Publishers, Inc., Washington, D. C.**
Aug. 9 (letter of notification) 500 shares ($100 par) preferred and 1,000 shares ($1 par) common. **Offering**—Price $101 a unit. The number of shares making up the unit was not disclosed. No underwriting. For general corporate purposes.

● **Australia, Commonwealth of (8/28)**
Aug. 13 filed $20,00,000 10-year 3¼% bonds, due 1956. **Underwriters**—Morgan Stanley & Co. and associates. Price by amendment. **Proceeds**—The Government of Australia will use the proceeds to redeem on Oct. 1 $18,331,000 State of New South Wales, external 5% sinking fund gold bonds, due April 1, 1958. The registration states that in lieu of cash payment for the present offering of bonds the Australian Government will accept the New South Wales 5% bonds with coupons due Oct. 1, 1946 and subsequently at 102½, representing the redemption price of 100 and accrued interest to Oct. 1, 1946. The balance of the cash proceeds will be used to retire other United States dollar debt.

Ben-Hur Products, Inc., Los Angeles
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. **Proceeds**—To redeem old debentures and reduce bank loans.

Black, Sivalls & Bryson, Inc., Kansas City, Mo.
July 29 filed 20,000 shares of 4.25% cumulative preferred stock, ($100 par) and 100,000 shares ($1 par) common stock. **Underwriters**—F. S. Yantis & Co., Inc., and H. M. Byllesby and Co. **Offering**—Shares are issued and outstanding and were purchased from the company by the underwriters at $96.50 a share for the preferred and $10.70 a share for the common. They will be offered to the public by the underwriters. Price, $100 a share for the preferred and $12.50 a share for the common.

Blum (Philip) & Co., Inc., Chicago
July 26 filed 150,000 shares ($1 par)) common stock. **Underwriters**—F. S. Yantis & Co., Inc., and H. M. Byllesby and Co., Inc. **Price**—$17 a share. **Proceeds**—Payment on bank loans and notes and for working capital.

• Briggs & Stratton Corp., Milwaukee (8/29)
Aug. 9 filed 76,000 shares (no par) capital stock. **Underwriters**—A. G. Becker & Co., Inc., Chicago. Price by amendment. **Proceeds**—Shares are being sold by stockholders. **Business**—Manufacture of industrial gasoline engines and automotive parts.

Brooklyn (N. Y.) Union Gas Co.
May 3 filed 70,000 shares of cumulative preferred stock ($100 par). **Underwriters**—To be filed by amendment. **Bids Rejected**—Company July 23 rejected two bids received for the stock. Blyth & Co., Inc., and F. S. Moseley & Co. and associates submitted a bid of 100.06 for a 4.30% dividend. Harriman Ripley & Co. and Mellon Securities Corp. bid 100.779 for a 4.40% dividend.

Brown & Bigelow, St. Paul (9/3-6)
July 19 filed 35,000 shares of 4½% ($100 par) cumulative preferred stock and 427,558 shares ($1 par) common stock. **Underwriters**—Reynolds & Co., New York. **Offering**—Preferred stock will be offered to company's 6% preferred stock on a share for share exchange basis. Shares not issued in exchange will be sold to underwriters for resale to the public. Of the total common, the company is selling 67,500 shares to underwriters for public offering and 55,177 shares are to be offered in exchange for outstanding capital stock of Consolidated Printing Ink Co., Quality Park Box Co., Inc., and John Beissel Co., which will become subsidiaries. In addition, stockholders of the company are selling 304,881 shares to the underwriters for public offering. **Price**—Preferred $103.50 a share; common $26.50 a share. **Proceeds**—Net proceeds to the company will be used to redeem unexchanged shares of 6% preferred at 110% and for increasing general corporate funds.

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.

• Californian Magazine, Inc., Los Angeles
Aug. 6 (letter of notification) 50,000 shares ($1 par) Series A common. **Offering**—Price $1 a share. No underwriting. For working capital.

Camfield Mfg. Co., Grand Haven, Mich. (8/28-30)
July 29 filed 220,000 shares ($1 par) common stock. **Underwriters**—Kobbe, Gearhart & Co., Inc. **Offering**—Of the shares registered, 100,000 are issued and outstanding and will be sold to the underwriters by three stockholders at $4.50 a share for their own account. The remaining 120,000 shares are being offered by the company. **Price** $4.50 a share. **Proceeds**—Company's share to pay renegotiation refund in amount of $180,000 to the U. S. Government, and for additional working capital.

Canadian Admiral Corp. Ltd., Toronto (8/21-23)
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.

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.

• Carley Trailer & Equipment Co., College Park, Ga.
Aug. 12 (letter of notification) 20,000 shares of common. **Offering**—Price $5 a share. No underwriting. For payment of bank loans and additional working capital.

Carney Co., Inc., Mankato, Minn. (8/22)
July 29 (letter of notification) $300,000 5% 15-year sinking fund debentures, 3,000 shares of common ($1 par) stock and 3,000 stock purchase warrants. **Underwriter**—Grande & Co., Inc., Seattle. Offered in units of $1,000 debenture, 10 shares of common and 10 purchase warrants at $1,000 a unit. **Proceeds**—To retire chattel mortgage, expansion and working capital.

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 Illinois Public Service Co., Springfield, Ill.
Aug. 14 filed 150,000 shares ($100 par) cumulative preferred stock. **Underwriter**—To be determined by competitive bidding. Probable bidders include Dillon, Read & Co., Inc.; Smith, Barney & Co., White, Weld & Co.; Glore, Forgan & Co.; Lehman Brothers and Lazard, Freres & Co. (jointly). **Offering**—New preferred stock will be offered on a share for share exchange basis to holders of its old preferred stock other than the Middle West Corp. which holds 38,564 shares of such stock. If more than 150,000 shares of old preferred stock are deposited for exchange the number of shares to be exchanged will be pro rated. Shares of new preferred not issued in exchange will be sold to underwriters. **Proceeds**—Net proceeds from sale of shares not issued in exchange will be used to redeem old preferred at $110 a share and accrued dividends. **Business**—Public utility.

Central Louisiana Elec. Co., Inc., Alexandria, La.
July 24 filed 20,000 shares ($10 par) common stock. **Underwriting**—If underwriting agreement is made, names will be supplied by amendment. **Offering**—The shares will be offered for subscription to common stockholders at the rate of one share for each four held. Unsubscribed shares, to the extent of 1,500 shares, will be offered to company officers, directors and employees. Any remaining shares will be sold to underwriters. Price by amendment. **Proceeds**—For payment of a $200,000 bank loan and for construction purposes.

• Century Electric Co., St. Louis, Mo.
Aug. 7 (letter of notification) 25,941 shares of $10 par common. **Offering**—Price minimum of $10 a share. No underwriting. For working capital.

Cincinnati (O.) Gas & Electric Co. (9/10-11)
July 25 filed 2,040,000 shares ($8.50 par) common stock. **Underwriters**—SEC has exempted sale from competitive bidding rule and Blyth & Co., Inc., and The First Boston Corp. will form a group to underwrite the proposed offering. **Offering**—The shares will be offered for subscription to common stockholders of Columbia Gas & Electric Corp. of record Aug. 22 at the rate of one share for each six held. Rights will expire Sept. 9. Unsubscribed shares will be sold to underwriters. Price by amendment. **Proceeds**—Shares are being sold by Cincinnati's parent, Columbia Gas & Electric Corp., which will receive proceeds. Columbia is selling the stock as part of an integration program to comply with the Public Utility Holding Company Act.

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.

• Coca-Cola Bottling Plants, Inc., South Portland, Me.
Aug. 12 (letter of notification) 600 shares (no par) common on behalf of Turner Jones, President, and options to purchase 200 shares (no par) common from the company at $10 a share. **Offering**—Price 600 shares, $30 a share; options to purchase 200 shares, $20 per optioned share. **Underwriter**—Clement A. Evans & Co., Inc., Atlanta, Ga. **Proceeds**—To company from 200 shares issuable upon exercise of options will be added to general funds.

Columbia Aircraft Products Inc., Somerville, N. J. (9/3-15)
June 26 filed 150,000 shares ($4 par) 30c cumulative convertible preferred stock, convertible into common stock in the ratio initially of 1½ shares of common for each share of preferred. **Underwriters**—Floyd D. Cerf Co., Inc., Chicago. **Offering** — Company initially will offer 59,585⅓ shares for subscription to present common stockholders at $4.50 a share in the ratio of one share of preferred for each share of common held. The offering to common stockholders excludes the two principal stockholders who have waived their rights to subscribe. The remaining 90,414⅔ shares and any shares not subscribed to by common stockholders will be offered to the public through underwriters. **Price**—$5 a share. **Proceeds**—Approximately $55,000 for payment of Federal taxes; $250,000 for payment of a loan; $50,000 as a loan to Palmer Brothers Engines Inc., a subsidiary, balance working capital.

• Columbia Gas & Electric Corp.
Aug. 8 filed $75,000,000 of debentures, due 1971, and $20,000,000 of serial debentures, due $2,000,000 on each Sept. 1, 1947 to 1956. **Underwriters**—To be determined by competitive bidding. Probable bidders include Morgan Stanley & Co.; Halsey, Stuart & Co., Inc.; The First Boston Corp.; Glore, Forgan & Co., ; W. E. Hutton & Co. Price by amendment. **Proceeds**—Columbia completed the sale of common stock of Dayton Power & Light Co. June 13, 1946, and used the proceeds to call for redemption July 15 $44,914,000 5% series debenture bonds, due 1961, at 102, and to prepay $5,500,000 of its $22,000,000 1½% bank notes. Any remaining proceeds and the proceeds from the sale of the debentures and the sale of common stock of Cincinnati Gas & Electric Co. will be used to redeem 941,820 shares of cumulative 6% preferred stock, series A, at $110 a share; to redeem $38,695 shares of cumulative preferred stock, 5% series, at $105 a share; and to redeem 121,849 shares of 5% cumulative preference stock, at $100 a share. **Business**—Public utility.

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.

• Commonwealth Investment Co., San Francisco
Aug. 8 filed 250,000 shares ($1 par) common stock. **Underwriter**: North American Securities Co., San Francisco. **Price**—At market. **Proceeds**—For investment. **Business**—Investment house.

