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The COMMERCIAL and FINANCIAL CHRONICLE

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Price Declines and Stock Prices

By ROGER W. BABSON

Noting recent abrupt rises in fish, cattle and cotton and other food products, Mr. Babson recalls similar sharp price rises in such commodities following World War I and a subsequent slump. Holds the beginning of a price decline should not be a reason for bearishness in stock market, and states he is "still bullish" on well selected stocks.

GLOUCESTER, MASS.—An important event has happened here at the world's largest fishing port. There has recently been a radical break in the wholesale price of fish. When it first happened last month, we did not take it seriously, thinking it was due to a temporary surplus which sometimes happens in the summer and when everyone wants to go fishing! But the market's recent action raises very important ques-

Roger W. Babson

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Long Prosperity Ahead!

By MELCHIOR PALYI

Holding that a sellers market will be with us for years to come, Dr. Palyi points to shortages of capital goods, the vast hoard of wartime savings and spending, the bottleneck in housing, and the reduced working hours and productivity of labor. Holds production alone will not "outsmart" the inflation resulting from purchasing power, since "human wants are insatiable," and it will take many years of moderate budget surpluses to correct the fundamental maladjustment between supply and demand.

When a great many people are willing and able to spend a great deal of money on all kinds of things—and cannot get them—that is Prosperity in a nutshell. It is a disproportion between the old standbys, Supply and Demand. Too little of the one and too much of the other make for a seller's market, which we are "enjoying" presently. Boom and Inflation are other words for the same thing.

Dr. Melchior Palyi

What ends this state of affairs is the reversal of the disproportion: greatly expanded Supply and similarly deflated Demand. (These two go together, too.)

When will that reversal happen? If we let Demand alone—if we do not strangulate it by taxes or credit restrictions—*the seller's market will be with us for years to come.* And if we meddle too much with production, there may be shortrun "recessions," but the Boom will be artificially prolonged.

Time and again, we are told that overproduction threatens in

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Exchange Rates Run Wild

By DR. L. ALBERT HAHN

Economist reports European monetary systems, despite accompanying "orgies of bureaucracy," are mere inefficient caricatures of Nazi economics. Declares Government measures in lieu of preventing worldwide inflation, have merely frustrated its noticeable effects—resulting in division of all areas into regulated and black markets. Lists current prices of gold coins and foreign currencies in Switzerland, dollars being traded at a 20% discount and gold coins at tremendous premiums. Dr. Hahn concludes a free exchange market can be reestablished only after internal economies are put in order, and hence individual credit arrangements, in lieu of Bretton Woods devices, must stabilize postwar currencies.

One of the most amazing things to an economist travelling nowadays in Europe is the awkward and truly grotesque conditions that have developed as a consequence of governmental interference, restrictions and regulations in the foreign money markets. It seems as if the public and even the experts in the United States are only inadequately informed about these conditions.

Photo: H. N. Rubien
Dr. L. Albert Hahn

To begin with, if one would try to describe these conditions as identical to the system invented by Schacht, this would be an offense to him. For whereas Schacht's system worked almost faultlessly, the new European sys-

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Editor's Note: Dr. Hahn has just returned from a three-months' tour of the European financial capitals.

No Benefit From Low Interest Rate

By THOMAS I. PARKINSON*
President, The Equitable Life Assurance Society

Prominent insurance executive points out low interest rate policy is neither profitable to government or to mortgage home owner. Points out higher interest rates would increase income tax payments and thus offset loss due to higher service charges on national debt. Says higher costs of housing construction offsets savings in interest charges on mortgage loans. Holds only way of maintaining low interest rates is to increase money supply and thus cause inflation.

T. I. Parkinson

In simpler times we knew that it was possible to save by tightening the bung while suffering greater loss by carelessness at the spigot. That seems to be what we are doing currently in emphasizing a low interest rate on government bonds.

That low interest rate is maintained by the creation of an over supply of bank credit which has been turned into bank deposits swelling our supply of money until it is now three times its total in 1940. This great supply of money now in excess of $175 billions is the cause of stock market booms, real estate booms, and higher prices and wages generally. What the taxpayer thinks he is saving by the low interest rate which his Treasury pays on government bonds he is more than losing by the high prices which he pays for everything that he buys. And there is no other cause of high prices so important as the swollen money supply. (Continued on page 1043)

*Statement of Mr. Parkinson distributed through the Continental Press Syndicate.

World Bank's Success Dependent on Credit Policy

By ERNEST H. WEINWURM

Bank will have to face peculiar management problems. Majority of executive directors will represent prospective debtors. Borrowers will be sovereign governments and resent controls common in private lending. Bretton Woods Agreements have set comparatively rigorous standards for granting loans, but the Bank will be under heavy pressure to grant exceptions. Adequate disclosure and controls will be indispensable to assure lasting success and investors' confidence. Overemphasis on sovereignty rights led to doom of UNRRA. The Bank should apply disclosure standards of the SEC. Final solution of credit management problems will depend on a spirit of cooperation among the members of the Bank.

The new World Bank will have to make crucial decisions in connection with its basic credit policies right at the beginning of its operations. It will enjoy no breathing spell, however brief, as may permit it to work out its policies and rules as it goes along and to benefit from its own experience. This is a situation which is bound to place a particularly heavy burden upon the executive directors and the management of the bank who will be called upon to draw up those basic rules and policies.

Ernest H. Weinwurm

Discussions on World Bank problems have been dealing mainly with financial, economic and monetary aspects. Hardly any consideration has been given to questions of credit policy and management up to now. And yet, these very questions may turn out ultimately to be the most decisive ones for the future of the new institution.

Avalanche of Credit Applications Expected

All over the world, funds for "reconstruction and development" are needed in almost unlimited

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In Praise of Lord Keynes

By FRANK P. BRECKINRIDGE

It is contended British Economist exerted invaluable influence over American financial thinking and similar expert opinion is still required for our executives.

In my opinion, Lord Keynes has answered Mr. Cortney more effectively than I could hope to do. However, I offer the following as the considered and deep-seated reaction of a long-term observer of the noted British statesman.

F. P. Breckinridge

J. M. Keynes, learned economist from London, once waved both hands over his head and shouted, "The MAN is MAD!" The man was an executive of one of the big banks in downtown Chicago. On the evening of July 1, 1931, a group of forty-odd professors and financial men had gathered at the University of Chicago to consider what could be done about the depression which was becoming ominous. They were exploring the possibility of the government's or the Federal Reserve banks' "doing something" to remedy unemployment. Keynes had just presented a careful argument for the removal of interest rates from saving deposit accounts in order to drive depositors' money into bonds and to facilitate credit through open market operations. The loop banker had expressed the fear that it would lead to inflation — another stock market boom. So Keynes bored in on him (according to my notes) in words something like this:

Editor's Note: This article is published by way of "answer" to Philip Cortney's criticisms of Lord Keynes, which appeared in "The Chronicle" of Aug. 15.

"And you are against doing anything to stop this hideous deflation because you think here and now we might have a runaway inflation. It seems to me appalling that, simply for the sake of moral discipline involved, we should perpetuate a condition in which this country's resources are running to waste."

I asked Keynes privately whether he had not been a little hard on the poor banker whom he had driven (in the opinion of those present) fifteen feet underground; to which he replied, "My dear sir, I wish to make that sort of thinking *intellectually disreputable.*"

Keynes was especially impatient with the bureaucratic type of mind, so common among bankers both in England and the United States, which fears to speak anything contrary to what it conceives to be the current general opinion. In his "Revision of the Treaty" (page 195) he wrote:

"Many Americans give their advice as though it were actually immoral to make suggestions which public opinion does not approve. In America, I gather, an act of this kind is considered so reckless, that some improper motive is at once suspected; and criticism takes the form of an inquiry into the culprit's personal character and antecedents."

Nevertheless, public opinion was a matter of supreme interest to Keynes. He liked to point out that the term was used with reference to the opinions sometimes of one group of people, sometimes of another: (a) the academic experts; and the partly-expert bankers, industrialists, newspaper editors, and the like; (b) the *inside* opinion, "upstairs, backstairs and behind stairs"; and the *outside* opinions of journalists, politicians —those *not* in the know; (c) the written statements and dogmatism in the newspapers as contrasted with the "living indefinite beliefs" of the man on the street, "that which the mass of ordinary men privately suspect to be true."

However, in considering Keynes' influence on financial opinion in America, we are concerned with the degree to which it was effective in molding the opinions of the so-called partly-expert — the bankers, investment men, news-

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Latin America—Its Position and Prospects

By C. A. McQUEEN

Asserting that immediate prospects for increased trade between U. S. and Latin America are excellent, Mr. McQueen supports his contention by pointing to large Latin American cash reserves, exceeding $4 billions, in this country; adherence of the American Republics to the International Bank and the Monetary Fund; and their new policies of industrialization and economic expansion. Holds internal conditions in Latin America are influenced by inflation, nationalism, statism and subsidized industrialization, but contends these disturbing developments will be adjusted in time, requiring in some countries several years.

The immediate prospects for a lively trade between the United States and Latin America are of course excellent. Our present exports to that region are running at a rate of $1,750,000,000 per annum, which is more than the value of our merchandise exports to the whole world in 1932 or 1933. Imports from Latin America are at the rate, based on official figures for the first four months of 1946, of about $1,680,000,000 per annum, as compared with a computed dollar value of $1,587,500,000 for the total exports of the 20 republics to all destinations in 1938. Even so, we yearn for more sugar, bananas and various raw materials that are not moving in satisfactory volume. Our southern customers also are not receiving what they would like to have in the way of automotive and transportation equipment, industrial and agricultural machinery and other manufactures. Therefore, the totals above indicated are likely to be exceeded in the entire calendar

Charles A. McQueen

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NYSE Firms Taking Conservative View of Permissive Incorporation

Sentiments of brokers are seen as taking a very definitely conservative turn as we near the day (Sept. 12) when Board of Governors of NYSE will decide on whether to present question to members for a vote. However, it may be advocates of incorporation are merely keeping in background. The "Chronicle" will be glad to print the opinions of members of Exchange and of partners with whom they are associated on question. Some thoughts of the brokers on the issue are given below.

Sentiment among members of the New York Stock Exchange on the subject of permissive incorporation took a very definitely conservative turn this last week as judged from the expressions of the stock brokers themselves, some of whose opinions are printed below. Apparently, the nearer we get to (Sept. 12) the day when the Board of Governors of the NYSE will decide on whether to present the question to the members for a vote, the more soberly the members are inclined to look upon the whole proposition. However, it may be that the advocates of incorporation are merely keeping in the background.

Whatever the opinion may be in New York, it is believed that members of the Exchange outside of the city are lining up almost solidly against the issue. Since the "Chronicle" feels that a thorough discussion of the subject is important at this time when so many of the firms are trying to figure out what position they should take on

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The Outlook for the Utilities

By THERON W. LOCKE*

Public Utility Analyst cites present power output as unexpectedly exceeding war-end figures of year ago. Terms a bullish factor the replacement of war industry consumption by much more profitable domestic load. Scouts public's fear over higher costs, holding they will be offset by increased gross. Concludes because of yield and growth factors, utility stocks should rise selectively.

The decline which has taken place in public utility stocks in recent weeks has raised the question as to the outlook for the utilities and several articles have appeared in various publications indicating that as far as the industry is concerned the outlook is excellent. This belief appears to be borne out by the facts. It is now one year since V-J Day and soon figures will be available showing the changes in electric power production for this first postwar year. It is interesting to notice that the total power output for the U. S. as a whole for the week ended Aug. 17 was 12.3% above the power output of the same week a year ago when the war was drawing to a close. Certain sections of the country are showing a sharp increase in the use of power while others show decreases, but the total appears favorable in view of the anticipated sharp decline in power output which was generally expected a year ago. For the 12

Theron W. Locke

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*Mr. Locke is Chairman of the Public Utilities Division of N. Y. Society of Security Analysts.

The Pathology of Inflation

By THOMAS FRENCH
Registered Professional Engineer, Oregon

Writer contends that a plethora of metallic money is not a primary cause of inflation, but is a stimulant to increased production and business activity. Diagnoses inflation as a rise in "wage-costs," which comprise not only workers' wages, but interest and profits as well. Denies price rises precede wage costs rises, but attacks policy of reduced bank reserves as creating a spiral of inflation. Concludes since wages and prices are synonymous, wages-costs should be kept low by increased productivity and wage rates should not be left low by increased productivity and wage rates should not be left to collective bargaining, since conservation of rights of labor is a function of Congress.

One year ago, although the number of persons employed was less than in the previous year, the Congress found it necessary to provide more money for the financial transactions of the country. The gold backing of the dollar was approaching the minimum statutory limit. By Act of Congress, on June 12, 1945, the gold backing of the dollar was therefore, reduced to 25% from the previous 40%, and required reserves against member bank deposits to 25% from the previous 35%.

Thomas French

That, alone, denoted that we had entered what may soon be the giddy whirl of the inflation spiral. The question now is, can we stop it? We can, but only in one way—a way which involves the most difficult of all measures. It can not be done by restricting the currency available for expenditure on scarce goods without equally affecting the production of necessary goods with consequent cumulative disemployment.

The results which followed the sterilization of gold by the

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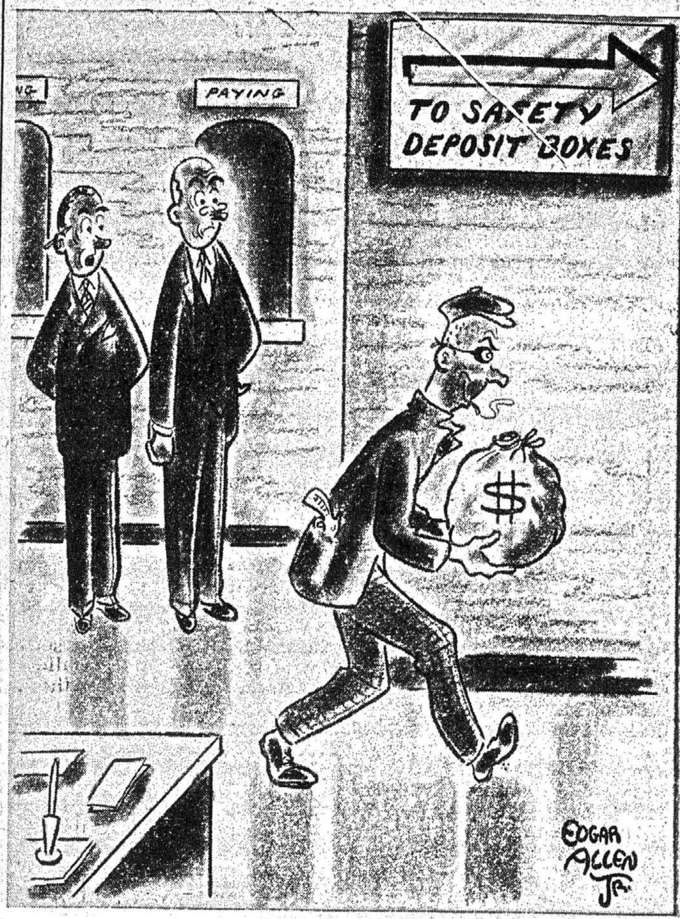
BUSINESS BUZZ



"Does That New Depositor Seem a Trifle Suspicious to You Too?"

The Economics Behind Current Stock Market Uncertainty

By MURRAY D. SAFANIE
Partner, Shearson Hammill & Co.
Governor, New York Stock Exchange

Economist holds hesitance of current market action is justified by nation's crucially important labor unrest; which may cause further wage advances, lower profit margins, and general unbalancing of our economy. Hence, while not expecting an early bear market, Mr. Safanie advocates investment caution.

The securities market is in the anamalous position of expressing great hesitance with, in fact, a declining tendency, during a period when industry is reporting the best peacetime record of production and trade in history. The Federal Reserve Board's index of industrial production for the current month will probably reach 177, about 2% above the prewar peak of 174 in November, 1941; the annual rate of income payments is running at an all-time record of $163 billion and exceeds by 66% the prewar peak of less than $100 billion just before Pearl Harbor, a period which was reflecting considerable expansion of shipbuilding and aviation for defense and for export to our subsequent Allies. Steel production is at the highest rate since V-J Day; department store sales continue at or around the all-time peak of about 280% of the 1935-39 average, or substantially more than double the prewar rate. The higher price level is, of course, reflected in these volumes, but most of the gain is in physical volume as borne out by carloadings—also at a peak—and would be even higher if more cars were available. Manpower is still in short supply and holding back many industries such as building construction which though booming has only reached a fleabite as compared with demand. Agricultural income is at undreamed-of high levels and nature is favoring us with excellent crops again this year. Industries which are not at peaks are principally those which are being held back by shortages of materials and manpower—notably the automobile and truck industry—but

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Industrial Stock Price Trends Since 1870

By DR. FRED R. MACAULAY*

Economist of the National Securities & Research Corp.

Dr. Macaulay traces through a chart the fluctuations in stock prices from January 1871 to July 1946 inclusive, and explains methods used in the compilation. Says study is not designed to forecast future market trend.

I present in this article a chart showing the movements of industrial stock prices in the United States since 1870. It is based upon the exhaustive indexes of the Cowles Commission and of the Standard and Poor's Corporation.

Dr. F. R. Macaulay

I shall not attempt to prove that the mathematical regularities of this chart are other than purely empirical. But I suspect that, especially since the low of 1896, they cannot fairly be described as merely accidental; and that, though they may quite possibly not be followed in the immediate future with such consistency as they so often have been in the past, they are well worth the thoughtful consideration of the investor and speculator.

The chart is a monthly chart drawn on a "semi-logarithmic" scale (natural x, log y). The first straight line (A) placed on the chart was drawn through two points—the first low (August, 1896) after the 1893 decline, and the last low (August, 1921) before the uprush into 1929. The second line (B) was drawn parallel to the first line and through the last high (October, 1919) before the 1929 high. All other lines on the chart are parallel to these two lines.

The reader will note that the low of 1903 falls virtually on the

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*A summary of the views expressed by Dr. Macaulay in the Aug. 15, 1946, issue of "Investment Timing," published by the Economics and Investment Department of the National Securities and Research Corporation.

Wall Street Union Runs Into Legal Snag in Its Attempt to Obtain Election in Brokerage Firm

By EDMOUR A. R. GERMAIN

A decision is expected soon from Trial Examiner I. L. Broadwin of the State Labor Relations Board on whether the Board may assume jurisdiction over an election to determine the bargaining agent for the employees of Harris, Upham & Co. Council for the firm says that National Labor Relations Board should have jurisdiction as Harris, Upham & Co. does business on a national basis. Threat of strike by United Financial Employees hangs ominously over Wall Street.

The collective bargaining issue between Harris, Upham & Co. and the United Financial Employees may be stalled in the court-like atmosphere of the hearing room of the New York State Labor Relations Board but it would be the shortsighted if not foolhardy man on Wall Street today who would neglect to arrange his affairs in anticipation of a prolonged labor struggle that could break out at almost any time.

The New York Stock Exchange itself—which is very much the principal target for the union's onslaughts despite all the activity elsewhere in the "Street"—has announced that it intends to do business as usual in the event of a strike but to continue to do trading on the floor in the eventuality of a strike the Exchange members will have to make arrangements to provide living quarters, including dining facilities, in the building for that part of its personnel which would be needed to carry on the functions centering around the Big Board. Some members of the Exchange would have to sit it out inside the building, it is certain. A picket-line has the power to paralize whatever it touches and any institution that is likely to be the victim of such a force is due for a lot of trouble and some disappointment if it fails to take cognizance of this fact.

There is no doubt a high degree of coordination between buyers and sellers of securities could be achieved by the Exchange in this way but such a move would have to be planned far ahead. The

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Observations . . . .

By A. WILFRED MAY

War or Peace??

THE PROMISE—

As Revealed in the UN Charter Adopted at San Francisco:

"We, The People Of The United Nations, Determined

". . . to save succeeding generations from the scourge of war, which twice in our lifetime has brought untold sorrow to mankind, and

A. Wilfred May

". . . to affirm faith in fundamental human rights, in the dignity and worth of the human person, in the equal rights of men and women and of nations large and small, and

". . . to establish conditions under which justice and respect for the obligations arising from treaties and other sources of international law can be maintained, and

". . . to promote social progress and better standards of life in larger freedom.

"And For These Ends

". . . to practice tolerance and live together in peace with one another as good neighbors, and

". . . to unite our strength to maintain international peace and security, and

". . . to insure, by the acceptance of principles and the institution of methods, that armed force shall not be used, save in the common interest, and

". . . to employ international machinery for the promotion of the economic and social advancement of all peoples. . ."

THE PERFORMANCE—

As Revealed in Current News Items:

MOSCOW, Aug. 12—"Pravda quotes Harold Ickes as asserting that a civil war with tanks, machine guns and bazookas is in progress in the Philippines under headline, 'American troops defending Philippine Dictatorship behind Iron Curtain.'" . . .

LONDON, Aug. 10—"Great Britain is ready to take military action unilaterally if her oil in Iran is attacked; will act without recourse to UN, because Security Council has no troops." . . .

TEHERAN, IRAN, Aug. 17—"Reports from the northern frontier indicate that Russia has massed 15 to 25 divisions along the Araxes River boundary between Iran and the Soviet Union." . . .

BELGRADE, YUGOSLAVIA, July 12—"In a clash between United States and Yugoslav patrols on the Allied side of the Morgan Line in Venezia Giulia, two Yugoslav soldiers were killed." . . .

BELGRADE, July 16—"An American jeep was ambushed while proceeding on Allied territory from Gorzia to Trieste, one U. S. soldier being slain, and two wounded." . . .

BELGRADE, Aug. 9—"A U. S. plane, forced off its course by a storm, was shot down near Ljubljana by Yugoslav fighter planes, which kept on firing at it while the pilot was desperately trying to make a forced landing in a wheat field." . . .

BELGRADE, Aug. 19—"Another American plane, a transport, was attacked by two Yugoslav fighter planes and shot down, spiraling to the ground in a column of smoke." . . .

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Hess & McFaul Is New Firm Name

PORTLAND, ORE.—John J. Hess & Co., American Bank Building, announces that the firm's name has been changed to Hess & McFaul. Partners are John J. Hess and George A. McFaul.

Condon in Denver

DENVER, COLO.—William A. Condon is engaging in the securities business from offices in the U. S. National Bank Building. In the past he was president of Investment Supervisors, Inc. of Denver.

Boom-and-Bust in Textiles

By A. W. ZELOMEK*

Economist, International Statistical Bureau, Fairchild Publications

Mr. Zelomek predicts present boom in textiles, a barometer of general business, will reach its peak in six to 12 months and expectation of longer sellers' market is wholly unjustified. Holds current and likely still higher prices will curtail consumption. Anticipates present boom will be followed by full production and high wage structure, but—because of severe competition—accompanied by sharply lower selling prices.