Consolidated Air Transit, Inc., East Orange, N. J.
July 29 (letter of notification) $100,000 7% cumulative (non-convertible) preferred stock and $100,000 class B common stock. No underwriter at present, but one expected. Price, $50 for preferred and $3 for common. **Proceeds**—For purchase of equipment and for operating capital.

• Consolidated Hotels, Inc., Los Angeles (8/28)
Aug. 9 filed 97,363 shares ($25 par) 4½% convertible preferred stock and 150,000 shares (50c par) common. **Underwriter**—Lester & Co., Los Angeles. **Price**—$25 a share of preferred and $9 a share of common. **Proceeds**—Of the total, the company will receive proceeds from the sale of 851 shares of preferred. The remaining shares

(Continued on page 924)

(Continued from page 923)

of preferred and all of the common are being sold by Ben Weingart, President and director. Company will add the proceeds to working capital. **Business**—Operation of hotels and apartment houses.

● **Consumers Power Co., Jackson, Mich.**

Aug. 9 filed an unspecified number of shares (no par) common stock. **Underwriters**—To be determined by competitive bidding. Probable bidders include Morgan Stanley & Co.; Lehman Brothers; Shields & Co.; Harriman Ripley & Co. and The First Boston Corp. (jointly). **Price** by amendment. **Proceeds**—Consumers proposes to increase its authorized common stock (no par) from 2,000,000 shares to 6,000,000 shares. It will issue 3,623,432 shares to its parent, The Commonwealth & Southern Corp., in exchange for 1,811,716 shares of its common owned by Commonwealth. It will offer to the public through competitive bidding such number of additional shares of common as will produce net cash proceeds of $20,000,000. Such proceeds will be used for acquisition of property, construction or improvement of facilities or other corporate purposes. The company has property additions, estimated to cost more than $53,000,000, now under construction. **Business**—Public utility.

Continental Motors Corp., Muskegon, Mich.

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.

Continental-United Industries Co., Inc., N. Y. (9/23-27)

Aug. 2 filed 80,000 shares of cumulative sinking fund preferred stock ($25 par) and 350,000 shares ($1 par) common. **Underwriters**—W. C. Langley & Co. and Aronson, Hall & Co. Price by amendment. **Proceeds**—$1,510,833 to repay notes and obligations; $1,600,000 to purchase U. S. Treasury savings notes to fund to that extent current liability of company for Federal taxes, and balance to working capital.

Cooper Tire & Rubber Co., Findlay, O.

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.

● **Crawford Clothes, Inc., L. I. City, N. Y. (8/30)**

Aug. 9 filed 300,000 shares ($5 par) common stock. **Underwriters**—First Boston Corp., New York. Price by amendment. **Proceeds**—Go to Joseph Levy, President, selling stockholder. **Business** — Operation of clothes stores.

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.

Danly Machine Specialties, Inc., Cicero, Ill.

July 26 filed 60,000 shares ($25 par) 5% cumulative preferred stock, with warrants attached for purchase of 60,000 common shares, and 130,000 shares of common stock (par $2). **Underwriters**—Paul H. Davis & Co., and Shillinglaw, Bolger & Co., Chicago. **Offering**—Of the total common 60,000 shares are reserved for issuance upon exercise of warrants. Price by amendment. **Proceeds**—Company will receive proceeds from the sale of the preferred shares and from the sale of 30,000 shares of the common. Company will use proceeds, together with a $1,000,000 bank loan, to purchase machinery, buildings and equipment and to retire bank indebtedness.

● **Delta Collieries Corp., Indianapolis, Ind.**

Aug. 7 (letter of notification) $300,000 5½% sinking fund debentures. **Underwriter**—City Securities Corp. **Offering**—Price $97 and interest. For purchase of equipment.

Denver Tramway Corp., Denver, Colo.

July 29 (letter of notification) 500 shares of $2.50 no par first preferred stock. No underwriters. These securities are not being offered for the benefit of the issuer. They are being offered by The International Trust Co., which holds them in its own portfolio, and the proceeds will be added to the latter company's reserve account. Offering price, approximately $42 a share.

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**—Common stockholders of record July 30 are given the right to subscribe to the stock at $23 per share. Rights expire Aug. 9. **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.

Derby Oil Co., Wichita, Kans. (8/26-30)

July 19 filed 131,517.3 shares ($8 par) common stock. **Underwriting**—H. M. Byllesby and Co., Inc., Chicago, and Nelson Douglass & Co., Los Angeles. Price by amendment. **Proceeds**—Part of the estimated net proceeds will be used to pay a bank loan. The remainder, with other funds, will be used to expand a drilling and exploration program.

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.

Dictaphone Corp., New York

July 25 filed 65,347 shares (no par) common stock. **Underwriter**—Merrill Lynch, Pierce, Fenner & Beane, New York. **Offering**—Stock will be offered to stockholders at rate of one-half share for each share held. Unsubscribed shares will be sold to underwriters. Price by amendment. **Proceeds**—To be added to general funds.

● **Drayer-Hanson, Inc., Los Angeles (9/3)**

Aug. 12 filed 80,529 shares ($1 par) class A stock, convertible into common stock (par $1). **Underwriters**—Maxwell, Marshall & Co., Los Angeles. **Price**—To public $10.25 a share. **Proceeds**—Net proceeds, estimated at $694,761, will be used to pay off loans and accounts payable. **Business**—Manufacture of heat transmission equipment.

Edison (Thomas A.) Inc., West Orange, N. J. (8/21-23)

July 29 filed 100,000 shares of Class B common stock, non-voting (par $3.33⅓) all of which are issued and outstanding. **Underwriters**—Riter & Co. **Offering**—Shares offered are part of the holdings of Mrs. Mina M. Edison, Charles Edison and Theodore M. Edison. Price, by amendment.

El Canada Colombia Mines Co., Boston

July 26 filed 550,000 shares of capital stock (par $1). Of the total 400,000 shares would be issued at $1 per share to secured and unsecured creditors of El Canada Mines Syndicate, noteholders and stockholders of El Canada Mines Co. Ltd. and stockholders of El Canada Gold Mines Corp. and El Canada Mines, Inc., in exchange for certain mining claims. The balance, 150,000 shares, would be sold to public at $1.25 per share through underwriters, to be named by amendment.

Electronic Laboratories, Inc., Indianapolis, Ind.

July 29 filed 140,000 shares ($1 par) common stock, of which 40,000 shares are being sold by two stockholders. **Underwriters**—By amendment. [Probably Brailsford & Co. and Shillinglaw, Bolger & Co.] Price by amendment. **Proceeds**—From sale of company's 100,000 shares for purchase of inventory, payrolls, and 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.

● **Fakes & Co., Fort Worth, Tex.**

Aug. 9 (letter of notification) 1,278 shares (no par) common. **Offering**—Price $25 a share. No underwriting. For additional working capital.

Fashion Frocks, Inc. (9/3-6)

July 24 filed 200,000 shares ($1 par) common stock. **Underwriter**—Van Alstyne, Noel & Co. **Offering**—Offering does not constitute new financing but is a sale of currently outstanding shares owned by members of the Meyers family, owner of all outstanding stock. After giving effect to the sale and assuming exercise of certain warrants and an option, the Meyers family will retain ownership of approximately 58% of the common stock.

● **Fidelity & Guaranty Fire Corp., Baltimore (9/3)**

Aug. 14 filed 100,000 shares ($10 par) capital stock. **Underwriter**—United States Fidelity & Guaranty Co. of Baltimore has entered into an agreement with the company to purchase at $40 a share any of the stock not subscribed to by stockholders. **Offering**—Stock will be offered for subscription to stockholders at $40 a share. **Proceeds**—Proceeds will be used to increase the capital and surplus of the company. **Business** — Insurance business.

Films Inc., New York (9/20)

June 25, filed 100,000 shares ($5 par) class A stock and 300,000 shares (10 cent par) common stock, of which 200,000 shares reserved for conversion of class A. 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.

Finch Telecommunication, Inc., New York

July 24 (letter of notification) 2,000 shares ($1 par) capital stock for benefit of William G. H. Finch. **Underwriter**—Littlefield & Co., Providence, R. I. **Offering**—Price at market, estimated at $13 a share. **Proceeds**—To seller.

Floro Realty and Investment Co., St. Louis

July 31 (letter of notification) $50,000 serial notes of $500 and $1,000 denominations. No underwriters. **Offering**—Price $500 and $1,000 per unit. **Proceeds**—To be used as part purchase price of property securing the issue.

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.

Foilrapp, Inc., Seattle, Wash.

July 30 (letter of notification) 12,000 shares ($1 par) common. No underwriting. **Offering**—Price $1.50 a share. **Proceeds**—To purchase materials and supplies, and additional equipment and machinery.

Food Fair Stores, Inc., Philadelphia (9/10)

Aug. 5 filed 60,000 shares ($15 par) cumulative preferred stock. **Underwriters**—Eastman, Dillon & Co. Price by amendment. **Proceeds**—To be used to redeem 15-year 3½% sinking fund debentures, due 1959; and $2.50 cumulative preferred at $53 a share. Balance will be added to working capital.

Foreman Fabrics Corp., New York (9/16)

July 29 filed 110,000 shares ($1 par) common stock, all outstanding. **Underwriters**—Cohu & Torrey. Price by amendment.

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.

Foster & Kleiser Co., San Francisco

July 29 filed 100,000 shares of cumulative preferred stock (par $25). **Underwriter**—Blyth & Co., Inc. **Proceeds**—Approximately $1,060,950 for redemption of class A preferred; balance for expansion, working capital, etc. Dividend rate and price by amendment

Fownes Brothers & Co., Inc., N. Y. (9/16-20)

Aug. 6 filed 100,000 shares ($1 par) capital stock. **Underwriter**—Van Alstyne, Noel & Co., New York. Price by amendment. **Proceeds**—The shares are issued and outstanding and are being sold by Ivens Sherr, President and A. I. Sherr, Executive Vice-President, who will receive proceeds.

Frontier Refining Co., Denver, Colo.

June 27 filed $100,000 of 4½% first mortgage bonds, due 1951; 3,500 shares ($100 par) 5% cumulative preferred stock and 15,000 shares ($1 par) common. **Underwriters**—Peters, Writer & Christensen, Inc., and Sidlo, Simons, Roberts & Co., Denver. **Offering**—The bonds and preferred stock will be offered to the public, but the common stock initially will be offered for subscription to present stockholders at $11 a share at the rate of 12 shares for each 100 shares held. Unsubscribed shares of common will be offered publicly. **Price**—The bonds will be sold at $101; preferred at $100 a share, and unsubscribed shares of common at $11 a share. **Proceeds**—Working capital.

General Bronze Corp., L. I. City (9/3-6)

July 26 filed 115,000 shares of cumulative convertible preferred stock ($25 par). **Underwriters**—W. C. Langley & Co. and Aronson, Hall & Co. Price by amendment. **Proceeds**—To pay cost of acquisition, construction and equipment of new plant, and for working capital.

Glen Industries Inc., Milwaukee, Wis. (9/13)

July 31 filed 50,000 shares of $1.25 cumulative convertible preferred stock series A ($20 par) and 150,000 shares (10c par) common, all issued and outstanding and being sold by eight selling stockholders. **Underwriters**—Van Alstyne Noel & Co. Price by amendment. **Proceeds**—To selling stockholders. **Business**—Manufacturers of junior miss wearing apparel.

Gloria Vanderbilt Corp., New York

Aug. 5 filed 300,000 shares ($1 par) common. **Underwriter**—Elder, Wheeler & Co., New York. **Price**—$3 a share. **Proceeds**—Estimated net proceeds of $727,000 will be used for remodelling and equipping a manufacturing plant, for purchase of inventory and for financing a promotional campaign. **Business**—Manufacture of cosmetics.

● **Goat Mountain Mining & Developing Co., Inc., Seattle, Wash.**

Aug. 5 (letter of notification) 500,000 shares (25c par) common. **Offering**—Price 25 cents a share. No underwriting. For general development and improvement of facilities of company.

● **Great Western Biscuit Co., Los Angeles**

Aug. 7 filed 495,000 shares of capital stock (par 10c). This is a recission offer, as stock was sold prior to registration. No underwriter named. **Business**—Manufacturer of crackers and cookies.

Greens Ready Built Homes Inc., Rockford, Ill. (9/3-6)

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.

Grolier Society, Inc., New York (8/22)
July 29 filed 18,500 shares at $4.25 cumulative preferred stock ($100 par), with non-detachable common stock purchase warrants entitling registered holders of shares of the $4.25 preferred to purchase at any time 64,750 shares of common stock at $16 a share at the ratio of 3½ common shares for each preferred share held; and 120,000 shares of $1 par common stock. **Underwriters**—H. M. Byllesby and Co., Inc. **Offering**—Underwriters to purchase from the company 18,500 shares of preferred and 20,000 shares of common; and from Fred P. Murphy and J. C. Graham, Jr., 100,000 shares of issued and outstanding common. Prices, preferred $100 a share; common $14 a share. **Proceeds**—To retire $6 cumulative preferred, pay notes, discharge a loan.

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.

Hajoca Corp., Philadelphia
Aug. 2 (letter of notification) 10,000 shares of $1 par common. Offering price, $25 a share. To be offered to present shareholders. No underwriting. For financing of four new warehouses.

● **Hammond Instrument Co., Chicago (8/27)**
Aug. 8 filed 80,000 shares ($1 par) common. **Underwriter**: Paul H. Davies & Co., Chicago. Price by amendment. **Proceeds**—Net proceeds will be used to redeem its outstanding 6% cumulative preferred stock at an estimated cost of $213,258, exclusive of accrued dividends. It also will use approximately $402,000 toward the purchase of a manufacturing plant in Chicago. The balance will be added to working capital. **Business**—Manufacture of musical instruments and electric clocks.

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.

Haskelite Mfg. Corp., Grand Rapids (8/22)
July 26 filed $1,400,000 15-year 4½% sinking fund debentures due 1961, and warrants with each debenture for purchase of a maximum of 30 shares of $5 par common. **Underwriters**—Brailsford & Co., Chicago. Offering price, 100. **Proceeds**—Of the $1,285,562 estimated net proceeds, company will use $750,000 to purchase preferred stock of Humboldt Plywood Corp., an Oregon corporation, and $75,000 to buy equipment. Any balance will be added to working capital.

Hayes Manufacturing Corp., Gr. Rapids, Mich.
Feb. 27 filed 215,000 shares of common stock ($2 par). Shares are being sold by certain stockholders. Stock acquired by selling stockholders in exchange for 432,000 shares common stock (par $3) of American Engineering Co. **Underwriters**—To be named by amendment. **Offering**—Price to public by amendment. Stop order hearing by SEC. For details see issue of March 7.

Holt (Henry) & Co., Inc., New York
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.

Hudson Pulp & Paper Corp., N. Y.
July 23 filed $3,000,000 of sinking fund debentures due 1966. **Underwriters**—Lee Higginson Corp., New York. Price by amendment. **Proceeds**—Net proceeds with other funds will be used to finance construction of a mill near Palatka, Fla.

● **Idaho Calcium Corp., Mountain Home, Ida.**
Aug. 8 (letter of notification) 150,000 shares ($100 par) preferred and 37,500 shares of $1 par common. **Offering**—Price $125 a unit consisting of one preferred share and 25 common shares. No underwriting. For development of mining claims.

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.

New Issue Calendar

(Showing probable date of offering)

August 15, 1946
Midwest Packaging Materials Co.----**Pfd. & Com.**

August 16, 1946
Nugent & Montgomery, Inc.----**Preferred and Com.**
Payne Cutlery Corp.----**Common**
Ski-Bike Inc.----**Class B Common**

August 19, 1946
Lime Cola Co., Inc.----**Common**
Murphy (C. G.) Co.----**Common**
Nugent's National Stores, Inc.----**Common**
Paquenam Co., Inc.----**Preferred and Common**
Pep Boys—Manny, Moe & Jack----**Common**
Virginia Dare Stores Corp.----**Preferred**

August 20, 1946
Jensen Mfg. Co.----**Common**
Schuster (Ed.) & Co., Inc.----**Common**
Union RR. (noon EDST)----**Bonds**

August 21, 1946
Canadian Admiral Corp., Ltd.----**Common**
Edison (Thomas A.), Inc.----**Class B Common**

August 22, 1946
Carney Co., Inc.----**Debs. and Common**
Grolier Society Inc.----**Preferred and Common**
Haskelite Mfg. Corp.----**Debentures**
Montreal, City of (11 a.m. EDST)----**Bonds**
Seismograph Service Corp.----**Common**

August 23, 1946
Sardik Food Products Corp.----**Capital Stock**

August 26, 1946
Derby Oil Co.----**Common**
Pebble Springs Distilling Co.----**Common**
Solar Mfg. Corp.----**Preferred**

August 27, 1946
Hammond Instrument Co.----**Common**
Marcel Rodd Inc.----**Common**

August 28, 1946
Australia, Commonwealth of----**Bonds**
Camfield Mfg. Co.----**Common**
Consolidated Hotels, Inc.----**Pfd. and Common**

August 29, 1946
Briggs & Stratton Corp.----**Capital Stock**
Forest City Mfg. Co.----**Common**
North. Pac. Ry. (12 noon CST)----**Cond. Sales Notes**
Standard Life Ins. Co. of Am.----**Common**
Street & Smith Publications, Inc.----**Common**

August 30, 1946
Crawford Clothes, Inc.----**Common**

September 3, 1946
Airline Foods Corp.----**Debs. and Preferred**
Brown & Bigelow----**Preferred and Common**
Columbia Aircraft Products, Inc.----**Preferred**
Drayer-Hanson Inc.----**Class A Stock**
Fashion Frocks, Inc.----**Common**
Fidelity & Guaranty Fire Corp.----**Capital Stock**
General Bronze Corp.----**Preferred**
Greens Ready Built Homes, Inc.----**Common**
Metal Forming Corp.----**Common**
Pittston Co.----**Debentures**
Rowe Corp.----**Common**
Taylor-Graves, Inc.----**Preferred and Common**
Weetamoe Corp.----**Preferred and Common**
Westinghouse Electric Corp.----**Debs. and Common**

September 4, 1946
American Colortype Co.----**Preferred**
Southern Ry. (12 noon EDST)----**Equip. Trust Ctfs.**

September 5, 1946
Michigan Steel Casting Co.----**Common**
O'Okiep Copper Mining Co.----**American Shares**

September 10, 1946
Cincinnati Gas & Electric Co.----**Common**
Food Fair Stores, Inc.----**Preferred**

September 13, 1946
Glen Industries Inc.----**Preferred and Common**

September 16, 1946
American Locomotive Co.----**Preferred**
Foreman Fabrics Corp.----**Common**
Fownes Brothers Co., Inc.----**Capital Stock**
Rheem Mfg. Co.----**Common**

September 20, 1946
Films Inc.----**Class A and Common**

September 23, 1946
Continental-United Indust. Co., Inc.----**Pfd. & Com.**

Jensen Manufacturing Co., Chicago (8/20-23)
July 24 filed 148,176 shares ($1 par) common stock. **Underwriter**—Doyle, O'Connor & Co., Chicago. **Price**, $8.87½ a share. **Proceeds**—Shares are being sold by two stockholders who will receive net proceeds.

Johansen Brothers Shoe Co., Inc., St. Louis, Mo.
Aug. 5 (letter of notification) 53,221 shares of capital stock. Offering price $5.625 a share, subject to preemptive rights of stockholders. **Underwriter** — Stifel, Nicolaus & Co., Inc., St. Louis. **Proceeds**—To partially finance acquisition of a minimum of 80% of the stock of Valley Shoe Corp. of St. Louis, and to redeem $48,000 of 5% debentures, due 1951, of Johansen Brothers.

Kungsholm Baking Co., Inc., Chicago
June 27 filed 100,000 shares ($1 par) common stock. **Underwriter**—Ames, Emerich & Co., Chicago. **Offering**—To public at $9 a share. **Proceeds**—Acquisition, etc.

Lime Cola Co., Inc., Montgomery (8/19-30)
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 nonassessable 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.

● **Lonergan Manufacturing Co., Albion, Mich.**
Aug. 7 (letter of notification) 74,500 shares ($1 par) class B common on behalf of the company and option warrants for purchase of 10,000 shares of Class B common on behalf of three optioning stockholders. **Offering**—Price $4 a share of Class B common and 10 cents a warrant. **Underwriter**—Cohu & Torrey, New York. **Net** proceeds to the company will be used as working capital.