It is a pleasure to be here in the middle west, among representatives of the textile and apparel industries. I am in hopes that we can get a better perspective on the textile outlook than we could in a more limited meeting. There is a diversity of viewpoints present, and I shall try to set the stage for a little basic thinking on where the present boom is leading us.

A. W. Zelomek

I have chosen the title—Boom-and-Bust in Textiles—with malice aforethought.

First, because the word Boom describes a condition that can end very suddenly after going to great lengths.

Secondly, because the title implies a whole series of questions; practical questions, which have a dollars-and-cents meaning.

And finally, because these questions, cannot I believe, be answered by anyone whose specialty is solely in the textile or apparel trades, or who is occupied almost exclusively with activities in those fields.

What we have to ask ourselves is this: What has the war done to our textile economy? I do not believe we shall find our answer if we look at the textile economy alone, without reference to the national economic framework of which it is a part.

Textile Industry as a Barometer

As a business forecaster I like the textile industries because they are the tail that wags the dog.

Unfortunately, to all such rules there are essential limitations. Changes in the **direction** of textile activity will, I believe, influence the direction of general business activity in the future as in the past. But the postwar **level** of

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*An address by Mr. Zelomek before Chicago-St. Louis Fabrics Association, St. Louis, Mo., Aug. 19, 1946.

Blames Hide Shortage on OPA

Weekly Bulletin of Leather and Shoe News says OPA ceilings prevent importation of hides by being put at 10 cents to 15 cents below world market price. Expect increased supply because of heavy kill of cattle, but says shortage will continue.

Giving the tanners' viewpoint regarding cause of hide shortages, the "Weekly Bulletin," of Leather & Shoe News, published in Boston, denies that supplies are held from the market and lays blame for shortages to OPA ceilings. . . .

Says the article: "The present shortage of hides and leather dates back many months into the past and was brought about by governmental control. Where this country has always been a net importer of hides, this was changed by government control to where we have exported each month many more hides than we have imported.

"The International controls ceased on June 28, 1946, because of the constantly reduced amount of hides entering into International commerce, at the controlled price. Instead of the International controls being stopped Jan. 1, they continued on and each month created a domestic shortage of hides. The tanning industry has been using around 2,000,000 hides each month. This leather has all been moved out into the shoe channels and converted into shoes. Against this, the net purchase of hides by tanners in the Untied States, plus imports minus exports, was as follows: April 1,400,000, May 1,400,000, June 743,000, thereby creating a reduction in tanners' inventories in the three months of approximately 2,500,000 hides. Were these hides accumulated in the hands of producers and dealers waiting for a free market? The amount of hides which was sold during the free market in the first 20 days of July should throw some light on this subject, as during this period the price of hides advanced

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The CIO's Position on Price Control

By PHILIP MURRAY*

President, Congress of Industrial Organizations

National labor leader, in pleading for restoration of price controls on foods, asserts prices are being manipulated by monopolistic practices to create scarcity situations and to force price increases. Criticizes severely OPA decontrol policies and says price regulations are liberalized through lax administration. Cites government statistics of price rises and increased industrial profits and dividends. Holds workers are suffering not only from price boosts but from reductions in take home pay due to less work and shorter hours. Contends a program of discouraging wage increases was written into wage-price policy of February, 1946, and decries fear of runaway wages.

The eyes of the American People are on the actions of the Decontrol Board. What your Board does in recontrolling prices on basic commodities will set the stage for administration policy. It is within the power of the Board to stop the drastic and inflationary price rises that have occurred since June 30, 1946. Controls must be immediately replaced on livestock, grains, cottonseed, soybean and dairy products. Prices must be rolled back to June 30 levels and subsidies existing on that date must be restored. Not to do this would be an invitation to speculators and profiteers to make the sky the limit on how high prices will go.

Philip Murray

Recently an announcement was made by a large miller of grain that the country's storage bins were bulging with grain and America's warehouses were stacked to the roof with flour. These commodities were not, however, released on the market until

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*Statement presented by Mr. Murray before the Price Decontrol Board, Washington, D. C., Aug. 15, 1946.

NAM Criticizes Price Rise Data

Says government statistics on price rises during OPA suspension are exaggerated and unfair and have been misinterpreted by government spokesmen. Traces history of government price indexes and compares them with other compilations. Summarizes statistical defects and gives its own conclusions.

Maintaining that government agencies have misrepresented the price increases which occurred during the 25 days of OPA suspension, the National Association of Manufacturers, in the August issue of its publication "Industry's View," analyzes the price fluctuations during this period. As an introduction to its analysis, it is stated that "the statistical material for the measurement of short-term changes in price level is exremely limited both as to quality and quantity. Failure to recognize these limitations has resulted in hasty and unjustified conclusions as to the course of prices during the period July 1 to July 25. For example, the report to the President by the Department of Commerce on July 22 shows a lamentable lack of appreciation of the statistical properties of the data on which it was based. Similarly the report by the Bureau of Labor Statistics on Aug. 6 that consumer prices had risen 5½% in one month leads to false conclusions if this figure is taken at face value.

"The official governmental authority on the measurement of changes in price level in this country is the United States Bureau of Labor Statistics. Although the monthly index numbers of Wholesale Prices and Consumer

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Reasons for OPA Price Increases

By PAUL A. PORTER*
Administrator, Office of Price Administration

OPA executive lays blame for recent increases in price ceilings to revised OPA Act, which requires price adjustments be made within 30 days after law's passage. Says increased price ceilings are mandatory under Act since it requires peacetime retail discounts and mark-ups. Sees no need for alarm of runaway prices or uncontrolled inflation and asserts when mandatory increases are ended OPA will resist further price pressure and use rigid enforcement measures. Concludes prices can't be rolled back.

At the very end of the Price Control Extension Act passed recently by Congress, there's a sentence which goes a long way toward explaining why you've seen such a splurge of price increases issuing from the Office of Price Administration in the last few days.

Paul Porter

Stripped of its legal language, that sentence says that a price adjustment required by the new act must, wherever possible, be made within 30 days from the enactment of the law. And, as you probably remember, the new act became law July 25.

So, by the latter part of August, as you can see, the OPA has been given a clear mandate to get a number of necessary price increases out of the way. As a result, they have been coming rather thick and fast of late.

I know it's hard to have to adjust yourself to increased prices for automobiles one day—and, on the next, to coffee price increases—and the prospect of price boosts

(Continued on page 1043)

*Radio address by Mr. Porter over the American Broadcasting Network, Aug. 17, 1946.

Decontrol Board Reports

Renders decision restoring control over meats, fats and oils, but leaves milk products and grains, except feeds, free. Chairman Roy L. Thompson explains basis for decision in radio address. Says Board had broad public interest in view, and expresses hope that labor leaders will restrain their impulse "to get theirs while getting is good" and that consumers will use wisely their increased purchasing power and not buy more than each really needs.

As required by the new OPA Act, the three man Decontrol Board rendered its decision at 7 p.m., Eastern Standard Time, of Aug. 20 regarding livestock, meats, dairy products, grain, cottonseed products and soybeans. The decisions were arrived at unanimously by the board, consisting of Roy L. Thompson, George Mead and Daniel Bell. These ruled that ceilings and subsidies should be restored on meats, that prices of cottonseed products and soybeans should again be brought under control, but dairy products and grains, except flax and feeds, should remain under a free market. In a radio address, later in the evening, the chairman, Roy L. Thompson, explained the bases upon which the formal decisions were made. He reviewed the conditions under which the Decontrol Board was established and gave a detailed account of its activities and objectives, and then discussed the underlying reason for the decisions. In this connection Mr. Thompson stated:

"We are aware of the fact that our decisions did not fully meet the hope of the consumer, labor, industry and farm groups of this country," he said, "but we have constantly kept the public interest before us.

"I expect we are going to hear plenty of criticism. To that which is constructive we will give every consideration.

"We believe that the spirit in which the nation accepts these decisions of this board will, in the weeks ahead, provide a true test of the country's willingness and determination to protect itself

(Continued on page 1046)

Production and Profits at Peak: Steelman

Reconversion Administrator, who last week issued a statement reporting total income payments now exceed wartime peak, follows it up with a radio address asserting "our country is in an unexampled position." Says reconversion achievements can be discussed "only in terms of the superlative." Sees, however, darker side in the picture in deferred construction, and cautions this is no time for profiteering, or for wage increases without corresponding gains in productivity.

A bright picture of the economic situation was painted by Mr. Steelman in a radio talk over Station WTOP on Aug. 17, when he asserted that "our country is in an unexampled position." Though reporting that a great job had been done in reconversion achievement, he also called attention to "a darker side of the picture" in the deferment of government construction contracts, adding that the Federal government like the rest of us "must not spend any money now that does not have to be spent." He warns against demands for higher wages without greater productivity.

John R. Steelman

The text of his radio address follows:

Today I'm going to add more facts to your reconversion story. Fortunately, most of them are on the bright side. In the main they show that our country is in an unexampled economic position. This is the record:

The physical changeover of most manufacturing plants, which produced war goods has been completed. . . .

Total production of goods and services has reached the highest peacetime peak in our history. . . .

Demobilization of our armed forces is virtually finished; eight out of ten discharged veterans are already employed. . . .

More people have jobs today than ever before. The total now stands at 58 million and it's still going up.

We can discuss the reconversion achievements of American workers, farmers and business men only in terms of the superlative. They have done a great job. It looks as though we have only to go ahead to the full production and maximum employment which is our national goal for the future.

But there is a darker side to the picture. Indeed, we're gone this far in regaining our economic balance after the war only to discover that we still have a lot more work to do.

Recently the Reconversion Office was obliged to tell all Federal agencies that they must let no more contracts for deferrable construction until October 1. We had to go even further and say that all construction that *can* be put off after that date *must* be put off. You know the reason why. The Federal Government, like all the rest of us, must not spend any money now that does not have to be spent.

Today, every American should stop, look and listen before he puts more dollars into circulation. This is no time for businessmen to charge all the traffic will bear. This is no time for labor to demand wage increases without corresponding gains in production. This *is* a time for all of us—business men, workers, and consumers—to fix our eyes on the same goal—the goal of getting production up to record heights and keeping it there. In the future, as in the past, record production will earn for us the highest standard of living, the highest real wages, and the most democratic form of government of any country in the world. Let volume production be our motto for the next few months. Together, we won the war. Together, we will win full peacetime production and full employment with fair wages and fair profits for all.

Chinese Finance Corp. To Aid Industry

A new finance corporation is being organized in Shanghai chiefly for the purpose of extending loans to domestic industries, diverting idle capital to productive channels, and strengthening credit standing abroad for Chinese industrial enterprises, a Chinese News Service announcement from Shanghai on Aug. 15 said. The advices added:

The organization, to be known as the China Industry and Finance Corporation, will be capitalized at US$500,000,000 and Ch.$5,000,000,000. This initial capital will be subscribed by government and commercial banks, trust companies as well as other companies.

The principal function of the corporation will be to handle, on behalf of industrial and mining concerns, the purchase of machinery, equipment and raw materials from foreign countries. The corporation will, whenever necessary, advance cash payments to manufacturers abroad to pay for goods ordered and to work out an installment plan for repayment by the particular industrial or mining concerns placing the order from abroad."

Elected Directors

At the stockholders meeting of Gulf Atlantic Transportation Company, Frank B. Bateman of Blair & Co., New York City; Harry W. Link, Jr., Cohu & Torrey, Miami, were elected directors. Other directors elected were Commander J. H. Coppedge, President of the company; H. G. Williams, Vice-President; Edward McCarthy, Secretary; Harry S. Parker, Jr., B. D. Fincannon, G. W. Codrington and Raymond Fox.

Goldwater, Frank & Ogden to Be Formed In New York

Goldwater, Frank & Ogden is being formed at 39 Broadway, New York City, to engage in the securities business. Partners will be Leo J. Goldwater, Isadore, Frank, Charles D. Ogden, and Arnold J. Wechsler, general partners, and Edith R. Kohlberg, limited partner. All have been with L. J. Goldwater & Co.

Mr. Dalton's Washington Visit

By PAUL EINZIG

London observer, in commenting on forthcoming visit to United States of British Chancellor of the Exchequer, Hugh Dalton, points out that although Mr. Dalton is ostensibly coming as British representative on International Fund and World Bank, his prime purpose is to discuss with Secretary of Treasury Snyder regarding problems and policies arising out of Anglo-American Loan Agreement. Among questions to be discussed are (1) liquidation of British dollar pool and the Sterling area; (2) utilization of dollar loan; and (3) effect of U. S. rising prices and possibility of a "slump" in this country.

LONDON, ENG.—Chancellor of the Exchequer Hugh Dalton is due to pay shortly a visit to the United States. For the first time since he assumed his present office he will have an opportunity to exchange views with his American "opposite number." This is not the officially declared object of his forthcoming visit. He will go to Washington in his capacity of British Governor of the International Monetary Fund and of the International Bank for Reconstruction and Development, to attend the meetings of the Board of Governors of the two institutions. But, important as these meetings undoubtedly will be, the main purpose of his visit will be to discuss with Secretary of the Treasury Snyder some problems vital from the point of view of American-British financial and economic relations.

Paul Einzig

In fact, there is reason to believe that when Mr. Dalton decided in May to appoint himself as successor to the late Lord Keynes as British representative on the two Boards, his decision was influenced not so much by his desire to take direct personal share in the work of the two Bretton Woods institutions, as by his desire to establish and maintain personal contact with the Secretary of the United States Treasury, and, to a less degree, with the Finance Ministers of various other governments. In this respect his motive is somewhat similar to the one that led to the establishment of the Bank for International Settlements in 1930. That institution was primarily meant to be a "Club for Central Banks" at which heads of Central Banks were able to meet without having to find excuses for their meeting, and without arousing sanguine expecta-

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Economic Laws Must Be Observed By All Nations to Avoid Inflation

Winthrop W. Aldrich, as President of the International Chamber of Commerce, offers to Economic and Social Council of UN conclusions as to policies. Stresses need of recognition of economic laws, the stability of currencies, and the removal of trade barriers.

Winthrop W. Aldrich, President of the International Chamber of Commerce, has transmitted to the President of the Economic and Social Council of the United Nations a series of conclusions adopted by the Council of the International Chamber dealing with urgent matters affecting world trade.

W. W. Aldrich

They relate to monetary and credit policies, inflation, transition from a war to peace economy, restorations of communication and transport, and to preparations for the proposed World Trade Conference for which preparatory discussions will begin in London on October. 15.

Similarly, Philip D. Reed, Chairman of the United States Associates of the International Chamber, has transmitted these declarations of policy to the State Department and to the United States Permanent Representative to the Economic and Social Council.

The text of the resolutions, which were adpoted at the meeting of the Council of the International Chamber in Paris (held June 20 and 21) are now available in printed form. The resolutions represented the findings of 140 delegates from 18 countries, whose object was to recommend for the earnest consideration of their own governments and the Economic and Social Council a program that would advance reconversion and trade recovery and deal promptly and effectively with the emergency phases of the transition in the war devastated areas.

Subjects to which principal attention is directed in the resolutions are the preparations for the World Trade Conference, the measures to be taken during the transition period, and the special situation relating to the restoration of transportation and communications. An interim statement on the pressing nature of the problem of inflation is included, in which emphasis is given to a series of "homely truths."

Pointing out that today's outstanding monetary problem is inflation, the statement says there is severe danger of a repetition of conditions of 1920 and 1921, and that prices are rising all over the world. It asserts that to an important extent the inflationary

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Government and Labor

By HON. THOMAS E. DEWEY*
Governor of State of New York

Republican Governor of New York defends principle of labor unionism, but cautions that organized labor cannot "injure the many" by its action. Asserts New York State has had fewer industrial conflicts than elsewhere and attacks "government arbitrarily injecting itself into labor disputes." Lauds progress of mediation and arbitration under his administration and points out recent benefits conferred by state labor legislation. Says much of our progress was possible because of high order of maturity, responsibility and integrity displayed by New York labor leadership.

For the first time in seven years we are meeting free of the overshadowing threat of imminent or actual war against our freedom. Fascism has been defeated and the myth of the irresistible power of totalitarianism is exploded; we have made progress. I am happy and proud to take part in opening this memorable convention of the New York State Federation of Labor in the State, of all the industrial States of the Union, with the most mature and responsible labor movement and the best record of industrial relations.


Thomas E. Dewey

We have once again won on the battlefields of the world the right to go forward in peace, in the solution of our problems as free men.

You, and the good, hard-working men and women you represent, have played a full-size role in defeating fascism. Our own generals and admirals have freely proclaimed that the production miracle which was your handiwork was second only to the valor of our armed forces in assuring victory. In our nation's time of need you have established beyond all argument the truth that free labor has incomparable resources of strength and spirit to contribute to the common good.

After long years of struggle the place of organized labor in a free society is today established beyond dispute. It is impossible to conceive of a free society without free labor unions just as it is impossible to conceive of free labor

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*An address by Gov. Dewey before the Annual Convention of the N. Y. State Federation of Labor, Rochester, N. Y., Aug. 19, 1946.

Progress in Federal Labor Legislation

By HON. JAMES M. MEAD*
U. S. Senator from New York

Senator Mead recounts New York's pioneering in progressive labor legislation, and points out that this was largely work of late President Roosevelt, who carried out the principles in the New Deal legislation during the depression. Calls attention to Federal labor legislation, particularly the Wages and Hours and the Full Employment Acts. Holds there is still room for additional state labor legislation and urges an effective and sympathetic administration of labor laws, a competent Labor Department and a continuation of basic protections at the Federal level without greatly handicapping State actions.

It is always a real satisfaction to me to be able to speak at the Convention of the State Federation of Labor. I want to discuss with you today the hopes and aspirations of the working people. I want to review some of the great gains which Labor has made by the means of Legislation in the first half of this century.


Sen. James M. Mead

As a former wage earner in the railroad industry I know something about the conditions of labor in the early 1900's. As an elected officer who has been in public life since 1914 I have seen the changes that have come about which have made the life of working men and women not only in this state but in the nation better and happier and more hopeful.

When I entered the New York

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*An address by Senator Mead before the New York State Federation of Labor Convention, Rochester, N. Y., Aug. 20, 1946.

Wants Treasury's Tax Experts Fired!

Rep. Curtis (R.-Neb.) says Secretary Snyder still retains experts of the Morgenthau period, whose theories of using taxation for "complete redistribution of wealth" have been rejected by Congress.

A demand that Secretary of the Treasury John W. Snyder "clean house" and fire so-called tax experts in the Treasury Department who have been repudiated consistently by the Congress, even when the Congress has been controlled by the Democrat Party, was made on Aug. 20 by Representative Carl T. Curtis (R.) of Nebraska, a member of the tax-writing Ways and Means Committee of the House. Mr. Curtis said:

"For several years a Democratic Congress has ignored tax recommendations offered by alleged experts brought into the Treasury by former Secretary Henry Morgenthau. The top-side of the Treasury, including men like Snyder and Undersecretary Gardner, is certainly a big improvement over the unlamented Morgenthau setup, but the glib young men down the line are still there. Their mania for reaching the socialistic objective of complete redistribution of wealth through tax legislation has not been cured by successive repudiations by the Congress. They are now thrown into a state of panic by a Republican pledge to cut individual income taxes 20% for 1947 if the voters elect a Republican Congress in November.

"This mental state of frustration is reflected clearly by inaccurate background information these so-called experts furnished a writer for the Chicago "Sun" this week. Championing the Treasury's repudiated tax thinking, the writer accused Republicans of sponsoring a flat 5% reduction in 1946 personal income taxes when the revenue act of 1945 was passed. He charged this provision 'gave nothing to anyone except those at the top.' The true facts are this particular provision was sponsored in the Democratic controlled Senate Finance Committee by the Senate Democratic leader, Senator Alben W. Barkley. It seems incredible for administration underlings to be bushwhacking Barkley. Heretofore such a slap-happy situation has been limited to the staff of the Democratic National Committee.

"The Treasury has made practically no contribution whatever to constructive tax legislation for several years. Secretary Snyder should recognize this situation and clean out his tax study department form top to bottom. The time to do it is now in anticipation of really constructive tax legislation when the 80th Congress gets under way."

World Ever-Normal Granary Plan

By HERBERT M. BRATTER

Washington observer comments on Sir John Orr's proposal for an ever-normal world granary and its place on agenda of forthcoming Conference of Food and Agriculture Organization at Copenhagen. Gives views of L. A. Wheeler of U. S. Agriculture Department and text of Sir John Orr's plan.

An American delegation headed by Undersecretary of Agriculture N. E. Dodd is to participate in next month's annual conference of the Food and Agriculture Organization at Copenhagen, Denmark. The main agenda item before the meeting will be the proposals for a world food board which were made public in Washington on July 5, 1946, by FAO's director, Sir John Orr.


Herbert M. Bratter

Although the White House (as reported in the New York "Times" of Aug. 10, p. 4) has indicated that the principles of the proposed board are agreeable to the United States Government, and although Secretary of Commerce Henry Wallace (in a public statement which was published in the "Chronicle" of Aug. 15, p. 888) reports 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," the Administration seems not to be clearly united on the matter.

At least the State Department seems to have some doubts about

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Postwar Monetary Problems

By WOODLIEF THOMAS*
Director, Division of Research and Statistics Federal Reserve System

Asserting task of Federal Reserve is to prevent inflationary expansion of bank credit and at same time assure stable interest rates, research director of System holds task can be accomplished only by giving Reserve System additional powers, as recommended in its last annual report. Points out disparity between short-term and long-term interest rates has led banks to prefer government long-term bonds and to increase their reserves by selling short-term issues. Sees credit expansion in shift to commercial loans and holds effect of higher interest rates would be higher cost of government financing with decline in bond prices. Gives as possible curbs to credit expansion: (1) debt retirement; (2) increased reserve requirements; and (3) additional issues of long-term bonds. Outlines Federal Reserve Board proposals.

The central problem facing the Federal Reserve System in the immediate future is to reestablish and maintain control over bank credit expansion—the main function for which the System was established. Effective control has been lost because under the exigencies of war finance there has been an increase of $70 billions in commercial bank holdings of government securities and of $100 billions in holding of businesses and individuals, which can be readily sold to the Reserve banks and thus create additional bank reserves. These reserves can provide the basis for a ten-fold expansion in bank credit and bank deposits. The differential between long-term and short-term interest rates is encouragement to banks to shift from short-term to long-term issues. The short-term issues

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*An address by Dr. Thomas before Central States School of Banking, University of Wisconsin, Madison, Wis., Aug. 1, 1946.

Dealer-Broker Investment Recommendations and Literature

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

Agricultural Equipment Industry—Detailed illustrated brochure—Bache & Co., 16 Wall Street, New York 5, N. Y.

Business & Financial Digest—Quick review of the investment business publication of which is now being resumed by Loewi & Co., 225 East Mason Street, Milwaukee 2, Wis.

Foods 1946—Examination of the food industry as a whole with detailed information on six important segments of the industry and individual analyses of 35 leading companies and pertinent facts on 23 others—also included is a table showing principal brands manufactured by 33 prominent companies—Write Department F-2—Merrill Lynch, Pierce, Fenner & Beane, 70 Pine Street, New York 5, N. Y.

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.

Hidden Hazards—64-page illustrated booklet on safe construction methods to be used when remodeling or building new houses—Insurance Company of North America, 1600 Arch Street, Philadelphia 1, Pa.

ICC Revises Rail Forecast—Late data—Vilas & Hickey, 49 Wall Street, New York 5, N. Y.

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

Shares in Mutual Investment Funds—Alec Brock Stevenson—Vanderbilt University Press, Nashville, Tenn.—Cloth—$3.00 per copy.

Statistical Hand-Book for New Jersey Municipal Bonds—Study of counties and municipalities in New Jersey, including such data as rating, population figures, net valuation taxable, gross debt and net debt, total tax levies and cash, etc.—Ira Haupt & Co., 111 Broadway, New York 6, N. Y.

"Why Busts Always Follow Inflationary Booms"—Essay on future of market—Major Angas, 570 Lexington Avenue, New York 22, N. Y.—$2.00—Also included will be **"The Future of Interest Rates"** and **"The Outlook for Gold and Gold Shares"**—Write to Dept. FC-822.

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.

Chefford Master Manufacturing Co.—Detailed circular on situation—Peltason, Tenenbaum Co., Landreth Building, St. Louis 2, Mo.

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.

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.**

Foremost Dairies, Inc.—Memorandum for banks, dealers and brokers—Troster, Currie & Summers, 74 Trinity Place, New York 6, N. Y.

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

Houston Banks & Trust Companies—Mid-year statistical comparison—B. V. Christie & Co., First National Bank Building, Houston 2, Texas.

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

Kern County Land Company—Special report—Maxwell, Marshall & Co., 647 South Spring Street, Los Angeles 14, Calif.

Lipe-Rollway Corporation—Circular—Herrick, Waddell & Co., Inc., 55 Liberty Street, New York 6, N. Y.

Lipe - Rollway Corporation—Study—Daniel F. Rice & Co., 141 West Jackson Boulevard, Chicago 4, Ill.

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

Also available are analyses of **Miller Manufacturing Co.** and **Hydraulic Press Mfg. Co.**

Long Bell Lumber Company—Memorandum—Buckley Brothers, 1420 Walnut Street, Philadelphia 2, Pa. Also available are memoranda on **Eastern Corporation** and **Gisholt Machine Company.**

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.

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.

Ruberoid Company—Summary and outlook—Joseph Faroll & Co., 29 Broadway, New York 8, 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.

Standard of California—A second study—Brochure—Dean Witter & Co., 45 Montgomery Street, San Francisco 4, Calif.

Steel Products Engineering Company—Memorandum—Dempsey & Co., 135 South La Salle Street, Chicago 3, Ill.

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.

Warner Company—Memorandum—H. M. Byllesby & Co., Stock Exchange Building, Philadelphia 2, Pa.

NSTA Notes

NSTA Proposed Amendments

The following Amendments to the Constitution will be presented for vote of the National Committee in September, according to a message to the membership from Thomas Graham, Bankers Bond Co., President of the Association, and Edward H. Welch, Sincere & Co., Secretary.

1. Increase Executive Council NSTA members from nine to eleven, electing four by vote of National Committee instead of two as at present.

2. Retiring ex-officio member of Executive Council to be Chairman of Nominating Committee each year.

3. Increase number of Nominating Committee from five to nine. The president to appoint eight members.

4. The Executive Council to be enlarged to include President or Vice-President of each affiliate (by choice of its own members), together with the officers and retiring President, and that the name "Executive Council" be changed to "Board of Directors." Ten members of the Executive Council, (or Board of Directors) shall constitute a quorum at any meeting thereof.

5. There shall be added to the permanent committees of NSTA the following:

Municipal, Corporate, Advertising, Publicity, Educational, and Government Bond.

Each committee shall have a chairman, vice chairman or chairmen, and at least five members. A representative from each affiliate shall be appointed on each of the above committees after consultation with the president of the affiliate. Two members of the committee may be appointed from the individual membership.

6. There shall be added to the permanent committees a committee in charge of the "Bulletin"—the official publication of the NSTA. This committee shall have a chairman, the Executive Council members shall be ex-officio, and the president of each affiliate shall be a member of this committee.

7. There shall be added to the permanent committees of the NSTA a Special Executive Committee which shall be appointed by the President. There shall be a chairman, vice-chairman, and a maximum of five individual members.

8. The presidents of affiliates shall in all cases be National Committee members.

9. The National Committee shall be abolished and a Board of Directors, or Board of Governors, take their place. The members shall be the president of all affiliates, two members from the individual membership, and the 11 members of the Executive Council ex-officio. The Board of Directors, or Board of Governors, shall take over all duties and functions now vested in the National Committee. Quorum shall consist of two-thirds of the eligible membership.

10. The office of Executive Secretary shall be created, the duties and compensation to be specified by the National Committee. This amendment to take effect Jan. 1, 1947.

11. Wording of amendment No. 10 identical except amendment to take effect Jan. 1, 1948.

12. The Membership Committee shall be composed of chairman, and vice chairman, and members be appointed from individual members of the NSTA.

13. Dues must be paid on or before Jan. 1 of each calendar year, amended from Oct. 1 of each fiscal year.

An executive session of National Committee has been called for 4:00 p.m., Tuesday Sept. 17, 1946, to consider constitutional changes. Mr. Graham, as suggested by certain of the affiliates, has asked counsel to check the associations present constitution and recommend any changes or corrections as to form only.

The Constitution Committee, composed of Henry Arnold, Clair S. Hall & Co., Chairman; Wm. Perry Brown, Newman Brown & Co.; Stanley Roggenburg, Roggenburg & Co.; Jerry Tegeler, Dempsey-Tegeler & Co., and Hon. Fred Busbey, Fred E. Busbey & Co., has been asked to have a report ready for this meeting, and if possible send out to the entire membership in advance of the convention.

The subject of the constitution is a vital one and very important. The session of the National Committee will be executive. Invited to be present are: (1) presidents of affiliates, (2) all past officers, (3) chairmen and vice-chairmen of all committees, and (4) all officers and National Committee members signing the present constitution in 1936 at Los Angeles Convention, where same was adopted.

NEW MEMBERS OF THE SECURITY TRADERS ASSOCIATION OF NEW YORK

The Security Traders Association of New York has increased its roster of members by one of the largest increments in its history. Newly admitted to the Assocation are: ,

James B. Adams, Jr., A. G. Edwards & Sons
Mark T. Aiello, Spencer Trask & Co.
Willard Bastian, Geyer & Co.
Hans E. Ben, New York Hanseatic Corp.
Henry P. Bird, Charles Clark & Co.
Wm. Hammett Boggs, W. H. Bell & Co., Inc.
William H. Boland, Boland, Saffin & Co.
Stanley Bruce Briggs, Mackubin, Legg & Co.
Sol Bross, F. M. Mayer & Co.
Gilbert B. Brown, Jr., Wertheim & Co.
Thomas J. Brown, W. E. Hutton & Co.
Charles Bruggeman, Dean Witter & Co.
John Francis Burke, Merrill, Lynch, Pierce, Fenner & Beane
David H. Callaway, Jr., First of Michigan Corp.
Ward Clay, Jr., Hardy & Company
Bernard J. Conlon, P. F. Fox & Co.
Edward M. Corley, Blyth & Co., Inc.
Joseph J. Craig, Goodbody & Co.
Donald A. Daly, Maxwell, Marshall & Co.
Thomas Joseph Davis, Bond & Goodwin, Inc.
Eugene Roy Delin, H. D. Knox & Co.
John E. DeMaye, Sutro Bros. & Co.
Leonard Dittell, Lewisohn & Co.
William G. Dixon, Cutter & Dixon
William Doherty, A. M. Kidder & Co.
Francis Eckstein, O'Connell & Janarell
Walter L. Filkins, Troster, Currie & Summers
Edward A. Fischer, Lewisohn & Co.
Sidney H. Fischer, Western Development Co.
Dominick A. Fitzpatrick, Van Alstyne, Noel & Co.
S. Joseph Florentine
Harold W. Frank, Bonner & Gregory
Joseph Goldenberg, Ira Haupt & Co.
H. Frazier Gurley, Hallgarten & Co.
Edwin S. Gutberlet, Paine, Webber, Jackson & Curtis
Irwin Guttag, Richard K. Kaufmann, Alsberg & Co.
Charles S. Hale, Charles S. Hale & Co.
George F. Herdling, Thornton & Co.
Robert Mills Hinchman, Ira Haupt & Co.
Bruce C. Hoblitzell, Bruce C. Hoblitzell & Co.
Sidney Holtzman, J. F. Reilly & Co.
Irving Ittleman, Strauss Brothers
Sidney Jacobs, Batkin, Jacobs & Co.
Royden Jacobus, Vilas & Hickey
Stanley J. Johnson, Battles & Co., Inc.
Thomas Francis Kane, McLaughhlin, Reuss & Co.
Milton Kaplan, M. C. Bittner & Co., Inc.
D. Raymond Kenney, C. E. de Willers & Co.
Reginald J. Knapp, Geo. D. B. Bonbright & Co.
Philip C. Langdon, Weeden & Co.
Leroy R. Larson, H. D. Knox & Co.
Martin L. Levy, Lee-Willen & Co.
Charles M. Litzel, Hardy & Company
Robert T. Livingston, L. J. Schultz & Co.
Allan Lopato, Allen & Co.
Paul Ludlam, J. Arthur Warner & Co.
Morris J. Lutterman, Birnbaum & Co.
Laurence H. Lyons, Allen & Co.
Henry J. Mader, Tucker, Anthony & Co.
Francis L. Maloney, New York Hanseatic Corp.
Ralph Martin, Kean, Taylor & Co.
Robert McCook, Buckley Brothers
Frank T. McCormick, Dean Witter & Co.
A. William McGivney, Harris, Upham & Co.
Alfred McGowan, J. G. White & Col, Inc.
Sidney Mendelson, Shaskan & Company
Samuel Milt, J. Arthur Warner & Co.
Hercules John Mottino, Harris, Upham & Co.
Charles F. Mountcastle, J. F. Reilly & Co.
Thomas J. Mullins, White, Weld & Co.
Charles Murphy, Merrill Lynch, Pierce, Fenner & Beane
Harold I. Murphy, Bonner & Gregory
Soron D. Nielsen, Newburger, Loeb & Co.
Henry Oetjen, Pflugfelder, Bampton & Rust
Charles D. Ogden, L. J. Goldwater & Co.
James O'Donnell, Pflugfelder, Bampton & Rust
Edward Roger O'Kane, John J. O'Kane, Jr. & Co.
William H. Oper, Merrill, Lynch, Pierce, Fenner & Beane
Chas. Milton Osborne, C. M. Osborne Co.
Joseph E. Owens
Rudolph J. Petke, Garvin, Bantel & Co.
Horace E. Poole, Eisele & King, Lebaire Stout & Co.
Alfred L. Powell, C. E. de Willers & Co.
Vincent Aloysius Powell, J. Arthur Warner & Co.
Arthur G. Preller Junger, Anderson & Co.
Warren V. Reardon, White, Weld & Co.
John J. Reilly, F. H. Koller & Co.
Thomas J. Reilly, J. Arthur Warner & Co.
Robt. E. Ricksen, Jr., Dan'l F. Rice & Co.
Paris Scott Russell, Glore, Forgan & Co.
Herbert V. Ryan, Peter P. McDermott & Co.
Edward A. Sachs, J. G. White & Co.
Wm. H. Salisbury, Union Securities Corp.
Arthur C. Salmon, 3rd, Commerce Union Bank of Nashville
Edward William Schaefer, H. D. Knox & Co.
John Scrimgeour, J. K. Rice, Jr. & Co.
Thomas Oakley Shortell, Newborg & Co.
Alfred Alan Sikora, Wm. J. Mericka Co., Inc.
Irving J. Silverherz, Seligman, Lubetkin & Co.
Morris T. Sitkoff, James D. Cleland & Co.
Kenneth C. Stanford, Eisele & King, Libaire Stout & Co.
John Raymond Stein, Strauss Brothers
Frederick M. Stern, Stern & Co.
Harry A. Stillman, J. Arthur Warner & Co.
Charles J. Thornton, Thornton & Co.
Thomas J. Trager, Merrill, Lynch, Pierce, Fenner & Beane
James Vanderbeck, Grimm & Co.
Harry Vander Noot, Pell & Company
J. Gerald von Schaumberg, Merrill, Lynch, Pierce, Fenner & Beane
D. Kinsley Waldron, W. J. Banigan & Co.
Gilbert Wehmann, Kalb, Voorhis & Co.
William L. Weiffenbach, Chas. E. Quincey & Co.
David Wittman, Lewisohn & Co.
Roswell J. Yunker, Hemphill, Noyes & Co.

Notes Rapid Decline in Savings

Brig. Gen. Leonard P. Ayres estimates savings in first quarter of year declined from an annual rate of $42 billions to $20 billions. Says there is no evidence of a buyers' strike.

"Since VE day Americans have in general been saving less and spending more of their current income," Gen. Leonard P. Ayres, states in the current issue of the Business Bulletin published by the Cleveland Trust Company.

Leonard P. Ayres

"In the first quarter of 1939," he continues, "disposable income as compiled by the Department of Commerce, was running at the rate of about 66 billion dollars a year, and it had entered on an upward trend that was to continue until the end of the war. At that time savings amounted to about 8% of disposable income. Both disposable income and the portion of it that went into savings increased rapidly in 1940 and 1941, before we had entered the war. By the end of 1941, when we did go to war, the disposable income had mounted to a rate of about 97 billions annually, and nearly 20% of it was being saved.

"Both disposable income and savings increased with still greater rapidity in 1942, which was our first full year of war, and at its close the disposable income was running at the rate of 122 billions a year, and the savings were being set aside at the rate of 36 billions annually. The people of this country were saving almost 30% of their incomes. During the rest of the war period disposable income, expenditures, and savings continued to expand, but with more irregularity than in the previous years. Part of the irregularity in savings is to be accounted for by the bond drives.

"No evidence of anything like a buyers' strike is discernible in the records of the two final quarters of 1945 and the first one in this year. Disposable income was at the rate of nearly 142 billions in the middle of 1945, and at 140 in the first quarter of this year. In that same period the expenditures had increased from a rate of 100 billions a year to one of 120 billions. Savings had declined from 42 billions to 20 billions, or from 39% to 14%."

Starling W. Price Dead

Starling W. Price, Executive Vice-President of Bosworth Chanute, Loughridge & Co., Denver, Colo., died at his home on Aug. 15 after an illness of several weeks. Mr. Price was graduated from Yale University. After serving as an officer in World War I, he moved to Denver in 1919 and became associated with Bosworth, Chanute, Loughridge & Co.

Ohio Brevities

Net earnings of Goodyear Tire & Rubber Co., Akron, were the highest in history in the first half of 1946 and sales set a peacetime record, P. W. Litchfield, Chairman, announced. The net profit for this period totaled $15,088,189, equal to $6.59 per common share, and compares with $7,509,868, or $2.90 per common share for the six months ended June 30, 1945. Consolidated net sales for the first half of 1946 were $282,736,171, as against $407,991,835 in the 1945 period when wartime business was near its peak, and $152,931,046 in the first half of 1941, the previous peacetime record.

* * *

The American Rolling Mill Co., Middletown, earned $5,218,129 during the second quarter of 1946, after all charges and provision for income taxes, Charles R. Hook, its President, announced. This is equal to $1.53 per common share, after preferred dividends, on the 3,240,533 shares of common stock outstanding. For the corresponding quarter of 1945, Armco earned $2,071,925, equal to 54 cents per common share. The consolidated earnings for the six months ended June 30, 1946, after all charges and provisions for income taxes, amounted to $7,022,616, equal to $1.93 per common share after allowance for preferred dividends, as against $3,947,428, or $1.02 per common share, for the first half of 1945.

Mr. Hook also announced that the directors had declared a common dividend of 25 cents per share, payable Sept. 16 to holders of record Aug. 15, or at the same rate as paid on March 15 and June 14, last. The usual quarterly dividend of $1.12½ per share on the 4½% cumulative preferred stock was also declared payable Oct. 15 to holders of record Sept. 16.

* * *

An agreement was signed on Aug. 20 between the Columbia Gas & Electric Corp. and an investment banking group headed jointly by Blyth & Co., Inc. and The First Boston Corporation for the underwriting of the Columbia corporation's distribution of 2,040,000 shares of Cincinnati Gas & Electric Co. common stock. The underwriting group was 228 members and ranks with the largest investment banking combine in history.

The common stockholders of Columbia Gas of record Aug. 22 will be entitled to subscribe on or before Sept. 9, 1946, at $26 per share, for one share of Cincinnati Gas common stock for each six shares of Columbia Gas stock held. The underwriters expect to offer any unsubscribed shares to the public about Sept. 11.

The directors of Industrial Rayon Corp., Cleveland, on Aug. 16 increased the quarterly dividate on the common stock from 37½ cents a share to 50 cents a share which is payable Sept. 11 to holders of record Aug. 28. This brings the annual dividend rate to $2 per share on the new common stock which was issued April 1 on a basis of two shares for each share of the old no-par common stock. In 1945 the old stock paid a total of $2 per share.

At the same meeting, the board elected Hayden B. Kline, who has been Vice President of the company since 1930 and a director since 1933, to the newly created post of Executive Vice President and to membership on the executive committee, which increased from three to four.

* * *

At a meeting of the board of directors of The Schiff Company, Columbus, held on Aug. 15, the regular quarterly dividend of 25 cents per share was declared on the common stock, payable on Sept. 15 to holders of record Aug. 31. Like amounts were disbursed on March 30 and June 15, this year. On March 6, one additional share of common stock for each two shares held was distributed to effect a three-for-two split-up.

* * *

The directors of The Standard Oil Co. (Ohio) on Aug. 19 declared dividend No. 123 on the $10 par value common stock, amounting to 25 cents per share, payable Sept. 13 to holders of record Aug. 30. Similar payments were made on March 15 and June 14, last.

* * *

On Aug. 20, the board of directors of The Chesapeake & Ohio Ry. Co. declared a dividend of 75 cents per share on the common stock for the third quarter of 1946, payable Oct. 1 to holders of record Sept. 6. This is at the same rate as paid on Jan. 2, April 1 and July 1, this year.

* * *

Hydro-Power, Inc., a subsidiary of the Hydraulic Press Manufacturing Co. of Mount Gilead, has started operations at Springfield in a new factory building and will manufacture oil hydraulic pumps, valves and control equipment. The plant, according to reports, cost $750,000.

* * *

Cleveland Electric Illuminating Co., in the 12 months ended June 30, 1946, earned $6,696,088, or $2.39 per common share, as compared with $5,736,393, or $1.97 per common share, in the year ended June 30, 1945. The increase in earnings reflected the reduction in Federal income taxes, and high levels of use of power by industrial consumers in the Cleveland northeast Ohio area served by the company.

American Customs Being Explained to UN

Herrick, Graham, Barnes, Simons, and May participating in meeting at New School Aug. 22.

Mrs. Elinore Herrick, well-known labor consultant, now member of the editorial staff of the "Herald Tribune," Joseph Barnes, foreign editor of the "Herald Tribune," Benjamin Graham, President of Graham-Newman Corporation, lecturer and author, will speak at the second reception explaining American customs and institutions to members of the United Nations secretariat, the national representatives to the United Nations and their families at the New School for Social Research, 66 West Twelfth Street, on Thursday evening, August 22, at 8:15 p.m. Dr. Hans Simons, Dean of the Graduate Faculty, will say a few words of welcome, and Mr. A Wilfred May, executive editor of the "Commercial and Financial Chronicle" will be Chairman.

The topic will be "American Social and Economic Life and Motives." The purpose of the series is to present and discuss American customs, background, institutions, habits, thinking — particularly those aspects that are likely to puzzle the foreigner. The talks will be informal with ample opportunity to ask questions and make suggestions.

Todd Director of Title Guarantee

At the meeting of the Board of Trustees of Title Guarantee and Trust Company, held Aug. 20, 1943, J. Herbert Todd was elected a member of the Board.

J. Herbert Todd

Mr. Todd is President of Todd Drydock and Repair Company and has been prominently identified with ship construction throughout the United States.

A Grass Roots Approach to Better Understanding of Business

By FRED RUDGE*

Mr. Rudge holds industry's first obligation in public relations is complete honesty. Urges mastery of "art of communication," as in reports to stockholders. Toward elimination of present troubles, businessmen should aim to (1) increase areas of labor-management cooperation; (2) broaden man on the street's appreciation of the local business' usefulness to him; and (3) get better laws and lawmakers. Urges effort to effect guaranteed annual wage.

I am going to make one accurate quotation: After an extensive study, the Paul Bunyan Research Institute of Applied Science stated authoritatively: "2111 eight room houses in the New York area could be heated for one winter season by the hot air generated by management executives who today are making speeches to each other on 'American Business Must Tell Its Story to the Public'."

Fred Rudge

My unenviable position is this. My thesis is entitled "American Business Must Tell Its Story."

Further, my profession, if you can dignify it by that term, is the profession of helping American business actually to tell its story, about which it currently talks to itself so much.

How does one get to such a profession and why? What do you do when you are in the profession of public relations advertising?

I suppose the first factor that got me into a new type of business was going through the process over a period of 13 years of being an entrepreneur myself That is a lovely phrase. Sounds like the University Club, Brooks Brothers, and modern banking connections. Actually, being an entrepreneur, as far as I was concerned, was going into the printing business.

Our business was within sight and smell of the Gowanus Canal, and the year was 1932. We were 5 partners originally, with a tremendous collective capital of $5,000. We started the printing business after flipping a coin to decide whether to use the sum to buy a boat and sail to the Philippines. Actual formation of our corporation was delayed for some weeks until I arrived at the mature age of 21 and could legally sign the papers.

I won't bore you with the "We put the bills in the waste basket and drew one each month for payment" phase of the operation. It was pretty rough going but things had to either get better or

(Continued on page 1036)

*A talk by Mr. Rudge before a luncheon of Young Men's Board of Trade, New York City, August 14, 1946.