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; Coffin & Burr and Merrill Lynch, Pierce, Fenner & Beane. **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.

Marcel Rodd, Inc., Hollywood, Calif. (8/27)
July 31 (letter of notification) 100,000 shares (10c par) common and 35,000 common stock purchase warrants. **Offering**—Price $2 a common share, and one cent a warrant. **Underwriter**—L. D. Sherman & Co., New York. For working capital.

● **Mattoon Development Corp., Mattoon, Ill.**
Aug. 6 (letter of notification) 1,954 shares (no par) common, stated value $100 a share. **Offering**—Price $100 a share. No underwriting. For purchase of real estate and development of such.

Metal Forming Corp., Elkhart, Ind. (9/3-6)
July 29 filed 60,000 shares ($1 par) common stock. **Underwriter**—First Colony Corp. **Offering**—For the benefit of 11 selling stockholders. Price, $7.50 a share.

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.

(Continued on page 926)

(Continued from page 925)

Probable bidders include Blyth & Co., Inc.; Kidder, Peabody & Co.; The First Boston Corp.; Harris, Hall & Co. (Inc.); Merrill Lynch, Pierce, Fenner & Beane, and Ira Haupt & Co. **Offering**—New preferred will be offered on a share for share exchange basis to holders of its outstanding 7% prior lien, $6 no-par prior lien, 6% preferred and $6 (no par) preferred. Of the common stock being registered, company is selling 40,000 shares, Middle West is selling 57,226 shares and Halsey, Stuart & Co. Inc., New York, is selling 22,774 shares. **Proceeds**—Michigan will use net proceeds from bonds to redeem $3,500,000 3¾% series A first mortgage bonds, due 1972, at 106.75 and interest. Net proceeds from sale of common and from shares of new preferred not issued in exchange will be used to redeem $375,000 3½% serial debentures, due 1951, at 101.2 and interest. It also will redeem at 105 and accrued dividends all unexchanged shares of prior lien and preferred stocks.

Michigan Public Service Co., Traverse City, Mich.

July 16 (letter of notification) 15,000 additional shares of common. **Offering**—Price $20 a share. No underwriting. For construction of generating facilities and for reimbursement of treasury funds.

Michigan Steel Casting Co., Detroit (9/5)

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. (8/15)

July 12 filed 15,000 shares ($10 par) 5% cumulative, convertible preferred stock, 85,000 shares ($1 par) common stock and warrants for 10,000 common shares. **Underwriter**—Edward D. Jones & Co., St. Louis. **Offering**—The 15,000 shares of preferred and 30,000 shares of common will be offered publicly, 10,000 shares of common are reserved for purchase under assignable warrants exercisable until Aug. 1, 1951 and 15,000 shares are reserved for conversion of the preferred. **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.

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.

Morrison-Knudsen Co., Inc., Boise, Idaho

July 22 filed 249,550 shares ($10 par) common and 70,000 shares of ($50 par) 4½% cumulative convertible preferred. **Underwriter**—Blyth & Co., Inc., and Wegener & Daly, Inc. **Proceeds**—Selling stockholders are offering 149,550 shares of the common and will receive proceeds from these shares. The company's proceeds, together with funds to be provided from the sale of $2,000,000 of 3½% debentures, due 1961, will be used to retire its certificates of indebtedness, outstanding preferred stock and a portion of its bank loans. It also will use the funds for investment in preferred stocks of subsidiaries.

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 (G. C.) Co., McKeesport, Pa. (8/19-23)

June 13 filed 250,000 shares of common stock (par $1). **Underwriter**—Smith, Barney & Co. Price by amendment. **Proceeds**—Redemption of outstanding 4¾% preferred stock at $109 a share plus dividends.

National Alfalfa Dehydrating & Milling Co., Lamar, Colo.

June 28 filed 28,960 shares of 4½% cumulative preferred stock ($100 par), 250,000 shares of common stock ($1 par) and warrants for 28,960 common shares (attached to preferred stock). **Underwriters**—Stone & Webster Securities Corp., and Bosworth, Chanute, Loughridge & Co. Price by amendment. **Proceeds**—Shares are outstanding and are being sold by stockholders. Temporarily postponed.

National Manufacture and Stores Corp., Atlanta

June 12 (letter of notification) 8,500 shares of common stock. Offering price, $35 a share. **Underwriters**—Clement A. Evans & Co., Inc. **Proceeds**—For redemption of outstanding $2.50 class A non-cumulative stock. Postponed indefinitely.

Nekoosa-Edwards Paper Co., Port Edwards, Wis.

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.

Newburgh Steel Co., Inc., Detroit

Aug. 2 filed 30,000 shares of 6% cumulative convertible preferred (par $10), and 30,000 common sares ($1 par). **Underwriters**—O'Connell & Janareli, New York. **Offering**—Shares are issued and outstanding and are being sold by Maurice Cohen and Samuel Friedman, President and Secretary-Treasurer, respectively, each selling 15,000 shares of preferred and 15,000 shares of common. **Price**—$10 a share for the preferred and $6 a share for the common.

New England Gas and Electric Association

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. Bids for the purchase of the bonds and the common stock which were to be received by the company Aug. 13 were withdrawn Aug. 12. Sale postponed indefinitely.

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.

● **Northwestern Terra Cotta Corp., Chicago**

Aug. 7 (letter of notification) 19,000 shares of common. **Offering**—Price $4.50 a share. No underwriting. For plant improvements and additional working capital.

● **Nugent & Montgomery, Inc., New York (8/16)**

Aug. 9 (letter of notification) 900 shares 4% non-cumulative preferred stock (par $100) and 3,000 shares common stock (par $10). To be offered in units of nine shares of preferred and ten shares of common at $1,000 per unit. Not underwritten. **Proceeds**—For working capital to be used in producing plays and motion pictures.

Nugent's National Stores, Inc., N. Y. (8/19-23)

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.

● **Oklahoma Oil Co., Denver, Colo.**

Aug. 5 (letter of notification) 571,000 shares (5c par) common on behalf of Frank C. Myers, President and Treasurer of the company. **Offering**—Price at market. **Underwriting**—Inter-Mountain Shares, Inc. **Proceeds**—Go to the selling stockholder.

O'Okiep Copper Mining Co. Ltd. of the Union of South Africa (9/5)

July 25 filed 106,329 American shares representing a similar number of ordinary shares of the par value of 10 shillings, South African currency (U. S. $2.017). **Underwriters**—None. **Offering**—To be offered at $5 a share to stockholders of Newmont Mining Corp. as of record Sept. 5, 1946, on the basis of one ordinary share of O'Okiep for each 10 shares of Newmont held as of record date. Primary purpose of the offering of 106,329 American shares of O'Okiep is to effect such distribution of these shares as may comply with the listing requirements of the New York Curb Exchange as to distribution of shares. O'Okiep has pending an application to list the American shares on the New York Curb Exchange.

Orange-Crush de Cuba, S. A., Havana, Cuba

July 22 filed 75,000 shares of $1.50 par common. **Underwriter**—Elder, Wheeler & Co. **Offering**—Price $8 a share. **Proceeds**—Of the total company is selling 25,000 shares and stockholders are selling 50,000 shares. The company will use its proceeds for equipment.

Otter Tail Power Co., Fergus Falls, Minn.

July 18 filed 60,000 shares (no par) cumulative preferred stock, stated value $100 a share, and 51,216 shares ($10 par) common stock. **Underwriters**—Names by amendment. Probable bidders include Blyth & Co., Inc. **Offering**—The preferred stock will be offered in exchange, on a share for share basis, for company's outstanding $4.50 and $4.25 dividend preferred stocks. The exchange offer will expire on Aug. 26. Shares of new preferred not issued in exchange will be sold to underwriters. The common stock will be offered for subscription to common stockholders at the rate of two additional shares for each five held. Unsubscribed shares will be sold to underwriters. Price by amendment. The public offering price of the preferred will be between 98½ and 100 for a dividend rate not to exceed $3.75 annually. Common stock is to be sold at not less than $45 a share. **Proceeds**—To redeem unexchanged shares of old preferred and to retire $900,000 of bank loans.

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.

Pal Blade Co., Inc., New York

June 28, 1946 filed 227,500 shares ($1 par) capital stock. **Underwriters** — F. Eberstadt & Co., Inc. **Offering** — 225,000 shares are outstanding and are being sold by 10 stockholders, and 2,500 shares are being sold by A. L. Marlman to all salaried employees.

● **Pan American Mining & Developing Co., Salt Lake City**

Aug. 6 (letter of notification) 40,000 shares (25c par) common. **Offering**—Price $1 a share. No underwriting. In payment of loan by stockholders.

● **Paquenam Co., Inc., Friendship, N. Y. (8/19)**

Aug. 12 (letter of notification (2,500 shares of preferred stock (par $10) and 2,500 shares of common stock (par 50c). To be offered in units of one share of preferred and one share of common at $10 per unit. Not underwritten. **Proceeds**—For acquisition of real estate, erection of factory building, purchase of machinery, etc

Payne Cutlery Corp., Brooklyn, N. Y. (8/16)

July 18 (letter of notification) 150,000 shares of common stock (par 50c). **Underwriter**—Greenfield, Lax & Co. **Offering**—To be offered public at $1.875 per share. **Proceeds**—Purchase of W. H. Compton Shear Co.

Pebble Springs Distilling Co., Peoria (8/26-30)

July 25 filed 125,000 shares ($1 par) common stock. **Underwriters**—Daniel F. Rice and Co., Chicago. Price by amendment. **Proceeds**—To reduce bank loans, build additional facilities and for other corporate purposes. **Business**—Engaged in distilled spirits business.

Pep Boys—Manny, Moe & Jack, Philadelphia (8/19-23)

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.

Pittston Co., Hoboken, N. J. (9/3-13)

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 price of debentures $105; price of common to public, $8.25 per share.

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.

● Radiaphone Corp., Los Angeles, Calif.

Aug. 7 (letter of notification) 168,528 shares ($1 par) capital stock. **Underwriter**—Barbour, Smith and Co., Los Angeles. **Offering**—Price $1.25 a share. For reduction of liabilities and increasing working capital.

● Rainier Air Freight Lines, Inc., Seattle

Aug. 5 (letter of notification) 10,168 shares ($1 par) common and 21,500 shares of 6% preferred, $1 par. **Offering**—Price $1 a share each. No underwriting. To operate air carrier service.