Anglo-Swiss Monetary Agreement

Treaty of March 12th fixes rate of Swiss franc at 17.35 to £1, but permits a variation after "as much notice as practicable." Provides for determination of maximum spread by mutual agreement of central banks of both countries. Both nations agree not to restrict availability of their currencies to each other's nationals for certain purposes, and makes provision for changes arising out of a general international monetary agreement to which each may become party.

The government of Great Britain and the Swiss government on March 12, 1946, entered into a monetary agreement, fixing an official rate between the Swiss franc and Sterling and providing for settling balances and payments between the two countries. Like similar bilateral pacts previously entered into by Britain, the treaty provided that "if the two contracting governments adhere to a general international monetary agreement or if either government changes its monetary policy in such a way that the provisions of the present agreement would be affected, the two governments shall review the agreements."

The English text of the agreement follows:

Monetary Agreement Between the Government of the United Kingdom of Great Britain and Northern Ireland and the Swiss Government.

London, 12th March, 1946

The Government of the United Kingdom of Great Britain and Northern Ireland, of the one part, and the Swiss Government, of the other part, have agreed as follows:

Article 1

(1) The rate of exchange between the Swiss franc and the £ sterling shall be Swiss francs 17.35=£1.

(2) This rate (hereinafter referred to as "the official rate") shall not be varied by either of the Contracting Governments except after giving to the other as much notice as may be practicable.

(3) In all territories where they have jurisdiction the Contracting Governments shall enforce the use of the official rate as the basis of all transactions involving a relationship between the two currencies.

(4) The Bank of England and the National Bank of Switzerland, as agents of their respective governments, shall fix by mutual agreement the maximum spread above or below the official rate which will be authorized on the markets which they control.

Article 2

(1) The Bank of England (acting as agents of the United Kingdom Government) shall sell sterling to the National Bank of Switzerland (acting as agents of the Swiss Government) as may be required for payments which residents of Switzerland, under the exchange regulations in force in that area, are permitted to make to residents of the sterling area—

(a) against Swiss francs to be credited at the official rate to the Bank of England's No. 1 Account with the National Bank of Switzerland, provided that the balance standing to the credit of that account is not thereby increased above a maximum of 86,750,000 Swiss francs, or

(Continued on page 1044)

SEC Suspends Ira Haupt & Co.

Rules firm out of NASD for 20 days for "wilful violation" of the Securities Act by not insisting on registration of Park & Tilford stock offered in 1943. SEC admits extenuating circumstances because of doubt in interpretation of section of Act relating to brokerage exemption, and says its conclusion "represents a departure from previous interpretations." Firm says decision clears it of any acts involving improper or unethical conduct.

On Aug. 20, the Securities and Exchange Commission, after an investigation extending over several years, released a decision suspending the Stock Exchange firm of Ira Haupt & Co. from membership in the National Association of Securities Dealers for a period of 20 days effective Sept. 3. The case arose out of the distribution over a seven month period prior to June 1942 by Ira Haupt & Co. of approximately 93,000 shares of Park and Tilford Inc. Stock through sales on the New York Stock Exchange. The shares were owned by David Schulte, who had the controlling interest in the company. Ira Haupt & Co. and Schulte failed to file a registration statement with the SEC covering the distribution of the shares. The contention of Ira Haupt & Co. was the distribution of the shares was exempt from registration under the so-called "brokerage exemption" provision of Section 4 (2) of the Securities Act.

In its decision the SEC stated:

"As repondent points out," the decision noted, "the interpretation of Section 4 (2)—[the brokerage exemptions]—has been the subject of considerable doubt. This is the first case in which we have held the brokerage exemption of Section 4 (2) to be inapplicable to a distribution over the exchange by an underwriter acting for a controlling person. And this conclusion represents a departure from previous interpretations.

"Moreover, respondent's only profit appears to have been the usual commission for executing transactions over the exchange and these commissions were insignificant in relation to its annual earnings."

In previous interpretations of Section 4 (2) the SEC held that the "brokerage" exemption from the requirement of registration applied only where the normal operations of the broker as a distributing agent were not exceeded, and contended that in a large and substantial distribution of a large bloc of shares, it would be unpracticable for a broker to confine his operations to the normal brokerage function.

During the consideration of the case, the counsel for Haupt pointed out the SEC not long ago granted the United Corporation permission to dispose of the stock of a subsidiary through New York Stock Exchange brokers. Regarding this contention the SEC stated:

"We have reached our present conclusion on this phase of the case after careful consideration of the entire problem and, to the extent that the administrative interpretations referred to and the principle involved in the United case may be inconsistent with that conclusion, they must be overruled."

In the "overruling," the SEC, in a separate decision, revoked the previous exemption granted to the United Corporation.

Statement of Ira Haupt & Co.

Ira Haupt & Co., in commenting on the release of the Securities and Exchange Commission suspending the firm from membership in the National Association of Security Dealers, Inc., for a period of 20 days beginning Sept 3, stated:

"It is apparent from the Commission's release that after a thorough investigation and hearing, our firm has been cleared of any acts involving improper or unethical conduct. It is most significant that the Commission's decision does not in any wise affect our status as members of the New York Stock Exchange and all the other exchanges of which we are members nor our over-the-counter dealings for our customers. The penalty imposed merely affects our relationship with other members of the NASD for 20 days.

"The Commission's release confirms our contention that at the time we effected these transactions on the New York Stock Exchange, there was no reason for us to believe that these securities had to be registered. The Commission, in the decision in this case, admittedly overrules its prior interpretations of Section 4 (2) which have been in effect ever since the enactment of the Securities Act of 1933.

"Practically every brokerage house has acted in its dealings with controlling persons in the same manner as we did under the interpretations in effect prior to this decision. The SEC is frank enough to admit that this decision reverses its prior administrative rulings. However, in imposing a penalty in this case without any prior notice to the brokerage industry, they are in effect penalizing us retroactively.

"After a thorough investigation by the Commission, it is found that we handled this entire transaction purely as brokers and received only the usual brokerage commissions which were very small and insignificant in relation to our total earnings.

"It is interesting to note that the Park & Tilford common stock (including the whiskey purchase warrants) is selling today at a price equivalent to the highest price it sold during the period in question.

"We feel that the Commission's rejection of its own long standing position exempting the transactions complained of and the imposition of a penalty without previous notice of the change in their position is completely unjustified. We are, therefore, contemplating an appeal to the courts in this matter which, we feel, affects the public and the entire financial community."

Plan China Power Plants

Preliminary plans are being formulated for the setting up of a number of power plants in several major cities and at strategic localities south of the Yangtze River capable of generating a total of 800,000 kilowatts of electric power. Chinese News Service advices from Nanking on Aug. 15 reported. The advices from the CNS at 30 Rockefeller Plaza, New York added:

"The projected power plants which are scheduled to be completed within 10 years, will be located at Shanghai, Hankow, Changhsin, Wuhu and Chilienlung, where the supply of coal and water power is comparatively abundant.

"The National Resources Commission of the Ministry of Economic Affairs is reported to be negotiating with United States authorities for the purchase of necessary machinery and equipment for erecting the projected power plants."

Business Man's Bookshelf

"Why Busts Always Follow Inflationary Booms"—Essay on future of market—Major Angas, 570 Lexington Ave., New York 22, N. Y.—$2.00—Also included will be **"The Future of Interest Rates"** and **"The Outlook for Gold and Gold Shares"**—Write to Dept. FC-822

Hidden Hazards—64-page illustrated booklet on safe construction methods to be used when remodeling or building new houses —Insurance Company of North America, 1600 Arch Street, Philadelphia, Pa.—Paper

Controlling World Trade—Cartels and Commodity Agreements—Edward S. Mason—Committee for Economic Development—McGraw Hill Book Company, Inc., 330 West 42nd Street, New York 18, N. Y.—cloth—$2.50.

Wallace Calls Retail Conference

Fifty National Retail Associations to be represented at two-day conference in Washington, Sept. 12-13.

WASHINGTON, Aug. 21.—Secretary Wallace has invited over 50 national retail trade associations to participate in a two-day retailers conference at the Department of Commerce, Sept. 12 and 13. Retail trends and problems will be discussed and "the retailers will be asked to tell the Department how it can best help them do the kind of a job that must be done to keep the pipelines of distribution open."

Henry A. Wallace

According to Secretary Wallace, "goods must be sold, buyers must be served, and consumption increased, if our factories are to be kept busy producing goods. The Department wants to be of the greatest practical assistance to the 1,800,000 retailers of the country in the part they play in reaching this objective."

Under-Secretary Alfred Schindler will address the morning session on "Retailers and the Post-War Selling Job." Mr. Raymond Bill, Consultant to the Secretary of Commerce, will tell the retailers about the organization and objectives of the National Distribution Council.

The Council has been set up under the auspices of the Department of Commerce to bring together the important national sales, business, distribution, and management associations to coordinate activities of the Government and private organizations primarily concerned with distribution and marketing. Other key executives of the Department of Commerce, whose offices and divisions provide information, educational material, and services useful to the retail trade, will describe briefly how their offices fit into the picture.

At an afternoon session the retailers will advise the Department of Commerce what the retailers need most in the way of services, informatioin, and facts from the Department.

Real Estate Securities

HOTEL STOCKS

For the first time in many years, real estate investors have been confronted with a decline in hotel equities in sympathy with general corporate securities. The reasons advanced for this recession in prices (although without much selling pressure) are: (1) that the recently granted 20% increase in wages to hotel employees will cut deeply into hotel earnings, and (2) that hotel occupancy will decline from its war peak.

	High 1946	Bid 8-20-46
Commodore	12½	8
Governor Clinton	85	75
Lexington	22¼	16
Park Central	22	19
Roosevelt	25	20
Savoy Plaza	37½	28
Sherry Netherlands	16½	15
Waldorf-Astoria	15¼	10½

While the weight of this reasoning cannot be gainsaid and hotel stocks have retreated substantially from their highs (as indicated in the above table), more farsighted investors and analysts advance the following arguments to support their thesis that hotel stocks are "cheap":

(1) The Office of Price Administration has granted that there is a sharp distinction between hotels and apartment buildings, and has lent a favorable ear to proposals to increase hotel room rentals up to 10%. Most hotel proprietors confidently expect that an increase soon will be forthcoming.

(2) Granting a possible decline in hotel room occupancy, it is nonetheless true that the hotel business may still be extremely profitable since in many instances more than 50% of hotel revenues is derived from sales of food and beverages.

(3) Resumption of tourist and business travel and conventions will tend to moderate the possible reduction in occupancy.

(4) (Perhaps the most cogent of the counter arguments concerns the factor of competition.) The new construction program is practically at an impasse, primarily because of material shortages at current price levels. Assuming that the building program soon gets under way, it will still be impossible for high-costing construction to compete with the established hotels at the prevailing ceiling rentals. Further, the peak war years have permitted hotels like the Waldorf, Commodore, Park Central and Lexington to reduce quite sharply their fixed indebtedness, resulting in substantial interest savings to the properties and placing the equities in a favorable position.

How High Silver Prices?

By WILLIAM G. THURBER*

Chairman, Silver Committee, American National Retail Jewelers Association

Silverware manufacturer expresses belief aim of Silver Bloc is to increase silver bullion price to $1.29 an ounce and higher. Cites view of Western mining journal of object to restore old 16 to 1 ratio with gold. Points out silverware manufacturers have not increased prices, due to failure of OPA to grant price rise, but holds present prices cannot long continue.

You all know that we have 90.5 silver, after a heck of a battle. There seems to be some question as to who won. Some members of the industry think that the industry lost its fight. Others think it won a victory.

Wm. G. Thurber

The mining interests out there are very sure that they lost the fight, and are just beginning to scrap. The Emergency Committee which was formed some months ago still has plans for the future. I expect another meeting is going to be held very soon, at which a campaign will be laid out to meet what we expect is coming from the mining interests.

There is no question that they want $1.29 silver, and it may be $2.19 silver! I think perhaps the best way to give you an idea of how the field is running is to read you a recent editorial in the publication entitled "The Mining Record."

This article appeared on July 11, 1946, and bore the heading, "Battle for Silver Just Getting Started."

"The campaign of misrepresentation carried on by the silverware manufacturers and jewelers, and backed by silver-using industries over the nation, against patriotic Congressmen striving to secure a fair price for producers of silver in the mining districts of the West, has been successful in dishonestly convincing the unthinking public in the Eastern States and wobbly members of the House at Washington that the miners are trying to put over a gouge on the poverty-stricken manufacturers of plate and jewelry. Such is the power of publicity where uncounted millions are spent to prevent the miner from getting an honest price for his production.

"Otherwise honest editors have been swayed from straight thinking by the plausible lies that went out from the jewelry headquarters. It has been but a continuance of the campaign of falsehood used in the conspiracy against William Jennings Bryan in his advocacy of 16 to 1; an anathema by the powerful manufacturing group getting rich through its purchase of cheap silver and selling it in manufactured articles at hundreds if not thousands of per cent profit.

"The mining West must have a militant organization to fight every encroachment on its mining industry. The House at Washington, with its preponderance of eastern votes, can prevent the West from securing its rights as regards metal prices and a fair opportunity to finance new mining development.

"We are certainly without any fighting spirit when we allow our rights to be wiped out through the bureaucratic policies of the New Deal. We should rebel against this unfair eastern domination and set up trade barriers if needed to bring a return of common sense to the provincial eastern group who ride roughshod over our needs.

"The Federal Securities Law is stopping new eastern development and forcing investors and speculators into eastern ventures. It is time to demand our rights. If present Congressmen from the West are not all out for every phase of mining in their States, they should be replaced."

I think you can see from that that the mining interests are not going to quit.

I would like to read part of an editorial that appeared in the New York "Herald Tribune" under date of Aug. 5, 1946.

"To the Silver Bloc, and the silver worshippers, in short, the new law doesn't mean just a new and higher price for silver; it means that 70% of the 'road back' has been traversed to the days when an ounce of silver was rated at one-sixteenth the value of gold, then and up to 1934, officially established at $20.67.

"That this is the present major objective of the Silver Bloc can hardly be seriously questioned. After that, if experience teaches anything, will come the drive to advance the figure to $2.18, the price needed to bring the 16-1 ratio into line with the recent upward revision of the statutory price of gold to $35 an ounce. What the next objective will be no one can say at the present time. But of one thing we may be certain—there will be one."

In contacting the various Senators down in Washington, in support of 71-cent silver, we were greatly disappointed in the failure of some of those who had been looked upon as dependable to come across with the needed votes.

In case you want to check up on how your Senators voted on the question, I have a list I am going to ask to have tacked up at the back of the hall so that you can see whether your Senators came across. You can glance at it and see whether they were the ones who fell by the wayside from pressure that was exerted in one way or another.

At the present time, as far as the prices of silver manufacturers are concerned, all manufacturers are holding to the prices which were in existence previous to June 30. In order for manufacturers to have made any changes in their prices, there would have to be action by OPA, which was anticipated shortly after that organization was brought back to partial life, but so far there has been no action.

So, even though some manufacturers, or all manufacturers, had expected an increase in the price of flatware, it was impossible to do so. One or two manufacturers announced increases, on the assumption that OPA would clear silver, of approximately 10%, but the failure of OPA to come across made it necessary for them to withdraw it.

At the present time, therefore, prices of silver plateware to the public will remain the same. How long that condition will remain, I do not know. It is my personal opinion that if there was to be any rise of price in the finished product, this would be the time—or would have been the time—to do it, rather than a month or six months later.

*An address delivered by Mr. Thurber before the 41st Annual Convention, American National Retail Jewelers Association, New York, N. Y., Aug. 14, 1946.

Max Bilgrey to Study Conditions in Europe

Max Bilgrey of Ira Haupt & Co., 111 Broadway, New York City, members of the New York Stock Exchange, sailed for Europe Aug. 20 aboard the Holland-American liner "Westerdam." He is going to make a study of economic and financial conditions in France, Belgium, and Holland. One of his first stops will be in Holland, where he has an appointment with the Netherlands' Minister of Finance to discuss economic relations with his country.

Our Reporter's Report

The investment banking industry now has seen nearly everything! Only a short while ago underwriting firms were plagued with an epidemic of private placements, that is sale of new securities direct by the issuer to an institution or a group of institutional investors. But it remained for this week to bring something entirely new in that direction when, to all practical purposes, the issuer proceeded to outbid two banking syndicates for an offering of $7,900,000 first mortgage bonds of the Union Railroad Co.

The road, not to be confused with the Union Pacific Railroad Co., vast trunk line, is a short-haul carrier operating in Pennsylvania. Bids for the new issue were invited several weeks ago to be opened on Tuesday this week, the sale of the bonds being designed to provide funds for the retirement of two smaller loans falling due Sept. 1 next.

Only one of the two banking bids received was entered by a syndicate which normally is active in the flotation of new corporate issues. The second banking bid was made by a house which frequently has acted in the capacity of agent for institutional investors. It made little difference however, since both bids were topped by a tender entered by the United States Steel Corporation.

The latter company, which guarantees the principal and interest of the two maturing issues, is committed on a similar basis as far as the new issue is concerned. The banking firms may have felt some cause for griping but the issuer certainly had no ground for being upset. Quite to the contrary the company, by reason of the Steel bid, realized $110,000 more than it would have, had only the two banking bids been submitted.

Par for 50-year 3s.

The bidders for the Union Railroad Co. bonds were called upon to name the coupon rate as well as the price. All three named the same interest rate, 3%, for the issue.

The higher of the two banking groups offered to pay the company a price of 98.80, this representing what was looked upon as a probable insurance company bid. The second banking aggregation, which presumably contemplated reoffering to the public, bid a price of 98.60.

U. S. Steel Corporation, evidently having surplus funds available and, what with the Treasury retiring another billion of its maturing debt, seemingly decided that if it figured the bonds good enough to guarantee as to principal and interest, it might just as well hold them as an investment and have the benefit of the 3% return afforded.

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Calls Truman Budget "Boom and Bust"

"The nation's 40 million citizens who pay direct Federal taxes face a rude and costly awakening if they rely on the Truman Administration to protect their pocketbooks," Senator Styles Bridges of New Hampshire warned in a statement issued on Aug. 19. Senator Bridges is ranking Republican member of the Senate Appropriations Committee:


Sen. Styles Bridges

Characterizing the President's 1947 budget as revised on Aug. 4, 1946, "an experiment in profligacy," Senator Bridges stated:

"Although income for fiscal 1947 is now estimated to be $39.6 billion instead of $31.5 billion estimated in January 1946 the President clings to the old New Deal habit of deficits, predicting a net deficit of $1.9 billion in 1947. It's getting so that deficits and New Deal management are virtually synonymous. With $8 billion of estimated new revenue that he didn't have in January of this year he still can't balance the budget. In my judgment this is a shocking state of affairs.

"Despite honeyed phrases to the contrary," continued Senator Bridges, "the President has demonstrated neither real desire or even ability to satisfy citizen demands that the Federal Budget be balanced. Is our government to continue one of administrative squander-mania? We can't balance the budget during war, nor is it desirable that we try to do so, but peace is a different matter. For the past 15 years, however, the successive Democratic administration demonstrate that they see no difference between war and peace—both are excuses for deficit-spending. If a number of the spending programs proposed by the President had been adopted, the budgetary deficit would be even greater than the $1.9 billion currently estimated.

Senator Bridges emphasized that few citizens seem to realize the staggeringly large sums of revenue that are likely to be paid into the Treasury in taxes. "The estimated $39.6 billion," said the Senator, "is really eight times as much revenue as was available in any year prior to 1943. It is as much as aggregate Federal revenues for the 10 deficit years from July 1, 1930, to June 30, 1940. It is nearly one-half of all receipts during the first 142 years of our government, 1789 to 1930."

Senator Bridges asked: "What kind of double-talk is the President feeding the American people when he stated on page four of his review 'Budgetary policies have become a major weapon to fight the kind of "boom and bust" which followed World War 1.' Government wage policies, inventory hoarding by government corporations, restraints on production through OPA and other devices, super taxation of private instruments of production and bureaucratic siphoning of private production income for non-productive New Deal experiments are among the worst inflationary techniques that could be foisted on a tolerant public. Yet the President says his policy is anti-inflationary. This is truly remarkable reasoning.

"There's only one solution to the problem," stated Bridges, "and that is an aroused, even angered public. Mere protests are not enough. The Federal bureaucracy needs a good housecleaning. We will never have fiscal sanity, balanced budgets or justice for the nations' taxpayers as long as the New Deal bureaucrats can claim every taxpayer dollar for their own."

"Looking at the Federal budget, Mr. Truman says, in effect, I don't know how to cut it but I can sure make it smell nice."

"The fact is," said Senator Bridges, "President Truman is giving the country a budget further revised and designed for New Deal boom and bust spending. The Federal Budget needs a sharp Presidential knife and not just a sharp Presidential tongue."

Wall Street Union Runs Into Legal Snag in Its Attempt to Obtain Election in Brokerage Firm

(Continued from page 1009)

ability of the Exchange to maintain operations during the recent walk-out of employees is an indication of what is possible for the Exchange to do.

What is very likely to develop in the event of a really prolonged and bitter fight is wide-spread over-the-counter trading in listed securities. Of course, the Board of Governors of the NYSE would have to consent to over-the-counter trading in big board securities by member firms. The facilities of other exchanges both in this country and in Canada might also be utilized. Many members of the NYSE are also members of other exchanges and transferring business from New York to these other points would be a relatively easy matter for them at least in the case of big board securities that are listed on other exchanges. It is estimated half of the securities listed on the big board are also listed on another exchange.

The union is taking the matter of the strike which it threatens very lightly, it seems. It apparently forgets that in a strike it will need all the financial resources it can muster, it will need all the friends it can possibly get, it will need sympathetic public opinion. It will need, that is, all the tangible and intangible elements that make for general morale among its ranks. When the first flush of excitement and drama are over; the strike will reveal some of the devastating effects it can have on both "labor" and "management."

When the pay checks no longer come in, tensions are bound to develop in all the ordinary relations which a man has with his fellows, including his own family. The unemployment benefits which the strikers will be able to receive will be small and will prove to be little comfort indeed, especially when it is considered that back at work earnings would be considerably higher. A strike is not a pretty thing to contemplate from any point of view and for a union not to exhaust every other possibility of coming to terms with an employer before resorting to the strike or, for that matter, even talking about it, is a very serious matter indeed.

In its present struggle for higher wages and supposedly better working conditions, the union is failing to distinguish between friends and enemies. The union has had a contract with the New York Stock Exchange for four years and it is a mistake of the first order, from the strictly labor point of view, for the union to kick the Exchange around as though it were so much dirt. The union can't expect the Exchange to accede to its every whim but one fact which the union has neglected to point out to its membership is that the Exchange has never closed its doors to any representative of the union. The Exchange has always been willing to discuss the question, so to speak, and this willingness to discuss is of the very essence of collective bargaining.