Reporter Publications, Inc., N. Y.

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.

Republic Pictures Corp., New York

July 31 filed 184,821 shares of $1 cumulative convertible preferred ($10 par) and 277,231 shares (50c par) common stock. **Underwriters**—Sterling, Grace & Co. **Offering**—To be offered initially in units of one share of preferred and 1½ shares of common to holders of issuers preferred and common stock in the ratio of one unit for each 12 shares or preferred and/or common held of record. Price by amendment. **Proceeds**—Initially to become part of corporation's general funds and available for any corporate purpose.

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. (9/16)

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. Temporarily postponed.

Riverside and Dan River Cotton Mills, Inc., Danville, Va.

July 2, 1946 filed 50,000 shares of 4½% cumulative prefered stock ($100 par). **Underwriters**—Scott and Stringfellow, Richmond, Va. **Offering** — New preferred is 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. Exchange offer expired 5 p.m. EST Aug. 11. It is expected that unsubscribed shares will be sold to underwriters for public offering. Price, by amendment.

● Ross Aircraft Corp., New York

Aug. 7 (letter of notification 50,000 shares ($1 par) common. **Offering**—Price $5 a share. No underwriting. For working capital.

Rowe Corp., New York (9/3-12)

July 29 filed 120,000 shares common stock. **Underwriters**—Hayden, Stone & Co. **Offering**—The selling stockholders, who include Robert Z. Greene, President, are offering the shares to the public through the underwriters, for their own account. Price, by amendment.

San-Nap-Pak Mfg. Co. Inc., New York

July 24 filed 80,000 shares ($1 par) common stock. **Underwriters**—Dunne & Co., New York. **Offering**—Price by amendment. **Proceeds**—Nat E. Heit, President and director, and Harry Preston, board Chairman, Secretary and Treasurer, will receive net proceeds as selling stockholders.

Sardik Food Products Corp., N. Y. (8/23-30)

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.

Schuster (Ed.) & Co., Inc., Milwaukee (8/20)

July 26 filed 162,600 shares of common ($10 par). **Underwriters**—Goldman, Sachs & Co., New York. **Offering** price by amendment. **Proceeds**—Company will receive proceeds from 85,000 shares and selling stockholders will receive proceeds from 77,600 shares. Company's proceeds will be added to general funds for general corporate purposes.

Scripto, Inc., Atlanta, Ga.

Aug. 7 filed 25,000 shares ($10 par) 5% cumul. convertible preferred stock and 244,000 shares ($1 par) common stock. **Underwriters**—Clement A. Evans & Co., Inc., Atlanta. Price by amendment. **Proceeds**: Company is selling the 25,000 shares of preferred to the underwriters at $10 a share and stockholders are selling a minimum of 220,000 and a maximum of 244,000 shares to the underwriters at $5 a share. The registration stated that 24,000 of the 244,000 shares of common are being reserved for a period of four days following the effective date of the registration for sale to employees, officers and directors at $5 a share. The company also is selling 200,000 stock purchase warrants to executives of the company at 50 cents a warrant. Company will use its proceeds for general corporate purposes.

Seismograph Service Corp., Tulsa (8/-22)

July 25 filed 140,000 shares of common stock. **Underwriter**—Paul H. Davis & Co., Chicago. Price, $12 a share. **Proceeds**—Company will receive proceeds from the sale of 70,000 shares and selling stockholders will receive proceeds from the remaining 70,000 shares. Company will use its proceeds for working capital and to reduce a bank loan.

● Simpson Steel Corp., Azusa, Calif.

Aug. 5 (letter of notification) 3,363 shares ($10 par) series A 5% preferred; 6,581 shares ($10 par) series 3% preferred and 6,161 shares ($10 par) common. **Offering**—Price $10 each. Preferred series A is to be exchanged dollar for dollar for trade accounts payable; 2,278 shares of preferred series B are to be exchanged for assets which the corporation is purchasing and the balance is to be exchanged dollar for dollar for trade accounts payable. The common is to be issued for cash and in exchange for assets of a going business, except to the extent of 1,161 shares which is being reserved for conversion of the preferred series A. The cash received from th sale is to be used for working capital. There will be no underwriting.

● Ski-Bike, Inc., Montclair, N. J. (8/16)

Aug. 9 (letter of notification) 2,500 shares Class B nonvoting common stock (no par). **Underwriter**—Robert P. Bennett, 240 Reynolds Terrace, Orange, N. J. Price to public, $30 per share. **Proceeds**—Working capital. **Business**—Manufacture, distribute and sell the Ski-Bike and related products.

Solar Manufacturing Corp. (8/26-30)

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.

Southwestern Public Service Co., Dallas, Texas

July 24 filed $20,000,000 of first mortgage bonds, series due 1976. **Underwriters**—To be supplied by amendment. Probable bidders include Dillon, Read & Co. Inc.; Halsey, Stuart & Co. Inc., and Blyth & Co., Inc. Price by amendment. **Proceeds**—Net proceeds, with other funds, will be used to redeem $17,500,000 of 3⅛% first mortgage bonds, due 1974, at 106⅛%, and to purchase the electric, water and ice properties of West Texas Utilities Co. located in the northwestern portion of the Texas Panhandle for $2,135,000.

● Standard Life Insurance Co. of America (8/29)

Aug. 12 (letter of notification) 29,110 shares of common stock (par $10). To be offered for subscription to stockholders at $10 per share. Rights expire Oct. 1, 1946. Unsubscribed shares will be purchased at $10 per share by Alfred MacArthur, Chairman and Hyman A. Pierce, Executive Vice-President. **Proceeds**—General corporate purposes.

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.

Stevens-Arnold Co., Inc., South Boston, Mass.

July 25 (letter of notification) 3,400 shares of 5% convertible non-cumulative preferred stock and 11,500 shares of common stock (no par), 3,000 shares of which will be purchased by O'Connell & Co. for investment and not distribution. **Underwriter**—O'Connell & Co., Boston. **Offering**—Prices, $25 a share for the preferred and $2 a share for the common. **Proceeds**—For working capital.

Street & Smith Publications, Inc. (8/29-30)

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. Indefinitely postponed.

Sun Chemical Corp., New York

July 31 filed $4,000,000 2¾% sinking fund debentures, due Aug. 1, 1966. **Underwriter**—Shields & Co. Price by amendment. **Proceeds**—Net proceeds to be used in part to redeem 19,000 shares of outstanding $4.50 preferred stock, Series A, 1,050 at the sinking fund redemption price of $103.50 and the remaining 17,950 at the optional redemption price of $106.50 a share, plus accrued dividends in each case. The balance of the net proceeds will be added to general funds.

Taylor-Graves, Inc., Saybrook, Conn. (9/3-6)

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.

Tele-Tone Radio Corp., New York

Aug. 1 filed 210,000 shares of common stock (par 50 cents). **Underwriters**—Hirsch & Co. **Offering**—Company is offering 75,000 of the shares registered. Eleven stockholders are selling 135,000 issued and outstanding shares, for their own account. **Offering**—Price $6.75 a share. **Options**—Selling stockholders are also selling to the underwriters at 7 cents per option warrant options to purchase 18,000 shares of the issued and outstanding common owned by them. They are also selling to Hallgarten & Co., for $1,500, plus $360 as a contribution toward the expenses of issuance, options to purchase an additional 18,000 shares of the issued and outstanding common. **Proceeds**—Net proceeds for the sale of company's 75,000 shares will be used for increasing working capital, with a view to entering the Frequency Modulation and Television fields at an advantageous time.

● Temprite Products Corp., Detroit, Mich.

Aug. 7 (letter of notification) 3,908 shares (no par) common. **Offering**—Price $10 a share. No underwriting. For additional working capital.

● Tobin Packing Co., Inc., Rochester, N. Y.

Aug. 7 (letter of notification) 12,000 shares (no par) common. **Offering**—Price $25 a share. No underwriting. For additional working capital.

Upper Michigan Power & Light Co., Escanaba, Mich.

July 18 (letter of notification) 5,500 shares of 4¼% first preferred stock series B ($50 par). Offering price, $50 a share. **Underwriter**—First of Michigan Corp., Detroit. **Proceeds**—For enlargements and improvements of power plant facilities.

Velvet Freeze, Inc.

July 24 filed 203,500 shares of stock which are to be sold for the account of certain stockholders. **Underwriters**—Sherck, Richter & Co., and Straus & Blosser. **Offering**—Of the total, 200,000 shares will be sold through the underwriting group at $8.50 a share, and 3,500 shares will be offered to certain employees at $7.50 a share.

Virginia Dare Stores Corp., N. Y. (8/19-23)

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. Issue temporarily postponed.

● Vokar Corp., Dexter, Mich.

Aug. 6 (leter of notification) 83,095 shares ($1 par) common. **Offering**—Price $3 a share. **Underwriting**—Mercier, McDowell & Dolphyn. For reimbursement of treasury and additional capital.

● Wailes-Bageman, Inc., Vernon, Calif.

Aug. 7 (letter of notification) 12,500 shares (no par) common and 27,400 shares of cumulative 6% preferred stock. **Offering**—Price $1 a share of common and $10 a share of preferred. No underwriting. For acquisition of manufacturing plant.

Weetamoe Corp., Nashua, N. H. (9/3-13)

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

(Continued on page 928)

(Continued from page 927)

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.

• Wellington Manor, Inc., La Plata, Md.

Aug. 5 (letter of notification) 600 shares 6% ($100 par) preferred and 900 shares (no par) common. Being offered on behalf of stockholders. **Offering**—Price $100 a share of preferred. Price of common not stated. No underwriting. For development of real estate.

• Westinghouse Electric Corp., Pittsburgh, Pa. (9/3-6)

Aug. 14 filled $30,000,000 of debentures, due 1971, and 1,647,037 shares ($12.50 par) common. **Underwriter**—Kuhn, Loeb & Co. **Offering**—The debentures will be offered to the public while the common stock will be offered for subscription to holders of outstanding preferred stock and common stock of record Sept. 10 in ratio of 1/8 share for each share of common or preferred held. Unsubscribed shares will be sold to underwriters. **Prices**—By amendment. **Proceeds**—Proceeds will be used to finance part of the company's plant expansion and rearrangement program for increased working capital. **Business**—Manufacture of electrical apparatus and appliances.