To use the Exchange as a weapon with which to intimidate the firms on the "Street" is a clumsy procedure that is very likely to boomerang with devastating force against the union and so injuring the cause of unionization a great deal more than overcoming any resistance on the part of the firms to recognize the union or to negotiate terms.

The union is trying to do in two months what in the normal process of development it should take any union two years or more to achieve. The union isn't taking sufficient heed of the determination of many firms—and especially of particular partners in those firms—to have nothing whatsoever to do with the union. Some firms, especially those which have shown a proper regard for their labor relations in past years, will certainly succeed in resisting any attempt by the union to force an unsatisfactory contract upon them. The UFE will find that it is one thing for the large national unions to organize the vast mass-production industries and something else for any union, large or small, to organize small firms such as are to be found on Wall Street. The UFE won't be dealing with the management of large corporations but with the various partners who own the business themselves.

Face-saving would be a relatively easy matter for either side at this stage of the conflict and it probably goes without saying that the entire money and securities market in New York and elsewhere — because New York is a world market— would probably welcome such gestures of friendship and good intentions as either the union or the Stock Exchange and the firms that are being approached by the union at this time may find it in their power to make. When there is a will, they say, there is a way. No one has anything to gain from a strike prematurely called. Labor, if anyone, has the most to lose. It should be fairly evident, even to the casual outsider, that merchants of finance have ample funds with which to weather out —with which to endure—any conflict that may develop in the labor field. Just how long the public would sit passively by in such a conflict is still another angle to the problem.

If there are any labor maladjustments in the industry, it might conceivably be that this is as good a time as any to throw the spotlight upon them. Approached with the correct attitude, however, these problems don't have to be stumbling blocks in the path of amicable employer-employee relationships. It might be very well for labor to realize at this point, however, that it can have either high wages or a high degree of employment among its ranks but very likely not both. There is a happy balance to be reached in the matter of wages and this balance is not easily achieved. If and when new higher wage rates are secured, marginal workers in the ranks of labor, that is, those who can not measure up to the standard of production or service for their group, will probably have to look for reemployment elsewhere.

In Wall Street, it is either a feast or a famine, as the saying goes. If the union is merely trying to get what it can for its membership while the getting is good, then its actions are understandable but the union will probably be short-lived, too. Making wild promises and acting very much like the bull in the china shop in its relations with the Exchange and the firms with which it is seeking contracts, however, are certainly not going to get it far. By following such a course, the union is only making the struggle that much harder for itself.

The union is giving the impression of seeking the easy way out of its difficulties. Unwilling to build stone upon stone, it employs all available shortcuts. It is doubtful whether expanding at the rate it is the union can have sufficient control over its lieutenants to be able to guarantee labor peace in the securities market for any appreciable length of time. It would probably be safe to predict that rival unions will develop out of the membership now mushrooming into existence. The present situation portends only coming jurisdictional strife.

Whatever may be the outcome of the immediate struggle of the union to gain recognition from Harris, Upham & Co., the union is certain to run into a stone wall of opposition from most if not all the other firms on the "Street." Many of the partners of the various firms fear the implications of unionization. The union will probably find it easier to win the respect of these men with whom it must deal personally eventually by adhering strictly to the terms of any contract to which it affixes its signature. At the present time, this means adhering faithfully to the terms of the contract with the NYSE and the other institutions with which it has agreements. If there is anything Wall Street respects, it is a man's word.

In the case of Harris, Upham & Co. and the UFE before the New York State Labor Relations Board, a question of jurisdiction has arisen. In hearings before Trial Examiner I. L. Broadwin Monday and again yesterday, counsel for Harris, Upham & Co. contended that it is the National Labor Relations Board and not the State Board which should have jurisdiction over the dispute with the union. Harris, Upham & Co. believes that since it does business on a national scale, the National Board should get the case. The union kept repeating that it doesn't care whether the National or the State Board has jurisdiction and that all it wants is an election at Harris, Upham & Co., fairly conducted. Mr. Broadwin raised the point that the State Board proceeds exactly as the National Board does and contended further, along with counsel for the union, that it has been the policy of the National Board to refer cases involving financial institutions to a State Board until such time as the union itself commences to operate on a national basis. Two cases involving similar disputes over jurisdiction, but not involving financial institutions are now before the Supreme Court of the United States for final determination. The Supreme Court will probably take up these cases in the fall. Mr. Broadwin on Monday reserved decision in the case but he indicated yesterday that he expects to reach a decision relatively soon.

It is not known to what extent legal delays in the Harris, Upham & Co. case may affect the union's plans to organize the Wall Street community. The fact that the union's contract with the Stock Exchange expires on October 15 will probably be the single most important factor in the determination of what the union will think it should do. The union is seeking a multiple contract covering the entire industry and it is difficult to see how it could achieve its objective without approaching the various firms at the same time that it negotiates with the Exchange.

Railroad Securities

President Truman's pocket veto of the revised railroad reorganization legislation came as quite a suprise to the financial community. While the reasoning behind the action appears vague and unconvincing the respite afforded gives at least some hope to proponents of sound reorganizations. The President declared himself in sympathy with the general aims of the legislation but dissatisfied with its form. Presumably now any reorganization legislation will be postponed at least until well into next year and many rail analysts are of the opinion that by that time, with the bubble of phenomenal wartime profits burst, there will be little earnings support for agitation for more liberal capitalizations.

The President's action in vetoing the bill has further confused the already thoroughly muddled reorganization picture. Most financial circles feel that with the necessary delay in enacting any new legislation it should be possible at least to consummate the St. Louis-San Francisco and Denver & Rio Grande Western reorganizations. Both of these plans have been voted on by security holders and confirmed by the courts. The Supreme Court has upheld the Denver plan and has refused to grant a writ in the case of the Frisco. In both instances only mechanical steps remain in order to consummate the plans.

The confusion caused by the checkered career of the proposed revised reorganization procedure has naturally had an adverse market influence on the securities of all reorganization carriers. In their present temper neither investors nor speculators are inclined to tie up their funds in uncertainties and potential interminable litigation. In sympathy with this general attitude the securities of Missouri Pacific, particularly the junior bonds, have sold off quite substantially from their earlier 1946 highs. This pessimism hardly appears to be warranted by the facts. Regardless of whether or not new legislation is ever passed it is obvious that the present Missouri Pacific plan is obsolete and will have to be changed. Even without any liberalization of the capitalization originally authorized by the Commission such a change should bring a material improvement in the treatment accorded the outstanding bonds.

Since the present plan was drawn up, Missouri Pacific has accomplished a significant reduction in its senior debt represented by the Iron Mountain bonds and the RFC and bank loans. These claims aggregated close to $66,000,000 and under the plan were to receive a total of some $55,000,000 in new fixed interest bonds. When it is considered that the Missouri Pacific 1st and Refunding Mortgage bonds were scheduled to receive in the aggregate only around $89,000,000 in new 1st Mortgage bonds (they were to have the rest of the claim filled out in junior securities), the percentage improvement in treatment made possible by the debt retirements is obvious.

Furthermore, it should be feasible under present conditions to put a lower coupon on the Series C new 1st Mortgage bonds than the 4% set in the original plan. On such a basis, if the Commission were to leave fixed charges at the level approved in the original plan it would be possible to create a substantially larger face amount of new fixed interest bonds for distribution to the old bondholders. The $89,000,000 of 1st 4s allocated to the present 1st and Refunding Mortgage bonds could, if a 3% coupon were substituted, be replaced by some $119,000,000 of new bonds without increasing the allowable fixed charges.

Merely through reallocation of bonds that were to be issued to satisfy the senior claims, since paid off, and substituting a 3% coupon on the new fixed debt without cutting allowable fixed charges, it would be possible to more than double the 1st Mortgage treatment of the present 1st and Refunding bonds. There is one other consideration that will presumably also influence the eventual alteration of the Missouri Pacific plan. The subsidiary New Orleans, Texas & Mexico, which is included along with International-Great Northern in the plan, is sufficiently strong financially to pay off all of its back interest. Such a step, reducing total claims against the estate, appears likely if, as is generally expected, the whole plan goes back to the Interstate Commerce Commission for revision.

Economic and Transportation Trends

Committee of the Association of American Railroads, assisted by Julius H. Parmelee, analyzes pertinent facts bearing upon future of transportation. Says choice confronting railroads is (1) either to increase traffic; or (2) to institute further operating economies; or (3) to raise rates. Sees maximum railroad revenues in 1950 at no more than $6 billions.

"The problem confronting the railroads is either to increase their traffic to greater volumes than are now indicated, or to institute further substantial economies in operation, or to raise their own prices for services rendered." This is the final conclusion of the Sub-Committee on Economic Study of the Railroad Committee for the Study of Transportation, after assembling and analyzing pertinent facts bearing upon the future of transportation, as of the close of 1945.

Julius H. Parmelee

The committee's report, prepared with the assistance of the Bureau of Railway Economics and its director, Dr. J. H. Parmelee, presents in 187 pages of text, 75 tables and 40 charts, the most comprehensive and at the same time the most concise study of economic facts, past and present, and the most searching analysis of future trends, ever undertaken by the railroad industry.

The committee deals with past records and future trends of population, industrial and agricultural production, construction, trade, labor force and employment, and financial aspects of the economy. The effects of war upon economic development and prospects are traced. Special attention is given to the prospects of transportation in general and railroads in particular.

"The American nation has never

(Continued on page 1044)

Decision on Bank Participation Agreement Plan Faces RFC

The RFC, whose life has been prolonged by Congress from Jan. 22, 1947, to June 30, 1947, must soon decide whether to extend beyond Jan. 22 next the Bank Participation Agreement Plan which it has been operating since April 1945. The subject is believed to be receiving the active consideration of RFC officials now.

According to the RFC, the BPA Plan was established after the Corporation had made a nationwide survey of banking and business suggestions as to how RFC could most effectively utilize its lending powers and facilities in helping to assure an adequate supply of credit for the use of private industry and finance in developing post-war industrial expansion, particularly through the establishment of many new business enterprises and the expansion of existing enterprises.

Under the Plan, banks may make loans to business concerns with a practically automatic guaranty by RFC up to 75% of each loan made under the Agreement. The bank advances the credit and handles the loan itself. RFC simply commits itself, subject to the provisions of the Agreement, to take over part of the loan if the bank so desires, upon 10 days' notice; thus, in effect, insuring liquidity for the portion of the loan covered by the Agreement in case the borrower slows down in his repayments.

Early this year RFC extended the protection of the RFC Blanket Participation Agreement with banks to include loans made by banks to contractors or other business enterprises interested in building residences.

Seismograph Service Stock on Market

An issue of 140,000 shares of common stock of the Seismograph Service Corp. is being offered today at $12 per share by a syndicate headed by Paul H. Davis & Co.; Merrill Lynch, Pierce, Fenner & Beane, and Kidder, Peabody & Co. Of the total 70,000 shares are being sold on behalf of the company, and 70,000 on behalf of selling stockholders. Company will use the proceeds for working capital and to reduce a bank loan.

RFC Gives Account of War Risk Insurance

Reports War Damage Corporation, created by Congress, has earned $221 millions in profits on more than 8,700,000 policies. Contingent liabilities reached a peak of $140 billions.

In a statement issued by the Reconstruction Finance Corporation, the operations of the War Damage Corporation, authorized by Congress on Dec. 13, 1941, to afford the public protection of loss due to enemy action, are summarized as the corporation has practically ceased business, and has issued no policies since March of this year. The report may be taken as a final statement of operations. The text follows:

Owing to the uncertainties involved, and the inadequacies of existing insurance reserves, war risk insurance on other than marine risks was practically unobtainable after the outbreak of the war. In this emergency, Reconstruction Finance Corporation executed the charter of War Damage Corporation on Dec. 13, 1941, to provide governmental insurance against loss of or damage to property as a result of enemy attack.

On March 27, 1942, Congress authorized War Damage Corporation to grant two types of protection against enemy attack, (1) "reasonable" free protection until policies of insurance should be made available, and (2) "reasonable" protection under policies of insurance for which a premium was required to be charged. Policies of insurance were made available on July 1, 1942, at premium rates that were uniform throughout the United States and its Territories and possessions, and averaged about 10¢ per $100 for annual policies, without liability for assessments or additional premiums during the annual term.

By the act authorizing such protection, Congress empowered Reconstruction Finance Corporation to supply War Damage Corporation with funds to an amount not exceeding $1,000,000,000. Under the insurance programs thus provided by War Damage Corporation, any deficit, to the extent of $1,000,000,000, would have been met out of the United States Treasury. Conversely, any profit that results from the operations of War Damage Corporation will under existing law be distributed to Reconstruction Finance Corporation, and all property of the latter, upon its liquidation, will in turn be covered into the Treasury of the United States as miscellaneous receipts.

Reasonable protection for property in the United States and its Territories and possessions was automatic and without charge from Dec. 7, 1941, until policies of insurance became available on July 1, 1942. Thereafter War Damage Corporation's activities were carried on through 546 fire insurance companies which serviced the "general" program and 88 casualty and surety companies through which insurance of money, precious metals and securities was made available. These participating companies acted as "Fiduciary Agents" of War Damage Corporation, receiving applications and premiums, issuing policies of insurance, and servicing such policies. The companies acting as Fiduciary Agents under each program participated in the underwriting of that program to the aggregate extent of 10%, subject to a limit of $20,000,000 with respect to losses under the general program, and of $5,000,000 under the money and securities program. Participations in profits are similarly limited under each program. The Fiduciary Agents received out of each premium an expense reimbursement equivalent to 3½% of the premium with a minimum of 50¢ per policy and a maximum of $700 per policy, subject to adjustment on the basis of actual expenses. Insurance agents and brokers who submitted applications received out of each premium a service fee of 5% of the premium, subject to a minimum of $1 and a maximum of $1,000 per policy.

On March 31, 1944, and again on Feb. 28, 1945, War Damage Corporation made public announcement that insurance duly in effect on those dates would be extended for an additional term of 12 months from the respective dates of expiration of such insurance without payment of additional premium or other charge.

Losses sustained in Hawaii, the Aleutian Islands, and elsewhere during the period from Dec. 7, 1941, to July 1, 1942, have been adjusted by War Damage Corporation out of funds provided by Reconstruction Finance Corporation pursuant to statutory authority, and other losses sustained during that period, including those of recently repatriated internees from Pacific island bases on Wake, Guam, and elsewhere are currently being paid out of the same funds.

On March 1, 1946, the Reconstruction Finance Corporation announced that in view of the lack of substantial demand for war risk insurance after V-J Day, no poplicies would be issued on and after March 16, 1946.

The corporation has earned approximately $221,000,000 in profits (before payment of participations) on more than 8,700,000 policies and renewal certificates of insurance issued. Under these policies the corporation's contingent liabilities reached a maximum of about $140,000,000,000.

Francis I. du Pont Billboard Campaign

Outdoor advertising by a securities firm is being used in New York City for the first time with the opening of a campaign by Francis I. du Pont & Co., 1 Wall Street, members of the New York Stock Exchange and other leading stock and commodity exchanges. The brokers maintain 14 offices in the metropolitan area and offices in Wilmington, Philadelphia and Rochester. Copy, which will be changed from time to time, appears on a modernistic billboard, 72 x 18 feet, located at 149th Street alongside the tracks of the New York Central and New Haven Railroad systems. The message is delivered to over 200,000 persons traveling daily to and from points in New England and the West. The campaign is being conducted by Doremus & Company through General Outdoor Advertising Co.

Thomas J. McGahan With Rollins & Sons

Thomas J. McGahan is joining the staff of E. H. Rollins & Sons, Inc., 40 Wall Street, New York City. Mr. McGahan has been associated with Merrill Lynch, Pierce, Fenner & Beane.

Ray Kenney's Daughter Wins Ribbon at Horse Show

That gleam in the eye of Ray Kenney of C. E. de Willers & Co., 120 Broadway, New York City, and founder of I. C. T. A., is due to the Second-Place Ribbon won by his 15-year-old daughter, Patricia, at the annual Camp Lake Greeley Horse Show at Lake Greeley, Pa. One hundred and fourteen girls participated in the show. Ray says, "My cup runneth over and the nickels spent at Feltman's Merry-go-round were not wasted."

NAM Criticizes Price Rise Data

(Continued from page 1010)

Prices compiled by this agency have been severely criticized, they are still used extensively by scholars and practical economists as indications of the relative level of prices in different periods.

"Unfortunately these monthly index numbers do not become available in final form until about two months after the end of the month to which they apply. Also, in the period prior to the suspension of OPA they failed to take adequate account of black market prices of many commodities which were practically unobtainable on any other markets.

"For more immediately available measurements other index numbers compiled by various authorities must be used. It is too much to hope that these current indexes will be as comprehensive or reliable as the BLS monthly data on wholesale prices or consumer prices. Nevertheless, since they are watched closely in critical periods, it is desirable to examine them in regard to methods of construction, past history, and current movements (June and July 1946). Such an examination is the purpose of this report."

The report of NAM places the various price statistics in their relative perspective and following a detailed analysis itemizes the points of criticism as follows:

"1. The effect on prices of the elimination of subsidies is not measured by any of the price indexes in use;

"2. Wholesale price statistics for period prior to July 1st, against which the July figures are related, were computed at ceiling prices disregarding the fact that in many commodities the bulk transactions took place in black markets;

"3. Retail price statistics for periods prior to July 1st, against which the July 15th figures are related, fail to take adequate account of black market prices even through the Bureau of Labor Statistics has heretofore claimed these illegal prices were reflected in its retail price surveys;

"4. Wholesale prices of basic raw materials rose approximately 8% during the 25-price-control-free days—as contrasted to the general impression created by government statements that the rise approximated 25%;

"5. The rise in wholesale prices generally (all raw materials and fabricated commodities) during the period was much less than 8%;

"6. The increase in consumer prices actually paid was negligible. The 5½% increase in these prices for the month ending July 15, as shown by the prelminary BLS release, resulted almost exclusively from reported increases in the prices of meat and dairy products—the same products dealt in most extensively in black markets and also most heavily subsidized."

Asserting that the "shocking examples of individual price rises and the interpretations of the Bureau of Labor Statistics, commodity statistics bespoke political ends instead of impartial reporting" the NAM report continues:

"The 5½% increase in retail prices of consumer goods between June 15 and July 15 reported by the Bureau of Labor Statistics is an exaggeration of the real increase in the cost of living over that interval. This conclusion arises from a careful analysis of the statement accompanying the release. The unprecedentedly early release of the cost of living data leads to the presumption that the 5½% rise was intended as a measurement of the effects on the consumer of the suspension of OPA. If so, it gives a grossly exaggerated picture of rise in cost of living due to cessation of price controls.

"It is clearly stated in the bureau's report that the rise is due almost exclusively to increases in the cost of foods which went up 13%. All other items combined increased less than 1%.

"The increase in the cost of food, in turn, is due principally to increases in the cost of meats and dairy products. On these items the BLS confesses that, due to their scarcity, it was unable to obtain quotations in June for many cities.

"It is in this point that the practical weakness of the bureau's figure of 5½% increase lies. The meats and dairy products (which are principally responsible for the rise in the combined index) are precisely the products which were dealt in most extensively in black markets prior to the demise of OPA. Now, the procedure of the bureau in compiling its consumer-price data failed to take adequate account of black markets. While agents getting retail quotations were instructed to pay whatever was asked by the retailer, they were not instructed deliberately to seek out under-the-counter channels for obtaining scarce items. The result is that in many cities the agents obtained no quotation whatever. Had the prices of meats and dairy products been included for June for all cities at their black market prices (the only market on which they were available) the increase between June and July would have been much less than was recorded.

Also, the price rise on meats and dairy products was due in part to cessation of subsidies. But this was a false increase, for the consumer simply began to pay, as such, amounts he had previously contributed in his alternative role as taxpayer.

"Thus the increase on cost of meat and dairy products gives a false picture of the effects on the consumer of suspension of OPA. As we have already mentioned these food items were almost exclusively responsible for the 5½% increase in the combined "consumer price" index."

In stating the results of its own analysis, the NAM report concludes:

"1. A genuine rise of approximately 8% occurred in the wholesale price of basic raw materials, during the period without price controls.

"2. The rise in wholesale prices generally (including fabricated commodities) was certainly very much less. This is based on a relation which has held in the past between movements in the daily indexes of basic raw materials and in the comprehensive monthly index. It appears that fluctuations in the monthly over-all index are roughly one-fourth as great as the corresponding fluctuations in the daily index. Application of any such precise divisor to the 8% rise in the daily index during July 1946 would give a specious appearance of accuracy which we do not claim. Still it is clear that the rise in wholesale prices generally between June and July (if account is taken of black markets and subsidies existing in June) must have been much less than 8%.

"3. The 5½% rise in cost of living between June 15 and July 15, as reported by the BLS, is based on a statistical procedure which exaggerates that rise. Failure to obtain quotations on scarce items in June reveals that no adequate account was taken of black-market prices in that month."

Bank and Insurance Stocks

By E. A. VAN DEUSEN

This Week — Bank Stocks

Subsequent to the "bank moratorium" of early 1933, the "Banking Act of 1933" and the "Banking Act of 1935" were passed by Congress and signed by President Roosevelt. The purpose of these acts was to correct some of the weaknesses and remove some of the abuses that had developed in the commercial banking system.

Significant provisions included: segregation of the security and investment affiliates from banks of deposit; insurance of bank deposits by an agency of the government, and the elimination of interest on demand deposits. It will be recalled that bank stocks soared skyward in 1928 and 1929, largely on account of the speculative appeal of prospective rich stock-market profits realizable by the banks' wholly owned security affiliates. Standard and Poor's Index (then Standard Statistics) of New York City bank stocks advanced from 283.6 in November 1928 to 660.1 in October 1929. With the break in the stock market bank stocks also collapsed, but they dropped even more violently than did general stocks. The segregation provision of the Act was a wise one and in the interest of sound commercial banking.

The provision for insurance of deposits by the F.D.I.C., though reassuring to a large number of small depositors, was of debatable value and added to the operating expenses of banks; on the other hand, the elimination of interest on demand deposits resulted in substantial savings to commercial banks, particularly in New York City where demand deposits constitute approximately 90% of total deposits.

It is also pertinent to recall that on July 1, 1937, the "double liability" feature of the stocks of national banks and of New York State chartered banks ceased to exist, in accord with the provisions of the 1933 Act and of the New York State Banking Act of 1936.

Thus it will be seen that, in a number of ways, wise legislation has done much in recent years for the bank stock holder, in reducing the risk and enhancing the quality and soundness of his investment.

In many respects, high grade bank stocks may be considered the aristocrats of the security market. For several generations they were the choice of wealthy investors and formed the basis of numerous fortunes. Today, though still favorites with this class of investor, they have a much wider appeal among both individual and institutional investors.

Probably the principal current appeal, is the relatively attractive yield of well selected bank stocks, which compares favorably with that of most other quality issues. Furthermore, current dividends are covered generously in most instances by net operating earnings alone, exclusive of net security profits. An added attraction at current prices is that bank stocks are definitely behind the market, and that long term appreciation is in prospect. Prices are well below their 1937 highs, yet earnings are substantially higher, to say nothing of book values and earning assets.

Earnings thus far in 1946 are better than last year. This is shown by the operating results reported by seven of New York City's leading banks, whose combined gross operating earnings were 12.4% greater in the first half of this year than during the same period in 1945; whose combined operating expenses, including taxes, were also 12.4% higher, and whose combined net operating profits were 12.2% greater. Net security profits, though substantial, were nevertheless 15.6% lower, while total net earnings from all sources were 4.4% higher.

Certain banks in New York City, as well as in Boston and Philadelphia, have unbroken dividend records that go back many years, and this no doubt adds to the attractiveness of their stocks to many investors. For example, National City Bank of New York, which began business in 1812, has paid dividends each year since 1813. Bank of New York, organized in 1784, has paid dividends since organization. Chemical Bank and Trust Company's unbroken record is 119 years; Bank of Manhattan's record is 99 years; Central Hanover's record extends back 82 years; Corn Exchange's, 92 years; First National's, 82 years; Chase National's, 67 years and United States Trust's, 92 years.

A recent bulletin on bank stocks by Standard and Poor says: "The shares (bank) merit inclusion in the average investment portfolio. Among the most attractive for income gradual appreciation are Bank of America, Bank of Manhattan, Chase, Manufacturers and National City."

Moody's most recent survey says: "The following seem the most attractively priced in the current market: Bank of Manhattan Company, Manufacturers Trust Company, National City Bank of New York and Public National Bank and Trust Company."

For what it may be worth, the opinion of the writer favors the second group of selections.

Boom-and-Bust in Textiles

(Continued from page 1010)

textile activity will be not so much a cause as an effect of the general level of all business activity.

Since this point is too important to pass over lightly, let me express it again in slightly different words:

1. If you want a fairly reliable tip-off on periodic changes in the direction of the business cycle, a close knowledge of textile-apparel trends will be invaluable.

2. But if you want to make a reasonable estimate of postwar textile activity, say for three to five years beginning in 1948, you will have to base it on a comprehensive knowledge of durable goods prospects—steel, automobiles, construction, and so on.

The textile industries may be the tail that wags the dog. But it is the durable goods industries that determine how big and healthy and full of fleas the dog will be.

3-5-Year Textile Outlook

I am not here to discuss steel and automobiles and building activity. I am not discussing the accumulated demands for machinery and household appliances, or in the financial reserves by which their purchase can be financed, except to the extent that they will influence general business activity, income payments, the wholesale price level, and the consumption of textile-apparel items. All these other things are essential, but what you want are conclusions—conclusions, moreover, that are boiled down to textile-apparel terms. And that is what I shall try to give.

For the three to five year period beginning in 1948, I believe the following will provide reasonable estimates of Textiles After the Boom. Comparisons are with 1939.

1. Textile yarn consumption, prewar types only, should be about 3.5 billion pounds, approximately 40% greater than the 4.0 billion pounds consumed in 1939.

2. New types of yarn, which were either non-existent in the prewar period or in the early stages of commercial use, will add another half billion pounds, raising the total to about 6.0 billion. Counting high-tenacity rayon yarns, used now chiefly for tire cord, nylon and other synthetic types, all of which will find new uses in both filament and fiber forms, the gain above 1939 will be increased to about 50%.

3. In 1939, the four billion pound yarn total contained three billion pounds of cotton yarns, and less than half a billion of synthetics. Three-fourths of the total was accounted for by King Cotton. Of the six billion estimated as a postwar norm, not more than four billion pounds will be cotton; the allowance for synthetics of various types is a billion and a half pounds. The war, the stable price of rayon, and the success of the cotton bloc in constantly securing higher prices for the grower, are responsible for this drastic change in the distribution of fiber consumption.

4. The peak in textile yarn consumption during the present boom will not be much higher, if any, than the 6.0 billion pound norm estimated for the longer term. However, cotton and wool will be higher, and synthetics lower, than in the later period.

5. Major change between now and the postwar period will be in the textile price level. A peak in prices and the present boom should be reached within the next six to nine months. Beyond that, new fibers meeting special needs will find a place almost regardless of price, their prices declining as volume expands. For prewar fibers, however, a postwar consumption 40% higher than in 1939 implies a textile price level only about 35% higher. This in turn implies a price decline of almost 18% from the second quarter of 1946, and of course a much larger decline from current levels or from the peaks that may be reached within the next few months.

Post-Boom Estimates

These are my estimates for textiles after the boom, and you may well ask me how accurate I expect them to be.

I know that they won't be perfect. But they have been carefully made; they have been checked by many methods; they have been built upon the resources of the industry itself; they incorporate a wide knowledge of consumer demands and the distribution policies of both mills and retailers; and they fit in consistently with equally careful estimates of the economy as a whole. They are as good as we can make them at this time.

Let me point out another thing. These estimates are going to lead us to certain conclusions about the producing, pricing and distribution of textiles after the war. But in reaching these conclusions, we shall use everything we know about conditions of production; competition between industries and fibers; integrations; export trade; retail competition and its effect on national brands and on mark-up policy.

I therefore point out that any mistakes in these estimates are more likely to affect the intensity of postwar trends than they are their direction.

Production Prospects

For a few minutes, now, I should like to put on the record a few statements about the subjects listed above, without stopping for much discussion.

Conditions of Production—Multiple shift operations will become more extensive, under the driving force of enlarged consumption and high manufacturing costs.

Before the war, efficiencies of production were among the factors that kept many mills afloat while they satisfied a mass demand at low prices and narrow margins of profit.

They will need this margin of safety more than ever because wages will be higher and more rigid.

Machinery will, on balance, be the most modern available. Old and obsolescent equipment will represent a smaller proportion of total installations than ever before. One of the blessings of the boom period is that it has provided ample finances with which to make these new capital investments.

For several years, at least, purchases of textile machinery should average $150 million dollars annually, as contrasted with a range of $50 to $75 million prewar.

Competition Between Fibers — Vast new arrays of fibers will be developed and promoted. Encroachments of these fibers, one upon the other, will move in all directions. Nylons will compete with other synthetics and with the conventional rayons. Staple rayon fiber will make heavier inroads into cotton, and in turn will be intruded upon by staples produced from new synthetics. Nylon's development in the spun fiber field will be especially significant.

Plastics will compete for the markets of all the conventional textiles, particularly so in the area of home furnishings and industrial textiles.

A rising factor of durability will be one of the distinctive characteristics of fibers, filaments and fabrics in this new period. Strong rayon filaments of the tire cord type are one example of this trend toward declining obsolescence. Nylon hosiery is another.

Ultimately, this gain in durability will have a major effect on the elasticity of demand for staple products, and in their production and merchandising.

Quality Trends—Quality, badly knocked around during the war and even during the present boom, will come back into its own under the pressure of competition and public insistence.

There were exceptions to the deterioration of quality during the war of a very significant kind. Largely representing trademarked merchandise, these exceptions were islands of merit in a sea of trash.

This fact and its recognition by the public, will have an important after effect, influencing the position of branded merchandise, the policies of retailers, and the buying habits of the consumer.

Integrations, Backward and Forward

Every war has brought a cycle of integrations. Every decade has seen some new form of distribution put forward as a panacea for industrial ills.

While these cycles of integration were comparatively short and most of the panaceas proved of little avail, they were representative of certain deep economic drives. One was the pressure of mass production to find a counterpart in mass distribution. Another was a reaction against the chronic instability, the feast or famine cycles that have been normal to textiles. Another was the industry's attempt to raise its low wage structure nearer to the nation's rising average, while simultaneously satisfying the country's demand for sound values at low prices.

The latest wave of integrations must be appraised against these economic forces, but there is little evidence that consciousness of them entered the plans of more than a handful of the new set-ups. The great majority of the mills that began converting or fabricating their products during the past two years seemed to have been motivated mainly by the attraction and ease of war-time profits.

Until now, the largest number of these integrations has been operating on a mechanistic level. Merchandising coordination has been secondary, but unless merchandising coordination can be accomplished a number will be forced to return to the selling of gray goods when competition revives.

Undoubtedly the larger of the integrations have well-laid, far-sighted plans for balancing production and merchandising functions.

Having a well-laid plan, however, will not be the final determinant of success. Nor are merchandising skill and know-how the entire answer either. The major question is this: Can the integrations as a group absorb the pressures of garment and retail competitiveness better than (or as well as) a much larger number of distributing units have in the past?

Collectively, the converting system in the past made one of its most important economic contributions by acting as a cushion to the pressures and shocks of the garment industry's basic instability.

To some degree this cushion has been devitalized. The function of carrying and financing finished goods inventories, of adjusting to rapid rises or rapid declines in prices, must be performed by the integrations if these mills eliminate the intermediaries who formerly assumed a large share of this responsibility.

An interesting conflict of the post-boom period will be the test of strength between those mills that remain in mill converting, whether they be large or small, and the merchant convertors.

The struggle will end with a smaller, but stronger converting business, with a much closer relationship between mills that sell gray goods and those that buy it.

By and large, the function of converting staple goods will become a mill business, while the function of styling fashion merchandise will remain a merchant converting business with certain important differences. There will be a much more intimate relationship between the mills and the convertors in this field, a more conscious knowledge that each is working for the interests of the other.

Now you may say that all of this sounds very practical and logical, but what will happen if over-production returns and competition becomes ruthless? Under that situation we doubt very much that you will see mills throwing away their capital as they did in the thirties. We believe the answer will be horizontal mergers to the fullest extent permitted by the laws governing monopolies. Although there have been a few important horizontal mergers, it is significant that most of integrations of the past few years have been of the vertical type. These do not, in general, remove the basic influences of competition, but merely shift the focal points.

Textile Exports

To save your time and mine, I shall merely say this about exports:

Accept export opportunities if they will help you dispose of excesses, but be very cautious in attempting to build a large and lasting export business. Export opportunities are likely to be greatest when you don't need them, and meager when you do.

National Brands, Retail Competition and Mark-Up Policy

Chain and mail order business will resume its expansion. Its competition will again place department store mark-ups on the defensive, especially where staple merchandise is concerned. Mills in large numbers merchandised away from the chain-store-mail-order group during the boom years, when their merchandise could be specifically identified to consumers.

When supply catches up with demand there will be a tendency in the opposite directions. Independent stores, in order to maintain the favored position they won during the war years, may have to accept narrower margins.

Mass distributors, encouraged by a higher volume of consumer income, will carry a considerably better quality and higher priced line of soft goods than in the prewar period. This will further affect the relations of department stores with sources of supply.

Competition Within the Textile Industries

In the cotton textile branch, there is some danger that certain of the war-time sins of omission and commission will haunt the industry after the boom.

It permitted quality standards to slip badly.

It deprived long-established, prewar trades of merchandise in order to reap current rewards in other fields.

Its values were far out of line with those of other mass-producing branches of the textile industry.

The postwar economy will correct many of these errors. The permanent damage will largely be in the shape of markets lost to competing fibers that crept in when the industry was looking the other way. Especially heavy losses are in prospect in industrial textiles.

On the other hand, the industry will be stimulated by the merchandising experimentations accompanying the test of the new integrations, and by the new efficiencies made possible by the investment of war-time profits in modern equipment.

The rayon textile industry, from yarn producers to weavers, had the good fortune to maintain a greater degree of stability during the war and boom years than most other branches of the industry.

To some extent this was an accident of government controls.

To a more important extent, the rayon industry's own price policy of long-term conservation and the nature of its raw materials contributed to stability.

The industry's major problem during these recent years has been an inadequate supply of raw material. This will be fully corrected in the next few years with new facilities that will tremendously expand the output of fiber and filament.

Although the industry greatly increased its mill converting operations, the effect was less upsetting to distribution than was the case with cotton textiles. Mainly the difference existed in the fact that the rayon industry was already characterized by a concentration on heavy production in the hands of a comparatively smaller number of companies.

We may conclude, therefore, that the rayon industry enters the post-boom years not entirely immune to the attritional influences of greater competition, but in a strong position to deal with them effectively.

The woolen and worsted branch emerges from the war years little changed in organization, but more efficient than it was five years ago.

While subjected to extensive production controls, the industry just narrowly escaped far more arduous forms of regulation. Had Australia and its wool supplies been cut off from the West, the industry would have been forced into the program of organized blending and adulteration that it had good reason to fear and abjure. The plans for such a program were all prepared.

If that scare did not sufficiently dramatize the potential competitiveness and actual encroachments of rayon and other fibers into the wool business, then an important lesson has been lost.

New encroachments are coming and the important question of the post-boom period for the woolen and worsted industry is whether it will move vigorously to meet the competition or lose business by default. New and refined types of rayon and synthetic fibers, new forms of finishing which stabilize the man-made fibers, the rapid growth of wool spinning on the cotton system are all straws in the wind that point up the trend of competition in this branch of industry.

Conclusion

Let me now try to pull these varied and conflicting prospects together into a brief conclusion.

The present boom in textiles will reach a peak within the next six to nine months.

The following setback will be less severe than in 1920, but will involve substantial price declines.

Beyond that, textile production and distribution will be more complex and more competitive than ever before.

New products, greater output and new distributing mechanisms will make it this way.

Total volume, on the other hand, will be 40 to 50% over prewar, prices about 35% higher. This last, I remind you again, implies a rather sharp drop from current price levels.

This long-term prospect, while stressing competition, suggests substantial opportunities and raises the question—How can they best be capitalized?

I suggest to you that the answer is not to rush blindly into new integrations, or to buy up mills at inflated prices per spindle, or to open up new distribution outlets on long-term leases at exorbitant prices.

On the contrary, now is the time to stop and think before you act.

The coming era will require many changes in mental outlook.

Established methods will not all be thrown out, but to be retained they must be adjusted to the tempo and thinking of the times.

The tempo will be ever so much faster.

The thinking will call for more scientific experimentation and investigation, for boldness and for imagination.

Planning will require the industry's best intelligence, plus the best practical assistance it can get from the outside.

Affected by the revolutionary climate of our age, those who occupy the places of leadership will have to evolve new dynamics to replace the fast receding conservation of these great industries.

Goldman Sachs Offers Ed Schuster Common

Goldman, Sachs & Co. headed a group of investment bankers that made public offering Aug. 20 of 162,600 shares of common stock of Ed. Schuster & Co., Inc., at $26 a share. This is the first time that common stock of this company, which operates three large department stores in Milwaukee, and which grew from one small store established in 1884, has been offered to the public.

Of the 162,600 shares of common stock being offered, 77,600 shares are issued and outstanding stock being sold for the account of certain stockholders, while 85,000 share are authorized shares being issued by the company for general corporate purposes. The company has in contemplation a tentative program for modernizing, improving and expanding its properties, at a cost of about $5,500,000.

The three stores operated by the company have been in their present locations for more than thirty years. Each store is in a separate independent shopping district outside of the downtown area. There are approximately 115 merchandising department in each store. The company has approximately 3,000 employees.

Net sales, including leased departments, of the company for the fiscal year ended Jan. 31, 1946 amounted to $26,405,200 and net profit after the payment of $2,087,000 in taxes was $801,700. For the four months ended June 1, 1946, sales were $10,339,900 and net profits were $716,900. Capitalization of the company after the present financing will consist of 30,000 shares of 4¼% $100 par value cumulative preferred and 444,400 shares of $10 par value common stock.

Mutual Funds

Viewpoints

"The action of the stock market in recent months has raised a question in the minds of many people as to whether we may not have seen the end of the long rise in stock prices that started in 1942. We look upon the present period as probably representing a minor interruption rather than a major reversal of the upward trend. At the same time, in view of the level of prices and the boom conditions prevailing in many parts of our economy today together with a fundamentally unsatisfactory labor situation, we prefer to continue a rather cautious investment policy. We are particularly impressed with the extreme thinness of present day markets which make it almost imperative that one get out too soon or not at all. Certainly it is not pleasant to contemplate what is likely to happen to prices if and when markets are subjected to any substantial and prolonged liquidation of securities."—*From the August Portfolio Review of the George Putnam Fund.*

"Confusion existing in the securities markets may continue for a short period of time but it can hardly resist indefinitely the influence of such a high rate of industrial activity. Before very long, strong impetus to the general economic picture will be provided by the capital goods industries. Contrary to the general impression, new orders within recent months are higher than in 1941 and this should be reflected in a high rate of activity before many months have passed. Earnings for the second half should be sharply higher than for the first half of 1946."—*From the current Group Securities Investment Report.*

Commonwealth Investment Co.—This West Coast Fund with the outstanding management record has just released its semi-annual report covering the period ended June 30, 1946. In the first half of this year **Commonwealth** achieved a 22% increase in shares outstanding and a 31% increase in net assets. Total net assets of $3,314,955 on June 30 were the highest for any reporting date in the 15-year history of the company.

National Securities & Research Performance Of New Issues

Corp. provides a highly enlightening analysis of the new issue market in its current Investment Timing service. The first half of 1946 witnessed the largest volume of new common and preferred stock financing since 1930, with industrials predominant. Of the 285 new issues, by the end of July, 153 showed gains and 132 either had not advanced or had registered losses from their offering price. Taking the common stocks alone, of the 158 issues, 78 were up, 70 were down and 10 unchanged.

It strikes us that, with the Dow-Jones Industrials up 4.5% during this same period and with the majority of mutual funds showing even better gains, the new issue market, by comparison, has been considerably less profitable to investors than publicity reports would lead one to believe. When the difference in the risk factor is also taken into account, it is easy to understand the steadily growing popularity of the mutual funds.

Rail Equips & Steels

Hugh W. Long & Co. has new folders and memos out on the rail equips and steels. The relative profit possibilities of both groups are rated as "Good." These two groups happen to be our own "pets" for this last (and most dangerous) phase of the current bull market. The heavy industries have always provided the "fireworks" in the latter portion of past bull markets and everything points to a repetition of their usual performance this time. The Long Co.'s new folders cite some of the solid reasons why.

Manhattan Bond Fund—The current monthly report on this fund lists the steady growth in assets from $653,339 on Jan. 1, 1939 to $25,370,199 on July 1, 1946. Having participated in the organization and early promotion of this fund, we caught ourselves taking a rather personal satisfaction in the record it has achieved and the job it has done for investors.

Higher Interest Rates

In their current summary of the investment outlook, the investment managers of **Axe-Houghton Fund** point to the recent increases in (a) the Federal Reserve rediscount rate, (b) the interest rate on brokers' loans and (c) on bankers' acceptances.

"The fact that these three series have moved together in the present instance gives strong support to the belief that the low point in interest rates and the high point in high-grade bond prices have been passed."

The report concludes as follows: "From this review of the favorable and unfavorable factors in the present situation it would seem that the balance was on the side of the general business expansion continuing with a further substantial advance in commodity prices. Normally this should produce a further advance in the general level of common stock prices. How long these tendencies will continue is quite impossible to estimate at the present time. As cautious investors we can only follow a policy of continued alertness for signs of a major unfavorable change in the business and financial outlook, which will certainly develop at some future date, but of which none, other than the slight hardening of money rates, has as yet appeared."

As of July 31, 1946 the investments of Axe-Houghton Fund were 78.1% in common stocks, 12.3% in preferreds, 1.4% in bonds and 8.2% in cash items. Largest common stock holdings were in the Rails, Oils, Utilities and Steels, these four groups comprising 33% of total assets.

Dollar Averaging

A new booklet on this interesting method of investment has been published by **Lord, Abbett.** Accompanying the booklet are specimen letters for use in introducing the idea to investors by mail and for setting up periodic investment plans.

Another interesting and timely booklet from this sponsor, entitled "This Shareholder Wants To Know," explains why it is sometimes better to select the security with the lower current income. An actual case history is given, involving Goodrich and Sperry. Although the stock with the lower yield (Goodrich) was selected, on a block of 21,500 shares it has proven nearly $700,000 more profitable over the past three years.

Revised Trust Agreement

Time for renewal of its investment advisory contract with Boston Fiduciary & Research Associates has arrived for **Keystone Custodian Funds, Inc.,** Trustee for the 10 **Keystone Funds.** At the same time shareholders are being asked to approve amendments to the Keystone Trust Agreements which appear to be decidedly in their own interest. One amendment, for example, reduces the management fee on assets in excess of $150,000,000. Knowing of the apathy of shareholders in responding to such necessary matters, this reference is directed to interested dealers. Ballots should be in before September 30.

Personal

The Parker Corp. has announced that Mr. Frank Boyce Tupper, for many years Pacific Coast representative of **Incorporated Investors,** retires on a pension as of September 1 and Mr. Bert E. Jones succeeds him in that territory.

Mutual Fund Literature

Selected Investments Co. — Portfolio Memorandum on **Selected American Shares** showing holdings as of July 31 . . . **Calvin Bullock** — New memo and revised portfolio folder on **Nation-Wide Securities . . . Distributors Group** — Revised mailing folder, "What Are Undervalued Securities"; Current Aviation News and revised folder on **Aviation Shares . . . National Securities & Research** — Revised Prospectus on **National Securities Series** dated July 30, 1946; Revised Prospectus on **First Mutual Trust Fund** dated July 30 1946.

Dividends

Group Securities, Inc. — The following dividends for the third quarter payable Aug. 31, 1946 to stock of record Aug. 16:

	Regular	Extra	Total
Agricultural	.055	.045	.10
Automobile	.04	.01	.05
Aviation	.10	--	.10
Building	.04	.01	.05
Chemical	.05	.03	.08
Electrical Equipm't	.07	.08	.15
Food	.035	.015	.05
Fully Administered	.035	.045	.08
General Bond	.09	.01	.10
Industrial Machy.	.04	.02	.06
Institutional Bond	.10	--	.10
Investing Co.	--	--	--
Low Priced	.02	.05	.07
Merchandising	.06	.04	.10
Mining	.035	.005	.04
Petroleum	.04	.04	.08
Railroad Bond	.045	.005	.05
Railroad Equipt.	.04	.01	.05
Railroad Stock	.01	.03	.04
Steel	.04	.02	.06
Tobacco	.04	--	.04
Utilities	.025	.035	.06

National Trust Funds — The following dividends payable Aug. 15, 1946 to stock of record July 31:

	From Invest. Income	From Cap. Gains	Total
Pfd. Stock Series	$.108	$.052	$.16
Stock Series	.100	.050	.15
Selected Groups Ser.	.021	.029	.05

Institutional Securities, Ltd. — A semi-annual cash distribution of 2¾¢ per share payable Sept. 30, 1946 to Bank Group Shareholders of record Aug. 31.