West Virginia Water Service Co.

Aug. 6 filed 46,400 shares (no par) common. **Underwriter**—Shea & Co., Boston. Price, by amendment. **Proceeds**—Shea & Co. is selling 26,400 shares for its own account and the remaining 20,000 shares are being sold by Allen & Co., New York, with Shea as underwriter.

• Wheeler (W. H.) Inc., New York

Aug. 7 (letter of notification) 1,340 shares ($100 par) preferred and 1,340 shares (no par) common. **Offering**—Price $105 a unit consisting of one share of preferred and one share of common. No underwriting. For working capital.

Wisconsin Power & Light Co., Madison, Wis.

May 21 filed 550,000 shares ($10 par) common stock to be sold at competitive bidding. **Underwriters**—By amendment. Probable bidders include Merrill Lynch, Pierce, Fenner & Beane; White, Weld & Co.; Glore, Forgan & Co., and Harriman Ripley & Co. (jointly); The Wisconsin Co., and Dillon, Read & Co. **Proceeds**—Part of the shares are to be sold by Middle West Corp., top holding company of the System, and part by preference stockholders of North West Utilities Co., parent of Wisconsin, who elect to sell such shares of Wisconsin common which will be distributed to them upon the dissolution of North West Utilities Co.

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.

• Airborne Cargo Lines, New York

Aug. 12 with change of name from Hoosier Air Freight Corp. additional financing for purchase of additional planes expected, with Greenfield Lax & Co. Inc. as underwriters.

• American Anglo Transvaal Corp.

Ladenburg, Thalmann & Co. and Lazard Freres & Co. announced Aug. 13 that they are forming the American Anglo-Transvaal Corp., a $20,000,000 company, for the further expansion of mining and industrial activities in the Union of South Africa. The two New York concerns have invited Lazard Brothers & Co. and J. Henry Schroeder & Co., both of London, to participate in the subscription of an initial capital of $9,000,000 for the new company. Operations of the new company will be managed by the Anglo-Transvaal Consolidated Investment Co., Ltd., under the general direction of the board of directors of American Anglo-Transvaal, composed of representatives of the New York, London and South African interests.

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). The Wallenberg financial interests of Sweden, owners of the stock now vested in Alien Property Custodian, have brought suit to recover the stock or the proceeds thereof.

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 days from 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.

American Power & Light Co.

Aug. 7 reported company expects to file with the SEC in near future a plan for retirement of its preferred stocks which would include the sale at competitive bidding of 15% of the common stock of each of the following subsidiary companies: Florida Power & Light Co., Kansas Gas & Electric Co., Minnesota Power & Light Co., Montana Power Co. and Texas Utilities Co.

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.

• Apex Electrical Manufacturing Co.

Aug. 26 stockholders will vote on plan which provides for changing each share of outstanding common stock (no par) into four shares of $1 par value. Company would then have outstanding 340,000 shares of common stock. In addition, company proposes to create a new issue of 110,000 additional shares of common stock and 40,000 shares of cumulative preferred stock ($50 par), which will be offered for sale through underwriters.

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.

Aug. 14 the company asked the I.C.C. to free it from a restraint which prevents it from selling its stock holdings in three railroads. In 1931, the B. & O. was authorized to acquire 250,000 shares of capital stock of the Alton RR., since declared by the I.C.C. to be without value. The B. & O. meantime also bought stock of the Joliet & Chicago RR., Kansas City, St. Louis & Chicago RR., and Louisiana & Missouri RR. leased Alton lines. A provision made by the I.C.C. at the time the B. & O. acquired the stock prevents the company from selling, pledging, repledging, or otherwise disposing of these holdings. The B. & O. has informed the I.C.C. the stocks were initially acquired for "strategic" and investment purposes, but now have only investment value to the company. The holdings it plans to dispose of are: (a) Joliet & Chicago guaranteed 7% stock, 7,413 shares; (b) Kansas City, St. Louis & Chicago guaranteed 6% preferred stock, 3,617 shares; guaranteed 7% stock, 23 shares; (c) Louisiana & Missouri River guaranteed 7% stock, 1,576 shares.

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.

"Big" and "Little Inch" Pipelines

Leading natural gas producers were amongst the 16 bidders who submitted bids to the War Assets Administration for the "Big" and "Little Inch" pipelines constructed during the war by the government at a cost of about $145,000,000. E. Holley Poe, head of natural gas consultants, and his associates offered to (1) rent the lines for 40 years at $6,500,000 a year—a total of $260,000,000—or (2) purchase the lines for $80,000,000 with "a potential additional deferred payment of $20,000,000, depending upon the gas carried by the lines." It also was said that the banking firm of Dillon, Read & Co., Inc., would head a group of underwriters for the public offering of stock incidental to the financing.

The Big Inch Natural Gas Transmission Co., of which Robert J. Bulkley, former United States Senator from Ohio and sponsor of the Natural Gas Act, is President, offered to pay $85,000,000 cash for the lines. Halsey, Stuart & Co., Inc., and Otis & Co., it is said, would head the syndicate which would underwrite the securities.

Both offers agreed to maintain the lines for immediate reconversion to oil delivery in case of a national emergency.

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.

● **Buckeye Incubator Co.**
Aug. 20 stockholders will vote on increasing authorized common from 250,000 to 300,000 shares (par $2). The additional 50,000 shares would be offered for sale subject to preemptive rights of stockholders, at such times and in such amounts as determined by directors.

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.**
Aug. 8 Electric Bond & Share Co. will probably offer 420,000 shares of Carolina Power & Light Co. common stock for sale at competitive bidding, which will shortly accrue to Bond & Share pursuant to the plan for dissolution of National Power & Light Co. Probable bidders include Morgan Stanley & Co.; Dillon, Read & Co. Inc., W. C. Langley & Co. and The First Boston Corp. (jointly); by Smith, Barney & Co., Blyth & Co., Inc., and Kidder, Peabody & Co. (jointly).

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).

Central Soya Co., Inc.
It is expected that after distribution of 1½ additional shares of common for each share now held the remaining 90,000 unissued shares will be offered for sale to stockholders through subscription warrants. Directors have in mind issuing 20-year debentures to retire the company's 3¼% debentures and its five-year term bank loans, and to increase funds for working capital and plant expansion. Probable underwriters of new securities include Glore, Forgan & Co.

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.
July 24 company is negotiating with investment bankers relative to the sale of a new long-term first mortgage bond issue, with which to retire $4,200,000 bank loan obtained to retire the 5½% bonds of 1948, called for redemption Sept. 1, 1946.

● **Consolidated Edison Co. of New York, Inc.**
Oct. 8 stockholders will vote on a write-down of about $162,500,000 in stated value of common stock from $34 to $20 a share and on creating a new class of preferred, of which 2,200,000 shares are to be sold to replace present $5 preferred. If approved these steps would be undertaken after completion of $290,000,000 bond refunding. Probable bidders include Morgan Stanley & Co.

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.

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.

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.

Di Giorgio Fruit Corp.
September 5 stockholders will consider a plan to create a new class of non-participating preferred stock, $3 cumulative and junior to the present $3 cumulative participating preferred in respect to both dividends and assets. It is planned to offer present preferred stockholders an opportunity to exchange their shares for shares of such new preferred and class B common stock on the basis of one share of new preferred and one share of class B common for each share of outstanding $3 cumulative participating preferred.

Dow Chemical Co.
August 6 company has authorized new plants and additions costing an estimated $40,000,000 over the next three or four years. Probable underwriters of any new issues include Smith Barney & Co.

● **Dumont Electric Co.**
Aug. 14 reported company planning additional financing with First Colony Corp. as underwriter.

Ekco Products Co.
Sept. 6 stockholders will consider a plan to create a new issue of $7,500,000 preferred stock and to increase authorized common stock from 750,000 to 1,500,000 shares to permit a two-for-one split of outstanding common stock. It is proposed to offer publicly $6,000,000 of new convertible preferred and 40,000 new common shares. Union Securities Corp. is expected to head the underwriting group. Part of the proceeds from the financing will be used to retire 4½% preferred stock at $110 a share, and the remainder will be added to general funds to replace amounts spent for new plants and equipment.

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.

● **Espey Manufacturing Co., Inc., N. Y.**
Aug. 9 expected early filing (by notification) of 59,500 shares (par $1) common stock. Offering at $5 per share expected at end of Aug. with B. G. Cantor & Co. as underwriter. Company is an 18-year old radio manufacturer. It manufactures radios under private brand names, i.e. Macy's, Bloomingdales, Spiegel, &c.

Expreso Aereo Inter-Americano, S. A.
July 27 company announced agreement to acquire control of two Cuban Airlines. Stockholders will vote Aug. 16 on increasing authorized common from 1,000,000 shares to 2,000,000 shares (par $1). Probable public offering of over 300,000 shares with Van Alstyne Noel & 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.

● **Flagstaff Foods**
Aug. 14 company plans sale of 125,000 shares ($10 par) convertible preferred and 60,000 shares of common stock. Proceeds of preferred will be used to further along company's program of expansion which recently included the acquisition of three additional wholesale grocery concerns. Sale of common stock will be the initial distribution of securities of this previously privately held concern in more than 40 years. It is expected that Luckhurst & Co., Inc. will head the syndicate of underwriters handling the issue.

Fresh Dry Foods Inc., Columbia, S. C.
May 29 reported a registration statement covering 650,000 shares of common stock (par $1). Expected to be filed at an early date with Newkirk & Co., New York, as principal underwriters. Public offering price about $5 per share.

General Telephone Corp., New York
April 17 stockholders approved amendment to certificate of incorporation modifying restrictions against incurring debt for capital purposes without specific stockholders' approval. Stockholders also approved amendment to authorize 175,000 additional preferred shares. Probable bidders include Paine, Webber, Jackson & Curtis.

Goldring Merchandising Co.
May 28 reported prospective financing being discussed with Merrill Lynch, Pierce, Fenner & Beane, as underwriters.

Gordon Foods, Inc., Atlanta, Ga.
July 29 reported company plans the sale of 20,000 shares of convertible preferred stock and 100,000 shares of common stock, with Johnson, Lemon & Co. and Allen & Co. 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.

Hartford (Conn.) Gas Co.
August 6 company's application to issue $1,000,000 short term notes to be used for capital expenditures has the approval of the Connecticut P. U. Commission. Company states that before maturity of notes Sept. 1, 1949 it plans permanent financing and funding of the notes.

● **Henke & Pillot, Inc.**
Aug. 7 company advised that it will probably do some financial in the near future but that no definite plan has as yet been formulated.

Hollander (A.) & Son, Inc., Newark, N. J.
Stockholders will vote sometime in August on splitting common stock 2-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.

(Continued on page 930)

(Continued from page 929)

Interstate Power Co. (Del.)
May 21 pursuant to amended plan filed with SEC company proposes to sell through competitive bidding $20,000,000 new first mortgage bonds and such number of 3,000,000 common shares as may be necessary to enable the company to carry out the provisions of the amended plan. Probable bidders include the First Boston Corp.; Halsey, Stuart & Co. Inc. (bonds only); Dillon, Read & Co. Inc. (stock only).

Kansas City Power & Light Co.
July 9 it was reported that company may in near future refund its outstanding $38,000,000 bonds and 40,000 shares of preferred stock, with securities carrying lower coupon and dividend rates. Probable bidders include Halsey, Stuart & Co. Inc. (bonds only); The First Boston Corp.; Mellon Securities Corp.; Harriman, Ripley & Co.

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.).

Keystone Steel & Wire Co.
August 6 reported negotiations are under way between certain stockholders of Keystone and a group of securities firms headed by The First Boston Corp. for public sale of 182,316 shares of Keystone stock held by the former group. The stock is understood to represent holdings of W. H. Sommer, former President of Keystone, and of Forest Park Home Foundation, a charitable organization.

● **Kimberly-Clark Corp., Neenah, Wis.**
Aug. 9 stockholders approved an increase in authorized common stock from 1,000,000 to 3,000,000 shares and a two-for-one split in outstanding shares. On completion of split-up, 1,800,480 shares would remain for use in future financing. Stockholders also authorized a new issue of 125,000 shares ($100 par) preferred stock to be subordinated to the present 4½% cumulative preferred as long as any such stock remains outstanding. The additional common stock may be offered for sale later this year in connection with the company's expansion program. Probable underwriters include Lehman Brothers, First Wisconsin Co. and Hallgarten & 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 the week of July 19, 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.

● **Lytton's, Henry C. Lytton & Co.**
Aug. 28 stockholders will vote on authorizing an increase in capital stock from 500,000 to 1,100,000 shares. Of the proposed shares, 100,000 would be preferred stock (no par) and the balance common stock. The proposed increase will permit a public offering of 50,000 shares of the new preferred, the proceeds of which will be used for expansion purposes. Probable underwriter, Brailsford & Co.

Magma Copper Co.
Aug. 29 stockholders will vote on increasing the authorized capital shares to 1,200,000 from 410,000. Of the additional 790,000 shares, between 200,000 and 250,000 shares will be offered to stockholders 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.

May Hosiery Mills, Nashville, Tenn.
July 29 rumored the sale of some 100,000 shares of common stock planned by certain stockholders, with Weil & Co. and Allen & Co. as probable underwriters.

Mid-Valley Distilling Corp., Archbald, Pa.
August 7 company expects to file a registration statement in near future covering an issue of stock, with E. F. Gillespie & Co., New York, as underwriter. The proposed offering under Regulation A Filing has been withdrawn.

Milwaukee Gas Light Co.
July 18 SEC will hold hearing on the proposal to change its authorized and outstanding common stock from a par value of $50 a share to $12 a share and increase the number of authorized common shares from 260,000 to 1,150,000 shares, and incidental transactions. The proposed transactions are steps in a general program of American Light & Traction Co., the parent company, to effect compliance with the Holding Company Act's provisions, which will ultimately result in the liquidation of that company and the distribution of its assets.

● **Montreal, City of (8/22)**
Bids for the purchase as a whole of an issue of $47,835,000 serial Debentures (payable in United States currency), dated Aug. 1, 1946 and maturing in installments from Nov. 1, 1947, through Nov. 1, 1975, will be received at the office of the Executive Committee, City Hall, Montreal 1, P. Q., Canada, up to 11 A.M., EDST, on Aug. 22. Probable bidders include Harriman Ripley & Co., Inc. and Dominion Securities Corp. (jointly); The First Boston Corp.; Smith, Barney & Co.; Glore, Forgan & Co.; Halsey, Stuart & Co., Inc.; Blyth & Co. Inc., and Shields & Co. (jointly).

● **National Blouse Co.**
Aug. 14 reported company planning sale of common stock with First Colony Corp. as underwriter.

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.

Neisner Brothers, Inc.
July 30, in addition to the declaration of an increased dividend on the common stock, directors voted July 30 to recommend to stockholders an increase in the authorized capital shares from 400,000, of which 206,000 are now outstanding, to 2,000,000, paving the way for a 3-for-1 split-up. The rest of the unissued common stock would be used for corporate purposes. A special meeting of common stockholders will be held about Sept. 1.

New York Ontario & Western Ry.
July 29 company asked the ICC for authority to issue $2,600,000 of 3% equipment trust certificates. Proceeds will be used to help pay for four diesel-electric freight locomotives and 23 diesel-electric switching locomotives. Probable bidders include Halsey, Stuart & Co. Inc., and Salomon Bros. & Hutzler.

New York State Electric & Gas Corp.
August 6 a revised refunding plan has been filed with the New York P. S. Commission which contemplates refunding the 3¾% bonds with an equal face amount of new bonds and the issuance of $15,000,000 new preferred stock of which $12,000,000 is to replace a like amount of preferred now outstanding.

● **Northern Indiana Public Service Co.**
Aug. 12 the Federal court for the District of Delaware has approved the plan of reorganization for the Midland Utilities Co. and Midland Realization Co. The approval makes effective partial liquidating dividends of 1 4/10 shares of common stock of Northern Indiana, for each share of capital stock of Midland Utilities and a dividend of 1¾ shares of Northern Indiana for each share of Midland Realization. Following the distribution, Midland Realization will have remaining 177,262 shares and Midland Utilities, 54,395 shares of Northern Indiana. These will be offered for sale at competitive bidding along with 146,924 shares of Northern Indiana which Middle West Corp. will receive on its holding of Midland Realization common. Public offerings will total 378,581 shares of Northern Indiana.

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.

● **Northern Pacific Railway (8/29)**
Bids for the purchase of $2,100,000 conditional sales agreement notes will be received at office of company, 176 East 5th St., St. Paul 1, Minn., 12 noon, CST, Aug. 29, the interest rate to be specified in the bid.

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 25 company applied to California Railroad Commission for authority to issue $75,000,000 40-year debentures and to sell 328,125 shares (par $100) common stock, the latter to be offered for subscription to preferred and common stockholders pro rata. Debentures are to be sold competitively with Morgan Stanley & Co.; Halsey, Stuart & Co. Inc.; Blyth & Co., Inc., as probable bidders.

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.

● **Scovill Manufacturing Co., Waterbury, Conn.**
Aug. 14 company plans early registration of $10,000,000 of preferred stock and 150,000 additional shares of common. Morgan Stanley & Co. will head the underwriters.

● **Seamprufe, Inc.**
Aug. 14 reported company, manufacturer of women's underwear, planning sale of preferred stock with First Colony Corp. as underwriter.

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.

● **Southern Railway (9/4)**
Bids for the purchase of $7,880,000 equipment trust certificates series LL, dated Sept. 15, 1946 and due in 10 equal annual installments from Sept. 15, 1947, will be received at company's office, room 2018, 70 Pine St., New York 5, N. Y., up to 12 noon, EDST, Sept. 4. The dividend rate must be specified in the bid.

● **Standard Brands, Inc.**
Oct. 2 stockholders will vote on authorizing a new class of preferred stock. If proposal is approved, it is expected that an initial series of new preferred stock will be issued for the purpose of refunding 200,000 outstanding shares of $4.50 dividend (no par) preferred. Probable underwriter Morgan Stanley & Co.

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.

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.

Thatcher Glass Manufacturing Co.
August 29 stockholders of Thatcher Mfg. will vote on changing name to Thatcher Glass Mfg. Co. and increase authorized capital stock from 750,000 shares (no par) to 1,500,000 shares (par $5) and exchange two old shares for one new. If conditions warrant, company intends to make a public offering of from 50,000 to 75,000 common shares later this year. Negotiations for underwriting such public offering are not yet completed.

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
August 7 negotiations with an investment house to underwrite an initial public issue of about $20,000,000 to finance his venture into the automobile field with a rear-engine passenger car has been completed by Preston Tucker. 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 five 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 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.

Union RR. (Pa.)
Company has applied to ICC for permission to issue $1,500,000 equipment certificates to finance purchase of 500 hopper cars. Certificates would mature in 10 equal annual instalments starting with Sept. 1, 1947. Probable bidders include Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

Union Railroad (Pa.) (8/20)
July 23 company, which operates in Allegheny County, Pa., has asked the Interstate Commerce Commission for authority to issue $7,900,000 of first and refunding mortgage bonds, series A, and to redeem two issues maturing on Sept. 1. The interest rate of the new 50-year bonds, dated Sept. 1, will be determined by competitive bidding. Probable bidders include Drexel & Co.; Halsey, Stuart & Co. Inc. Bids for the purchase of the bonds will be received up to 12 noon EDST, Aug. 20 by E. C. McHugh, Treas. c/o United States Trust Co., 45 Wall St., N. Y. C.

● **United States Finishing Co.**
Sept. 30 stockholders will vote on recapitalization plan which provides for a new class of 63,000 shares (no par) $4 convertible stock and increase in common from 200,000 shares to 500,000 shares (no par). Holders of outstanding 7% preferred will have privilege of exchanging their stock for new $4 preferred and common on basis of 1¾ shares of new preferred and 1¾ shares of common for each share of old preferred. If plan is consummated a total of 123,142 shares of common stock will be available for subsequence issuance.

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 rejected the conditions attached by the ICC but on re-hearing the ICC July 19 affirmed its original order. Probable bidders include Blyth & Co., Inc.; Merrill Lynch, Pierce, Fenner & Beane; Shields & Co., and Glore, Forgan & C.

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.