The Economics Behind Current Stock Market Uncertainty

(Continued from page 1008)

even in that field the trend is definitely upward.

When allowances are made for last winter's strikes, industrial and mercantile reports of companies that are not suffering from shortages of materials make brilliantly improved comparison. Dividends are higher in numerous cases, but none yet compare with the results which are bound to be shown in the third and fourth quarters of the year if production is unhampered by strikes and the general price level is not again thrown out of mesh.

The Crucial Labor Factor

What then, one may ask, is the case of the market's hesitation? While many lesser factors may be mentioned, such as an over-supply of new security issues, a slight firming of money rates, the virtual termination of inflationary deficit financing, and the maturity of the bull market itself, it seems to the writer that the one overwhelming facor is that of labor. The market is worried that there will be a recurrence of labor unrest which will undo abortively all these favorable factors, cause another round of price advances, further shrink profit margins, and plant new seeds of economic disequilibria for which we must sooner or later pay the inevitable penalty—namely, pricing many economic groups of consumers as well as foreign customers out of our markets. Such a condition would of course lead ultimately to overproduction and the usual series of consequences with which we are all too familiar.

We do not dismiss this possibility lightly. Under present conditions it could be even more disastrous than in the past because the breakeven point in profits has been raised so high, particularly in manufacturing. The new OPA formula, while it allows advances on price-controlled products in certain instances, provides that prices cannot be raised to more than the 1940 level plus additional average industry costs incurred since that date. Thus the new price compensates only for the increase in costs without a profit on the increment. Consequently, though the dollar profit per unit remains unchanged (and of course means higher profits where more units are turned out than in 1940), the **percentage** of profit to sales is less than in the past. Vulnerability of earnings is accordingly greater and a high level of business more essential. Labor, however, has completely ignored this basic business concept of profit margin. Together with the Administration which sponsored higher wage costs when it was in dire fear of deflation, labor will be responsible for a price level which, when urgent demands are satisfied, will bring to the surface and make effective the disequilibria that are now temporarily submerged. Inflation via wages is a dangerous route, as not all economic consumer groups can long endure the price level it exacts, nor is it conducive to foreign trade.

Investment Policy

The uncertainties briefly described above dictate a cautious investment policy. I do not believe an inflexible position should be maintained at this stage. Specifically, I advocate that in portfolios which are more heavily committed to equities than warranted by normal conditions, securities selling at approximate full values be liquidated and on the next important rally such liquidation be accelerated pending clarification of the labor outlook. If a new round of wage increases and price advances does not materialize I would not hesitate to reverse this policy.

Near Term Outlook

I do not believe that it is logical to expect a near term reaction of any great proportion at this stage. Even if major labor troubles are impending it is quite unlikely that they will develop before the Congressional elections are over. Moreover, it is difficult to visualize a market which would ignore the current outlook for perhaps the greatest rate of peacetime activity the country has enjoyed since V-J Day, and the publication of extremely encouraging third and fourth quarter income reports. Even if the longer term prospects are for an upset, I do not expect the market to look that far ahead before the immediate prospects are first reflected in market action. In any event, we no longer have the credit structure which in the past brought about successive waves of liquidation, each precipitated by the other. The indebtedness on securities is negligible and there is only very limited opportunity for reinvestment at equal or better rates of return in bonds. It would certainly be unusual for an old fashioned bear market to develop when the dividend return on common stocks is by and large greater than on high-grade bonds.

Declaration of Netherlands Securities

The office of the financial counselor of the Netherlands Embassy, 25 Broadway, New York 4, N. Y., informs interested parties that Netherlands securities held in the United States and owned by corporations or indviiduals who are not domiciled or residents in the Kingdom of the Netherlands have to be declared pursuant to the Netherlands Royal Decree E-100 as amended by Royal Decree F-272 of Nov. 16, 1945.

Declarations have to be filed on or before Oct. 15, 1946.

Securities for which no declaration is filed will become void in accordance with the terms of the decree.

Circulars and the necessary forms of declarations may be obtained at the office of the financial counselor of the Netherlands Embassy, 25 Broadway, New York 4, N. Y., and at any consular office of the Netherlands in the United States.

Milwaukee Company Promotes Grant & Call

MILWAUKEE, WIS.—Joseph T. Johnson, President of The Milwaukee Company, investment bankers, announced the election of Paul S. Grant as Vice-President and Secretary, and the election of Van L. Call as Treasurer of The Milwaukee Company. Both Mr. Grant and Mr. Call have been with The Milwaukee Company since its organization in 1929. Mr. Grant has been Secretary and Treasurer, and Mr. Call, Assistant Treasurer.

Public Utility Securities

Recent Developments in Holding Company Integration

Holding Company integration programs have been slowed somewhat by irregular market conditions. For example, New England Gas & Electric had planned to sell a large amount of collateral trust bonds and common stock in connection with its recapitalization program. The bonds could not be sold separately from the stock, and the price "floor" on the stock (set earlier this year) was probably too high to interest the bidding groups at this time. President Campbell said that the company expects to renew its invitation for bids at a later date.

Public Service of New Jersey has recently filed its dissolution plan with the SEC, which provides for merger of the top company with the Electric & Gas Company, through exchange of stocks. Control of the traction subsidiary would also pass to the latter company. As forecast some time ago, the Philadelphia Electric plan is being copied—Public Service Electric will reclassify its common stock as dividend preference common and plain common. The present $5 preferred may be paid off out of the substantial cash on hand, or possibly converted into a lower dividend preferred.

Public Service Corp. perpetual 6s will receive an equal amount of 50-year debenture 6s of the Electric & Gas Company under the plan. The four preferred stocks and the common will be exchanged for the new dividend preference and common stocks, but the ratios will be published in a later amendment. Holders of the preferred stocks have been somewhat apprehensive in recent weeks regarding the treatment which might be accorded them, since the stocks are callable at par in dissolution; the $8 preferred has dropped about 25 points from the year's high, and the other issues somewhat in proportion.

Columbia Gas & Electric will shortly offer 2,040,000 shares of Cincinnati Gas & Electric common stock to its own stockholders in the rates of one for six (rights to expire Sept. 9). But the final price will be determined by negotiation with the underwriting managers, Blyth & Co. and First Boston Corp. Evidently the deal was considered too big for competitive bidding under present market conditions, even though the greater part of the stock may be taken up by holders of Columbia Gas. The latter will pay off its remaining bank debt and its three preferred stocks from the proceeds of the Cincinnati stock and of a debenture issue. Disposition of Cincinnati has been handicapped somewhat by rate litigation, and the offering to common stockholders involves a standby period of about 18 days—hence the SEC consented to a negotiated deal rather than competitive bidding. Underwriters will be paid separately for assuming the risk, and for distributing any unsubscribed shares. Cincinnati G. & E. will be listed on the Big Board.

American Power & Light expects to file shortly with the SEC a plan for the retirement of its preferred stocks. The company will follow the procedure initiated by Commonwealth & Southern—sale of "token" amounts of its common stock holdings, as the most practical means to evaluate remaining holdings (thus avoiding protracted litigation over theoretical values). The company proposes to obtain simultaneous bids on blocks of Florida Power & Light, Kansas Gas & Electric, Minnesota Power and Light, Montana Power and Texas Utilities (the recently organized holding company which took over control of three Texas operating companies in the Electric Bond and Share system). 15% of American's holdings in each company would be offered for sale. Since the SEC has to pass on the general merits of the plan (involving hearings and decisions), and the usual registration procedure will then follow, it may be several months before the bidding actually occurs. American will then develop an exchange formula based on the price received from public sale (plus 5%), to tender the remaining stock of each issue in exchange for the huge amount of preferred stocks (with large arrears) which it has outstanding. Preferred stockholders who don't want to exchange will be paid off at par plus arrears ($143.57 on the $6 stock and $136.31 on the $5 stock). It is not clear from press reports whether any consideration will be given to call prices ($115 and $110 respectively).

A recapitalization plan has been presented the SEC by Washington Gas & Electric, a small holding company which has been in bankruptcy. Its subsidiary, Southern Utah Power Company, will also be recapitalized.

The outcome regarding several plans proposed for liquidation of Northern States Power Company of Delaware now appears somewhat clouded, due to the varying claims advanced by counsel for the Lehman plan and the opposing counsel for the Biewend-Johnson group. Both groups, however, are opposed to the official plan filed some time ago and already approved by the SEC.

Last moves in the elimination of top companies in the Associated Gas system are now being made. Associated Gas trustees are to be dismissed and NY PA NJ, most important sub-holding company of the system, will be dissolved if the SEC approves.

A possible milestone in the long-drawn out proceedings over reorganization of L. I. Lighting was recently marked by the opinion of Chairman Maltbie of the New York Public Service Commission. He held that the company's common stock is entirely worthless and that the preferred stocks are "impaired" to the extent of about one-third of their face value. The Commission will now consider a proposed merger of the holding company with leading subsidiaries. The Commission's opinion does not definitely dispose of the equity of common stockholders, although it is quite possible that the SEC may follow suit (in the past, however, the two Commissions have not always seen eye-to-eye with respect to the company's affairs).

Beyer-Rueffel & Co. Formed in Davenport

DAVENPORT, IOWA—Beyer-Rueffel & Co. is being formed with offices in the Kahl Building to engage in the securities business. Officers are John M. Beyer President and Treasurer, and Calvin L. Rueffel, Vice-President and Secretary. Mr. Beyer was formerly manager of the municipal department of Quail & Co., and has recently been serving in the U. S. Navy. Mr. Rueffel was also with Quail & Co.

Walston Hoffman to Admit

SAN FRANCISCO, CALIF.—Walston, Hoffman & Goodwin, 265 Montgomery Street, members of the New York and San Francisco Stock Exchanges, will admit Joseph H. Tipp to limited partnership in the firm on Sept. 1.

Weekly Newspapers Must Make Sworn Circulation Statements

We give below the text of an Act signed by President Truman requiring weekly, semi-weekly and tri-weekly newspapers to make sworn statements of circulation. The bill passed the House on Nov. 5, 1945, while the Senate passed it on June 14, this year, following which the President signed it on July 2. The text of the new measure follows:

[H. R. 2543]

AN ACT

To require weekly newspapers enjoying mailing privileges to make sworn statements with respect to their circulation.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the second paragraph of section 2 of the Act entitled "An Act making appropriations for the service of the Post Office Department for the fiscal year ending June 30, 1913, and for other purposes," approved Aug. 24, 1912, as amended (U. S. C., 1940 edition, title 39, secs. 233-234), is amended by inserting after "daily" the words "and weekly," "semi-weekly," and "tri-weekly."

Approved July 2, 1946.

Charles Clark & Co. Add Two to Staff

Charles Clark & Co., 72 Wall Street, New York City, members New York Stock Exchange, announce that Donald Caldwell, formerly Lt. (j. g.) in the U. S. M. S., and Hoghland Van Norden, formerly Lt. Commander in the Navy, have become associated with the firm in its New York office.

Hipkins to Manage New Goodbody Dept.

Goodbody & Co., 115 Broadway, New York City, members of the New York Stock Exchange, have opened a department to deal in British securities under the management of Herbert Hipkins. Mr. Hipkins has been with the firm in charge of the Canadian Securities Department.

Canadian Securities

By WILLIAM McKAY

An international trade fair is being planned for the summer of 1948 at Toronto, according to an announcement by Trade Minister MacKinnon. The event will not be a public exhibition but merely a means by which buyers and sellers can come together from all parts of the world, it is said. Though the Canadian Government and Canadian exporters have participated in trade fairs in other countries before, this will be the first occasion when such an event has been conducted in Canada itself.

The fair will probably be held in the coliseum and adjoining buildings of the Canadian National Exhibition as it is believed that these structures have the most suitable facilities for the successful operation of the project. Invitations to take part in the affair will probably be sent by Oct. 15 to the manufacturers and other producers within the British Commonwealth of Nations and in those other countries with which Canada enjoys commercial relations.

Business Index Down

The Canadian Bank of Commerce's index of industrial activity was at its lowest point in July for any time since January, 1941. The index stood at 138 on the basis of 100 in 1937. The decline was attributed in part to the cumulative effects on general production of recent strikes in both Canada and the United States, including the current strike in domestic steel plants. However, the recession has been progressing steadily since the large-scale war contract cancellations last fall.

The Dominion Bureau of Statistics also reported that production in Canada continued to fall in June. Its index of the physical volume of business declined 2.9% to 178.9 in June, continuing a downward trend which has been in existence since early in 1944. Gains, however, were reported in mineral production and distribution.

Stalemate Threatens in Steel Strike

A stalemate threatens to develop in the Canadian steel strike with the Steel Workers Union, the steel operators and the government mediators still miles apart in effecting any sort of workable compromise. L. W. Brockington, mediator, appointed by the government, has failed to conciliate differences. Meanwhile, the suggestion has been advanced that F. B. Kilbourn, controller of the steel industry, be given greater freedom under his special power as a conciliator, to effect a settlement.

In a radio broadcast, D. C. Abbott, Minister of National Defense and Acting Minister of Finance, warned against the dangers of a too rapid and too large increase in wage rates. He pointed out that with drastic price controls, the cost-of-living figures had advanced by only 24% compared with prewar years while Great Britain and the United States had sustained 32 and 42% advances respectively. "We believe that control over prices will be necessary for a time but effective control will be impossible if wages and salary rates are allowed to rise indiscriminately," he said. "Wage increases, unless accompanied by increased output, have the inevitable effect of raising production costs. Wage and salary payments constitute about half of the ultimate cost of all production. The government does not maintain that all wage increases mean higher prices. What we do say is that in order to preserve price controls we must guard against too rapid and too large an increase in wage rates."

Urges a Selective Immigration Policy

The Senate Immigration and Labor Committee has recommended a selective immigration policy covering both agricultural and industrial workers. The recommendations, in fact, go so far as to include a proposal to open Canadian immigration offices in Europe. "What is needed is a new policy of selective immigration to replace that of repulsion and vigorous administration that will search out a reasonable number of immigrants who are desirable and then find means of bringing them here and of assisting them in being successful after arrival," according to a report filed with the government by the committee. A reorientation of thinking on immigration policy is needed at this time, it was pointed out, in view of the development of Canada from an agricultural country to one in which industrial production has taken the lead.

Government Will Guarantee Business Loans to Veterans

About 1,100,000 Canadians will actually receive some benefit or pension from payments totaling $1,500,000,000 authorized by recent veterans' legislation. Among the features of the bills affecting veterans that have just been passed is the guarantee the government will give on loans up to $3,000 to assist veterans to enter or re-enter business or professional life. Veterans who rent farm land with a purchase price of more than $6,000 may also receive help toward buying livestock and equipment. The government will also grant to universities loans fixed at $500 a year for veterans attending those institutions.

Seeks Federal Aid for Education

Speaking before the annual convention of the Canadian Teachers' Federation at Ottawa last week, Otto Miller of Fredericton, advocated Federal Government help in financing eduction. Some of the provinces and many of the municipalities have not sufficient funds to spend on education, he pointed out. A survey made some years ago, he said, revealed that a total of $143,000,000 was being spent on Dominion education each year, an average expenditure of $33 for each child. This amount should be doubled, he thought.

Creamery Butter Production Drops

Although creamery butter production dropped 1,690,828 pounds in July as compared with the same month a year ago, Aug. 1 stocks in storage and in transit were 4,873,212 pounds higher than the average for that date during the last five years. To keep consumer milk prices from rising two cents a quart, the government subsidy of 55 cents per 100 pounds of tinned milk to milk producers, scheduled to end Sept. 30, may have to be continued beyond that date, J. G. Gardiner, Minister of Agriculture, intimated to the House of Commons last week.

Rain Prevents Further Deterioration of Grain Crops

While heavy rains throughout most grain-producing districts hampered harvesting operations last week, they prevented further deterioration of the grain crops resulting from the extremely hot, dry weather of the week before and also benefited those crops not fully matured. Sawfly infestation has been reported severe in southwestern Saskatchewan and some local hail damage has been reported throughout the provinces.

New Zealand Wants Canadian Coal

With chaotic conditions reported in the Australian mining industry, New Zealand is said to be looking to Canada for coal with which to maintain her railway services, electrical supply and gas output. New Zealand wants the coal shipped in place of ballast on vessels plying the New Zealand-Canadian trade. The Australian mines are said to be barely able to fill the requirements of Australia alone and in New Zealand, a shortage of miners and strikes in mining and shipping industries have reduced coal deliveries.

Canada may participate in the $300,000,000 expansion planned for the South African railways, airlines and harbor development. D. H. G. duPlessis, chief harbor, shipping and development manager of the Union of South Africa, who heads a nine-man South African Railways and Harbor Mission, now on a six-months world tour, said Canadian industries could provide motor vehicles and railway freight cars.

Golds Stage Brief Rally in Stock Market

In the Canadian stock market during the last week, gold mining shares staged a brief rally but soon lost most of their gains. The market was otherwise notable for its dullness. Volume of trading was small and prices remained unchanged. In New York, Canadian externals remained generally unchanged in a small volume of turnover. Canadian internals improved in price under the influence of the improvement in Canadian exchange to 3%. Interest is high in New York in the matter of the refunding of approximately $47,000,000 in Montreal external municipal bonds, competitive bidding upon which will be received at Montreal today.

Canadian Bk. of Commerce Sees US-Canada Trade Increasing

Canadian-American trade, the greatest between any two countries, should develop naturally to even greater proportions as soon as freedom from serious labor trouble permits North American industry to operate at a higher level, according to the August commercial letter of the Canadian Bank of Commerce. Effects of work stoppages in Canada are felt in ever-widening circles and now embrace all parts of the country, said the bank's letter, issued Aug. 14, which also commented as follows:

"On the basis of trade for the first six months of this year, Canada's exchange position in United States dollars shows adverse factors of $700 million against favorable factors of $666 million, the letter point out. However, it is quite possible that by the end of this year the net adverse position will be more than offset by the tourist trade.

"A new official system of pricing with less than normal mark-ups, will tend to offset a tendency in normal times of cheaper imports, resulting from exchange variations, making Canada a freer market, said the bank. The Foreign Exchange Control Board can prevent the dumping of cheap goods from other countries.

"As Canada is, for the present, one of the few real surplus areas of the world with a comparatively low general price level, it is probable that exporters will divert more goods to the highest-priced markets such as the United States. However, the Foreign Exchange Control Board has sufficient holdings of gold and United States dollars to meet any unfavorable balance for some time to come."

Nekoosa-Edwards Stock Publicly Offered

Loewi & Co. is heading a nation-wide syndicate, offering 63,000 shares of $25 par common stock of the Nekoosa-Edwards Paper Co. of Port Edwards, Wis. The offering is to be made first to common stockholders on the basis of one for each four held. The offering price is $26.75 per share. Associated with Loewi & Co., in the underwriting are: Lee Higginson Corp.; Paine, Webber, Jackson & Curtis; Reynolds & Co.; Schoellkopf, Hutton & Pomeroy, Inc.; The Wisconsin Co.; Cruttenden & Co.; Nelson Douglass & Co.; A. G. Edwards & Sons; Bell, Farrell & Stebbins, Inc.; George D. B. Bonbright & Co.; Braun, Monroe and Co.; The Marshall Co.; McKee and Jaeckels; and Riley & Company.

Nekoosa-Edwards Paper Co., one of the top three in the bond paper making industry, devotes a major part of its entire output to fine, treated and specialty papers. As a pioneer in a 20-year-old reforestation program, the company now takes about 5,000 cords of wood annually from its own forests without depleting their annual yield. If necessary 25,000 cords could be made available immediately. Another feature of the company's integration policy is the installation of a waste heat recovery boiler which burns the wood waste residue left after paper making, saving 65 tons of coal daily.

Proceeds of the issue will be used to increase wood inventories, to improve recently acquired Canadian timber holdings and for general corporate purposes. A new special products division is now in formation to handle new items. The company has not disclosed the nature of these new products.

Philip W. K. Sweet Dead

Philip W. K. Sweet, President of Investors Management Company, Inc., 63 Wall Street, New York City, died at his home of a cerebral hemorrhage. Mr. Sweet was found in the street Sunday night and police at first believed he was the victim of a hit and run driver. The Medical Examiner reported after an autopsy that Mr. Sweet had died of natural causes. Mr. Sweet succeeded the late Philip J. Roosevelt to the presidency of Investors Management Company, Inc., in 1941. He was also President and Director of the Fundamental Investors, Inc. and the Investors Fund C, Inc.

Stark & Co. in N. Y. C.

Stark & Co., Inc. is being formed with offices at 10 East 40th Street, New York City to engage in the securities business. Officers are Howard E. Stark, President; Stanley Rubin, Vice-President and Treasurer; and Sonia Bram, Secretary. Mr. Stark was formerly a statistician with Lehman Brothers.

The World Ever-Normal Granary Plan

(Continued from page 1013)

the world granary plan, although it did not go into detail when on Aug. 9 its press officer announced that:

"The FAO plan is not sufficiently developed to determine whether it provides a promising approach to these agricultural problems. It is believed, however, that these problems are important and should be studied and alternative solutions considered. The Government favors the creation of an international committee to analyze this and any alternative proposal and to prepare a plan of international action."

In short, the outlook is for consideration of the plan by a special international committee to be appointed at Copenhagen; and it would be surprising if the American member of that committee does not have some more specific version of the project than is contained in Sir John Orr's document.

For background on the coming conference the writer consulted Mr. L. A. Wheeler, who will be Mr. Dodd's number two man at Copenhagen.

Leslie A. Wheeler

Mr. Wheeler, a veteran of international conferences, is director of the Agriculture Department's Office of Foreign Agricultural Relations. Mr. Wheeler was a member of the American Delegation to the Hot Springs Conference of 1943 and worked with the resultant committees which drafted the FAO Charter. He was also at FAO's first annual conference in Quebec last year.

"The plan of Sir John Orr," said Mr. Wheeler, "stems from the discussion of the world food situation in the United Nations General Assembly last February. Sir John wired the General Assembly from Food and Agricultural Organization's headquarters in Washington that, since the matter came within FAO's scope, it would call a meeting to discuss it. That meeting was called in May and is referred to as the Special Meeting of FAO on Urgent Food Problems. At that meeting were representatives of some score of countries, plus representatives of UN and of the Emergency Economic Committee for Europe.