Our Reporter's Report

When the New England Gas & Electric Association's refinancing was postponed several days ago, it meant that the current week would go by without a single sizable corporate bond issue reaching market. But the decision of the utility to defer this operation was taken in stride so far as the underwriting fraternity was concerned.

The latter, it now develops, has ample work cut out for its vacation-depleted staffs in the job of marketing "left-overs" from the recent heavy run of new issues. And according to some observers this really promises to be a bit of a task.

Some underwriters, it now appears, became a bit too ambitious, or perhaps to put it a better way, a trifle over-confident of the market's ability to absorb new emissions. At any rate unbiased observers are frank to state that the new issue market is unlikely to be in a receptive mood for the balance of the summer.

The New England utility's project came a'cropper through a combination of circumstances, the present state of the market, and more important, it appears now, the restrictions which it set up to govern bidding for the securities involved.

First of all it fixed an upset price of $11 a share for the stock which bankers felt they could not sell at that figure and, further decided that the bonds could not be awarded unless the stock was sold at the same time.

Some in the street characterized it as a "good example" of the operation of competitive bidding where the company does not have the counsel of its bankers.

Frozen Capital

The backing up of new issues, latest reports indicate that less than half the Yonkers Electric Light & Power Company's $9,000,000 of 2⅝%, offered last week have been sold thus far, is really substantial, judging from current comment.

True the bulk of the new issues which have been accumulating in underwriters' and dealers' hands are equities, but as competent observers point out it makes little difference whether the unsold material is bonds or stocks. The point is that capital is tied up regardless of how.

As one investment banker put it "what difference does it make what clogs your pipe, it's clogged, and that's what counts."

Foreign Dollar Loans

Between now and Labor Day the capital market will be called upon to absorb two substantial issues of foreign dollar bonds, one for the City of Montreal and the other by the Commonwealth of Australia.

The latter undertaking, which is expected to reach market along about Aug. 28, will mark something of a milestone in postwar financing since it will constitute the first offering of foreign bonds in this market, except for Canadian issues, since before the war.

Registration for the $20,000,000 of new 3¼s has been filed it is indicated that this operation may prove the forerunner of complete refinancing of the balance of $128,000,000 of Australia's U. S. dollar debt between now and the fall of 1947.

Montreal has called for bids to be opened a week from today for its projected $47,835,000 of new serial bonds, payable in U. S. Currency, which will permit redemption of outstanding higher-coupon issues.

Columbia Gas & Electric

The prospect now is that the new debentures of Columbia Gas & Electric Corp., registered with the Securities and Exchange Commission last week in the amount of $95,000,000, will be up for bids early in the second week of September.

At least two large banking groups one of them headed by the newly-constituted First Boston Corp., and the other by Morgan Stanley & Co., are preparing to seek the bonds.

The offering will consist of $75,000,000 maturing 1971 and the balance of $20,000,000 in serial debentures.

DIVIDEND NOTICES

AMERICAN GAS AND ELECTRIC COMPANY

Preferred Stock Dividend

● THE regular quarterly dividend of One Dollar Eighteen and Three-quarter Cents ($1.18¾) per share on the 4¾% cumulative Preferred capital stock of the Company issued and outstanding in the hands of the public has been declared out of the surplus net earnings of the Company, for the quarter ending September 30, 1946, payable October 1, 1946, to holders of such stock of record on the books of the Company at the close of business September 4, 1946.

Common Stock Dividend

● A regular quarterly dividend of Fifty Cents (50c) per share on the Common capital stock of the Company issued and outstanding in the hands of the public has been declared out of the surplus net earnings of the Company for the quarter ending September 30, 1946, payable September 16, 1946, to holders of such stock of record on the books of the Company at the close of business August 20, 1946.

H. D. ANDERSON, Secretary.

August 14, 1946.

Newmont Mining Corporation
Dividend No. 72

On August 14, 1946, a dividend of 37½ cents per share was declared on the capital stock of Newmont Mining Corporation, payable September 16, 1946, to stockholders of record at the close of business August 31, 1946.

H. E. DODGE, *Treasurer.*

DIVIDEND NOTICES

NATIONAL CELLULOSE CORPORATION

Notice of Dividend on
COMMON STOCK

The Board of Directors of this Corporation on August 12, 1946 declared the initial dividend of ten cents (10c) per share on the outstanding Common Stock, payable October 15, 1946 to stockholders of record at the close of business September 30, 1946. Checks will be mailed.

LOUIS W. MEAKER, Treasurer

THE BUCKEYE PIPE LINE COMPANY
30 Broad Street
New York, N. Y., July 29, 1946.

The Board of Directors of this Company has this day declared a dividend of Twenty (20) Cents per share on the outstanding capital stocks, payable September 14, 1946 to shareholders of record at the close of business August 16, 1946.

C. O. BELL, *Secretary.*

St. Louis, Rocky Mountain & Pacific Co.
Raton, New Mexico, August 9, 1946.

PREFERRED STOCK DIVIDEND NO. 102

The above Company has declared a dividend of $5.00 per share on the Preferred Stock of the Company to stockholders of record at the close of business August 31, 1946, payable September 16, 1946. Transfer books will not be closed.

COMMON STOCK DIVIDEND NO. 90

The above Company has declared a dividend of $1.00 per share on the Common Stock of the Company, to stockholders of record at the close of business August 31, 1946, payable September 16, 1946. Transfer books will not be closed.

P. L. BONNYMAN, Treasurer.

Free Market For Crude Rubber Advocated

John L. Collyer, President of B. F. Goodrich Company, also recommends sale of government synthetic plants to the industry. Sees need of maintaining these plants "ready to run" as a matter of military security.

Recommendations that "serious consideration be given" to returning crude rubber to a free-market basis at the end of this year, and that the government sell or lease to private industry its facilities for producing American-made synthetic rubber as soon as the world shortage in rubber supply is eased, were made on August 14 by John L. Collyer, President of the B. F. Goodrich company.

John L. Collyer

Mr. Collyer's appraisal of supply, progress, costs and outlook for crude and American-born rubber "at the first anniversary of V-J Day" was the ninth in a series of rubber studies the company has issued since the day in 1940 when it first put on the market auto tires made with American-made rubber "to call attention to the nation's vulnerability with respect to supplies of rubber." This report comes at the halfway point in rubber's generally accepted two-year postwar "transition period."

Establishment of free market conditions, the Collyer analysis pointed out, would be the first step toward achieving the economic benefits long foreseen as chief by-products of the coming competition between crude and in all postwar decisions on rubber American-made rubber. He listed these benefits as lower-cost finished products, wider use of rubber in new applications, broadened markets and increased employment possibilities.

As things stand now, the study shows, general-purpose rubber could be manufactured and sold by private industry at a 600,000-tons-a-year rate for between 15 and 17 cents a pound — including plant amortization, selling expense and return on invested capital. The current USA delivered cost of Far East crude rubber is between 25 and 26 cents a pound.

"For the present, of course," the Collyer report says, "worldwide demand for rubber is such that it is impossible to get a true picture of how preference for crude rubber will stand up with the indicated differential of eight or more cents a pound." However, it said that "some time in 1947" the available supplies will be "such as to allow manufactures a free choice of one or the other — or both in verying combinations — on the sound basis of price in relation to finished-product performance."

In urging that the government proceed with the program, recommended by the Inter-Agency Committee on Rubber, of selling or leasing to industry the American-made rubber producing facilities, the B. F. Goodrich President again reiterated the warning he first made in June of 1943, that policy the matter of military security be the foremost consideration. His proposals have been maintenance, "in plants kept in condition and ready to run," of 600,000 tons standby capacity, and minimum actual production and use of 200,000 tons a year from those plants.

Discussing technical progress, the study said that "as of now, and taking the realm of large-tonnage uses as a whole, crude rubber still has the advantage in performance." It added, however, that great progress has been made since the early months of this country's experience in using American-made rubber, in (a) the rubber itself, notably in making improved variations of the main-type rubber formula; (b) compounding; (c) product construction, through greater use of rayon and other man-made filaments, and (d) in designing products, such as the passenger-car tire his company is now making that actually outwears prewar natural rubber tires.

The B. F. Goodrich study included a chart outlining probable world consumption of rubber for the first three postwar years. It indicated that the United States' total rubber consumption requirements would be one million tons this year, 900,000 in 1947, and 800,000 in 1948 — still well above the 651,000 tons consumption of 1940, last normal prewar year. The predicted minimums of American-made rubber to meet consumption needs were shown as: 740,000 tons this year; 500,000 in 1947, and 250,000 in 1948. Crude rubber supply to this country was forecast as 360,000 tons in 1946, 500,000 in 1947, and 650,000 in 1948. In each of these years 100,000 tons of crude would be going into the building of adequate working stocks and stockpiling.

Text of Act Authorizing Sale of Govt.-Owned Silver to Industry

We are giving below the text of the measure as enacted into law with President Truman's signature on July 31, authorizing the Secretary of the Treasury to sell or lease Government-owned silver to industry at not less than 90.5 cents per fine troy ounce; in our issue of Aug. 8, page 793, reference was made to the announcement by Secretary of the Treasury Snyder that he was prepared to make sales of silver at 91 cents an ounce, for manufacturing uses, as authorized under the act. The text of the newly enacted measure follows:

[H. R. 4590]
AN ACT

"To authorize the use by industry of silver held or owned by the United States, and for other purposes.

"*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,* That hereafter the Secretary of the Treasury is authorized to sell or lease for manufacturing uses, including manufacturing uses incident to reconversion and the building up of employment in industry, upon such terms as the Secretary of the Treasury shall deem advisable, to any person, partnership, association, or corporation, or any department of the Government, any silver held or owned by the United States at not less than 90.5 cents per fine troy ounce: *Provided,* That at all times the ownership and the possession or control within the United States of an amount of silver of a monetary value equal to the face amount of all outstanding silver certificates heretofore or hereafter issued by the Secretary of the Treasury shall be maintained by the Treasury: *Provided further,* That hereafter each United States coinage mint shall receive for coinage silver mined after July 1, 1946, from natural deposits in the United States or any place subject to the jurisdiction thereof, as provided in the Act of July 6, 1939 (Public Law 165, Seventy-sixth Congress), and tendered to such mint within one year after the month in which the ore from which it is derived was mined, except that the seigniorage to be deducted shall be 30 per centum instead of 45 per centum as provided in section 4 (b) of said Act.

"Approved July 31, 1946."