"The May meeting," continued Mr. Wheeler, "established an International Emergency Food Council (IEFC) to replace the wartime Combined Food Board, on which only three countries, the USA, UK and Canada, had been represented. The IEFC has about 20 members. In the course of the debate at the May meeting on urgent food problems several delegates showed a special interest in long-term food problems, among these France, the Netherlands, and Czechoslovakia. They wanted to know how FAO and UN would operate from the long-term foodstuffs point of view.

"Therefore, it was suggested that the meeting request Sir John to prepare a plan for long-term action and submit it to the next FAO annual conference this fall. A resolution to that effect was accordingly adopted by the Special Meeting of FAO in May. Among the European countries at that meeting there were fairly general sentiment in favor of this course. The resolution was unanimously passed.

"Meanwhile, in April, at the instance of FAO there was held in London an experts' meeting, which I attended, looking toward the building up of real fact-finding in the field of agriculture. That meeting had three sections: Statistics, distribution of information, and libraries. There is a lot of work to be done in these fields, and an international body like FAO can be very much more effective than any single nation. Some countries have almost no agricultural statistics, and those which exist are not compiled on a uniform basis or at the same time. We hope that by 1950 a world agricultural census will be possible.

"At the Special Meeting of FAO on urgent food problems, the Danish representative invited the FAO to hold its next annual conference at Copenhagen, and Sir John accepted the invitation. The conference, which begins on Sept. 2, will probably last two weeks. In addition to Sir John's plan, the agenda which the conference adopts is expected to include such subjects as statistics, their development, uniformity and promptness; forestry problems, which are closely related to agriculture; fisheries, and some of the technical aspects of international cooperation in this field, such as nutrition problems, agricultural production methods, and the like. Of course, the conference will set up a special committee on the subject of a world food board.

"I am hopeful that there will be a very free exchange of views at Copenhagen as to the pros and cons of the Orr plan's general principles and that there will be agreement as regards the importance of the objectives of those proposals. It is not reasonable to expect that in a meeting such as the Copenhagen Conference, the normal purpose of which is merely to lay down a line of action for the director of FAO for the coming year on such matters as budget, personnel and the like, will get deeply into detail and make a statement as to the practicability of the Orr plan."

Asked whether the proposal of a World Food Board to engage in stabilization operations might not be flying in the face of past experience in this country with commodity stabilization operations and interfere with freedom of trade in a private economy, Mr. Wheeler said: "No, I think it important to note that existing legislation relating to the Department of Agriculture requires this Department to work on the stabilization of prices, and in doing this it is sometimes desirable and necessary to cooperate with other countries."

The text of Sir John Orr's plan, as excerpted from a bulletin entitled, "Proposals for a World Food Board," is as follows:

The Suggested World Food Board

Structure and Functions—The temporary organizations created to deal with the food scarcity caused by the war foreshadow the kind of permanent organization needed. The recently created International Emergency Food Council, working through commodity committees, encourages stabilization of prices by getting agreement on price schedules and also by promoting a certain amount of unified buying; and it recommends the allocation of export surpluses according to the needs of different countries. UNRRA has funds to provide food and agricultural implements, fertilizers, and other supplies for the rehabilitation of certain war-devastated countries. A continuation of this international cooperation is needed because even if these temporary organizations bring the world out of the present food emergency, there will still remain the great scarcity of food that existed before the war and at the same time the agricultural problems of fluctuation in prices and the accumulation of unmarketable "surpluses."

The proposed World Food Board, which would act through commodity committees, might be established as an new international agency, or the Constitution of FAO could be altered to enable it to set up the Board. There are drawbacks to having a multiplicity of international agencies acting in the same field. If the latter alternative were thought to be the better means, the Board could be appointed by the Conference of FAO, which it is hoped will ultimately include representatives of all countries. But as the actions of the Board would involve broad problems of world economics and finance, it would be necessary to include in it representatives of other interested international organizations — for example, the International Bank for Reconstruction and Development, the Economic and Social Council, and the proposed International Trade Organization. The working relationship between the Board and ITO would need to be close, since the latter agency, according to present indications, will be concerned with the broad field of commercial and commodity policy.

The functions of the World Food Board would be:

1. To stabilize prices of agricultural commodities on the world markets, including provision of the necessary funds for stabilizing operations.

2. To establish a world food reserve adequate for any emergency that might arise through failure of crops in any part of the world.

3. To provide funds for financing the disposal of surplus agricultural products on special terms to countries where the need for them is most urgent.

4. To cooperate with organizations concerned with international credits for industrial and agricultural development, and with trade and commodity policy, in order that their common ends might be more quickly and effectively achieved.

Operations—For stabilization of prices in agriculture the World Food Board, operating through its commodity committees, should be given power to hold stocks of each of the most important commodities. This proposal, it may be noted, is in line with principles previously put forward by the League of Nations and other bodies. The Board would undertake the investigations necessary to determine what world prices would call forth the quantities that could currently be marketed. It would announce a maximum and minimum price and would undertake to buy into its stock when the world price fell below the declared minimum and sell from its stock when the world price exceeded the maximum. Care would be needed to commence operations at the correct moment and to choose an appropriate world price.

The Board would need a revolving fund to operate such a plan. No precise estimate of the amount required can be made at present. Moreover, the need for funds would grow gradually as first one commodity and then another was brought under the aegis of the plan. For safety, the normal stocks held by the agency should represent six to 12 months' trade, the amounts varying with different commodities. In determining the contributions to be made to the fund, the relative benefits derived from the stabilizing operations by different countries—exporting and importing, developed and undeveloped—would need to be carefully weighed.

Since the agency would normally be buying at its minimum and selling at its maximum price, it should earn enough to cover the quite considerable costs of storage. It would, of course, have on occasion to hold very much larger stocks than the normal, but these extra holdings should be financed by borrowing on the market against its commodity assets. The need for such operations would be greatest in time of depression when funds are available at advantageous rates.

Producers of livestock products and other perishables not suited to long-term stock holding will find their markets both greatly stabilized by the buffer stock operations on feed grains and other items and greatly enlarged through the nutritional policies concurrently developed. Certain livestock products capable of being stored for long periods might be included directly in the operations.

In the case of a few commodities there may be danger of competitive export subsidization which, if tolerated, would destroy the international stock holding program. In such cases it might be necessary to negotiate schedules of export quotas between governments until new markets could be developed. This contingency has been recognized and provided for in a similar way in the United States Proposals for an International Trade Organization.

The objective of the operations of the World Food Board would be to ensure that sufficient food is produced and distributed to bring the consumption of all peoples up to a health standard. The need for additional food is so great that if human requirements could be translated into economic demand, there would be no question of surpluses of the basic foods—surpluses which before the war many people came to regard as inevitable and which if permitted to re-emerge might overwhelm the Board. The basic problem here is the financial one of increasing the purchasing power of the people who are unable to obtain sufficient food for their needs. The Board must be able to divert unmarketable surpluses to these consumers and arrange for refinancing the cost of selling at prices which the consumers are able to afford.

Carl H. Kent With Boyd & Co. in Cleveland

CLEVELAND, OHIO — Carl H. Kent, Jr., formerly trust investment officer at the Cleveland Trust Company, has become associated with the investment counsel firm of Boyd & Company, 1700 Union Commerce Building. He entered the employ of the bank following his graduation from Colgate University in 1928 and has been engaged in investment analysis work since 1932. He is married, has two children, and resides at 3140 Woodbury Road, Shaker Heights.

Blyth Opens Dallas Branch Under Foster

DALLAS, TEX.—Blyth & Co., Inc., investment bankers, announce the opening of an office in the Mercantile Bank Building. The new office will be under the management of Robert K. Foster. Mr. Foster was formerly with Hicks & Price and Shields & Co. in Chicago.

Securities Salesman's Corner

By JOHN DUTTON

Last week we discussed the importance of acquiring a broad foundation of knowledge as an adjunct of successful accomplishment in the sale of securities. The criticism has been made, and in our opinion it is a valid one, that too much technical knowledge can also be harmful to a salesman.

Most statisticians, analysts etc. make poor salesmen. They know too much, become involved and technical in their presentation and therefore confuse rather than enlighten. Students cannot be positive —salesmen must have convictions. You must believe before others will believe you. So when we say that knowledge is a forerunner to success in the selling field, it is only because we have found that knowing what you are doing HAS A CONTAGIOUS EFFECT UPON OTHERS.

In conjunction with knowing your job you must also be able to convey your knowledge to others. The very fact that you do know your business has an effect upon your ability to convince others. Confidence is in the sub-conscious, and it can be conveyed to others without conscious effort IF YOU HAVE IT. Did you ever watch two fighters enter the ring when one had confidence and the other lacked it? The end of such a fight could be determined in advance—not only did you feel it, but everybody in the vast audience that was present also could sense the fact that one fighter had confidence in himself and the other did not. The last Louis-Conn fiasco was a typical example.

Someday psychological reasearch may be undertaken to determine the exact relationship between the sub-conscious and the real world so that we may be able to determine what part of our ultimate success is dependent upon our own faith in our selves, and what contributes to building such faith, etc. We do know that constant failures can undermine our self confidence and that our successes rebuild our self esteem and faith in ourselves. The psychologists have gone very far in this field already. But there is one reaction which seems to hold true almost every time we test it. We do not need the studies of professional psychologists to show us that we believe in some people, and LACK FAITH IN OTHERS.

Why do some people say, "I have faith in my Doctor"? Why do others feel the same about lawyers, accountants, insurance men, watch makers, dentists, automobile mechanics, radio repair men, and salesmen of stocks and bonds? The reason is that we **feel it.** You can feel when a man knows his business. You can tell by the hundreds of little unconcious attitudes that another person manifests in their speech and their actions, that they have confidence in themselves. The same thing the press box saw when Joe Louis stepped into the ring, and which they did not see when Conn fidgeted in his corner is what they will see in you when you call upon them to sell them securities. If you know your job you will have confidence in yourself, and your customers will heed your advice and be inclined to accept your suggestions. THIS IS WHY IT IS IMPORTANT TO STUDY. Do so for your own morale—but use your knowledge sparingly. A great surgeon knows the uses of every one of his instruments but he doesn't use all of them in performing every operation—only the ones that are needed for the job. That is why you know he is the man whom you can trust. So it is with a good salesman, his knowledge gives him power and others accept him for what he is. Life is so constructed that no man can fool himself and not pay the price. Those who believe in themselves are readily accepted for what they are—others of small faith are quickly appraised by their fellow-men and the wheat is sifted from the chaff.

The Outlook for the Utilities

(Continued from page 1008)

months ended July, the country as a whole is estimated to have used only about 5% less power than in the previous 12 months.

Since there has been no important decline in power output on the basis outlined above there must be some other reason to account for the present uncertainty.

There appear to be two factors which are responsible for the recent decline in utility market quotations:

1. Fear of increased costs; such as: wages, fuel, material costs and increased costs of construction.

2. Fear of rate reductions which, coupled with increased costs, could cause a considerable decline in earnings for certain companies.

As to the first item, important increases in wages and coal costs, have occurred this year. Various utility executives with whom we have discussed the question point out that wages have increased 15 to 20 cents an hour for many workers and coal costs are up 45 to 50 cents per ton. There is no direct off-set for increased wages except increased efficiency, but most companies have coal clauses which on the average appear to cover about one-half of their total sales. Hence, increased coal costs may be offset up to about 50% of the increase.

As to rate reductions, a considerable number of companies have put into effect rate reductions in certain classifications of their business this year, but it hardly seems likely that further rate cuts will be very numerous in view of the increased cost of coal and wages, at least until increased revenues have off-set the increase in expenses.

It is our feeling that the increase in costs will be more than off-set by increased earnings over the next year, but for the next few months the increase in costs may show up in monthly earnings rather unfavorably. Many companies are hampered by not being able to get materials necessary to take care of new demands for service. Some companies are even putting new customers on the line on a flat rate basis because they cannot get enough meters while others are handicapped because of lack of materials to extend connections; such as, poles, transformers, etc. These obstacles are gradually becoming overcome, but in the meantime, the utilities are not earning what they could earn if they were able to meet all of the new requests for services.

Another interesting development which is favorable to the utilities is the fact that in many companies the loss of war load has been more than off-set from the standpoint of earnings through increased demands for residential and commercial services while in many cases plants which were used for war production have been converted to peace time uses and are taking large amounts of power.

The loss of war load has not been as serious as many expected because each kilowatt hour of domestic load taken on brings in three to four times as much revenue as a kilowatt hour sold for industrial purposes.

The outlook for the utility industry seems very bright. Every day new appliances are seen and many more are being developed all of which are designed to use electricity. We have heard of a new heating unit which may have a very important effect in increasing the use of power. This unit is designed for house heating and air conditioning and is so constructed that it not only heats the house in winter but provides complete air conditioning in the summer, and hot water heating the year round. We understand that this unit is beyond the experimental stage and may be in production soon. The use of power in the home will increase much faster in the next five years than most people believe. Inasmuch as the domestic classification provides the bulk of earnings for many operating companies this may mean a sharp increase in earning power over this five-year period. We have heard estimates of increases as high as 40 or 50% in domestic load over the next five years and we will not be surprised if this happens, if business conditions remain favorable during this period.

Market Outlook

In view of this very favorable industry outlook, what is wrong with the market for utility stocks? Primarily, there has been increasing selectivity plus indigestion caused by too many issues coming on the market in a short period of time. Until the present decline began, second grade utility equities were selling on about as a favorable basis as high grade utility stocks, in many instances. High grade stocks which are *seasoned* and have been outstanding over a period of time have declined very little. Issues like Commonwealth Edison, Detroit Edison, Southern California Edison, Houston Lighting & Power, Pacific Lighting, Consolidated Gas of Baltimore, and Pacific Gas & Electric are not far from their highs for the year. These stocks are selling on a yield basis because of their excellent earnings and dividend record over a period of years.

However, many of the new issues which have been coming on the market are entirely unseasoned and some would not have earned their present dividend in recent years until excess profits taxes were eliminated. Furthermore, many of the new issues have been priced on estimated peak earnings (after adjustment for 38% Federal income taxes)—earnings higher than some of these companies have ever reported prior to this year.

The real cause of the increasing selectivity in utility stocks may be traced to the elimination of excess profits taxes and the sharp increase in utility earnings. Until last fall many companies were burdened with very heavy excess profits taxes which had the effect of sharply reducing net income. The repeal of excess profits taxes suddenly caused a considerable decline in taxes and a resulting sharp increase in net income. Reports for the first quarter of this year reflected this change but were misleadingly favorable in many instances because some companies had overaccrued Federal taxes in the early months of 1945. Some utilities which reported earnings of only around $1.00 per share for the entire year of 1945, showed earnings of as much as 60 cents or 70 cents in the first quarter of this year, but 1946 results may not exceed $1.75 to $2.00 per share. This sharp fluctuation in earnings caused some analysts to become far too optimistic with the result that they used multiples of 18 to 20 times earnings rather indiscriminately and also used estimates of earning power far above conservative estimates. Some analysts also multiplied first quarter earnings by four to get the assumed 1946 results which, of course, coupled with 18 to 20 times such earnings gave extremely optimistic results.

Naturally, holding company managements decided to take advantage of these favorable market conditions, and there followed in rapid succession a number of new offerings which finally congested the new issue market. However, this congestion appears to have been eased considerably and it seems that further liquidation of holding companies may soon proceed again particularly in view of the fact that the earnings estimated for 1946 for many of the subsidiaries which holding companies plan to dispose of appear highly favorable.

Selectivity

We have previously mentioned the question of selectivity. It is our feeling the market will be more selective from now on and will not only place a conservative value on earnings but will inquire more closely into the quality of earnings. By quality of earnings, I mean; how well the earnings are protected; how important is the leverage factor; what percentage of gross is carried to net; is the company on an original cost basis; is the territory served a favorable one; are maintenance and depreciation deductions reasonably conservative and how strong an equity does the common stock have. Also, how do earnings estimated for 1946 compare with so-called allowable earnings.

Allowable Earnings

Until the end of the war many utilities were earning less than 6% on their investment. However, the relief from excess profits taxes has permitted so sharp an increase in earning power that many companies seem to be earning 8 to 10% on their investment. Some commissions have already taken action to reduce rates and the whole question of allowable earnings has assumed increased importance. Many analysts now use allowable earnings as one of the basic factors which must be considered in determining the value of a utility equity. In the last analysis, only a comparison of companies in the same state as to allowable earnings has real validity, because the policies of the various state commissions differ so greatly. As a general rule many analysts assume a 6% rate as being the allowable basis but in some states, such as Ohio, various companies earn 7% or 8% or even higher while in the South and Southwest high rates of return are found in many instances. The subject is a complex one and each company must be studied individually with particular reference to the policies of the Public Service Commission in the state or states in which it serves. Where estimated earnings seem to represent a high return on the investment, further study is necessary to find the cause and this must be followed by an inquiry to the policies of the state commission in order to arrive at a satisfactory answer. State commissions are becoming more active in many instances. Interesting and in some cases highly educational decisions concerning the methods used to determine rates have been released in the past year or two in Michigan, Montana, Arkansas, California and just recently in Louisiana. These decisions outline the commissions' policy as to the rate of return and also as to proper depreciation, depreciation reserves, etc.

Conclusion

The outlook for the utility industry is excellent. However, the utility market seems likely to be more selective from now on with wider spreads between certain stocks being the market's measurement of differences in quality. Today, many utility stocks appear to be attractive with really good issues selling at 10 to 13 times estimated 1946 earnings. I am not worried about the future of the utilities, and we feel that the purchase of sound, carefully chosen utility equities should work out well not only for the very favorable income which in some cases exceeds 5%, but also because of the growth prospects which appear to be better than many people realize.

Exchange Rates Run Wild

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tems do not work at all in essential respects. They are caricatures rather than reproductions of Schacht's system.

This is not to be blamed on the men who introduced these systems. It is caused through governments being able to prevent the working of the laws of supply and demand only under very special conditions as are present when a nation is either at war or under totalitarian control. Here every move of the citizen, every letter and every telegram he writes and receives, every telephone call which he makes, is subjected to strictest censorship. In democracies at peace, where the citizens remains free and independent in his essential civil rights and where his private moves are only investigated under special circumstances, the laws of supply and demand continue to work in the field of foreign exchange, if only in an imperfect way, on the black markets. In the individual that expects further depreciation of the nation's currency by abuse of governmental or pressure group power, the wish for future security works stronger than the fear of the penalty for contravention against the exchange regulations, especially if they do not include death penalties a la Goering.

The prices that are paid for foreign exchange or gold on the black markets represent, so to speak, the secret ballot of the citizens on the fairness of the governmentally fixed exchange rates. They show their real opinion on the value of their currency and to what extent they believe it is overvalued by the government.

Frustrated Inflations

The period after the first world war was featured by exceedingly strong inflations of the currency with correspondingly strong inflations of prices of goods and foreign exchange. At the beginning, it is true, the exchange rates rose substantially faster than the internal price level—giving effect to the so-called sell-out of the countries. But in the long run the quantity of money in the hands of the public, the prices of goods and services and the prices of gold and foreign exchange moved up in conformity. There were endeavors to hold prices down through a system of price ceilings and exchange rate controls, but neither the former nor the latter worked for any length of time. The inflation ran its course. Based on the experience gained during and after the first world war, one was able during the second world war to check to a certain degree the creation of superfluous purchasing power, especially by means of severe excess profit taxation. Nevertheless, monetary inflation has still been strong because the enormously increased number of employed has not been and perhaps could not be, taxed in such a way that the purchasing power would have remained on the former level. However, if inflation was not prevented in its causes, it was prevented in its effects. A very stringent system of price and wage controls tried to prevent the increasing purchasing power from achieving its natural effect: the raising of prices and wages. What ensued was not prevention of inflation, but frustration of its consequences.

Frustrated inflations are the feature of the second world war and its post-war period in all countries—in some to a greater degree than the other. As a result all economies became divided into two separated areas: one area where prices were regulated and the other where the governments either did not want or were not able to enforce price regulations—the area which includes the black markets. It is into this second area that purchasing power overflows when it is prevented from exhausting itself in the first area by price ceilings and/or rationing. In large countries such as the United States, where the internal markets have such overwhelming importance and ideas of capital flight are for various reasons unknown to the populations, the purchasing power overflowing from the first to the second area is directed towards the legal purchase of real estate, certain luxury articles, securities and towards the illegal buying of certain consumers goods on the black markets.

In the much smaller countries of Europe, that are more dependent on international trade than is the United States, and in which the population is extremely exchange-rate-conscious, the excess purchasing power is not only directed towards nylon stockings and cigarettes, luxury articles of which the importation is allowed only in very small quantities, but also towards the acquiring of foreign currency and bank balances. This is partly because they can again be used for the illegal purchase of illegally imported luxury articles, and partly because foreign currency and bank balances are considered means of conserving the value of one's assets. For the domestic currency has, the most outspokenly in France, lost its function as a means of conserving value, retaining only its function as a means for payment. Not so strongly as during the great inflation in Germany and Eastern Europe, but nevertheless, quite distinctively, dollar bills and gold have replaced the internal currency for hoarding and saving purposes.

Black and Grey Foreign Exchange Markets

The travelling economist needs quite some time until he finds his way in the maze of the various official, semi-official and un-official exchange rates. To the degree in which dealing on the respective markets and the fulfillment of transactions violate the regulations or laws of one or more countries or only certain conventions binding some banks, the markets are characterized by colors which range all the way from black-over-grey to white. The description of the various kinds of "money" in question and the prices at which they are traded in the various countries of Europe, is an extremely interesting subject that could be treated, however, only within the framework of an extensive study.

Nevertheless, a certain understanding of the conditions on the black and grey markets can be gathered if one reviews the prices at which the various foreign exchange values are quoted in Switzerland. Switzerland, itself, although free from most currency restrictions—for instance concerning the exportation of currency—must be considered too as a country in which the government controls international payments as far as foreign trade is concerned. For where such payments are not affected by international clearings, the foreign exchange for imports have to be purchased at the official rate from the National Bank. However, where specifically Swiss foreign trade interests are not concerned, dealing in every sort of foreign money is entirely legal from the Swiss standpoint since the end of the war. During the war dealings in foreign bank notes were forbidden in order to prevent the Germans from disposing of stolen bills in neutral Switzerland.

On the markets for *bank notes*, only small denominations—American bank notes not over $20—are dealt freely. Large denominations are salable, if at all, only at a strong discount, the reason being that their imports into the countries of origin are either forbidden or their payment into bank accounts controlled for illegal, especially internal black market transactions. The so-called *black or internal payments* that are traded replace the ordinary checks on or transfer orders to foreign banks. They are sold in Switzerland by small firms that specialize in these matters because the banks of standing do not trade in these markets. The counterpart in the foreign country is not as usual a bank, but a private individual or a small firm that pays out the purchased amount at the residence of the recipient. In this way, a traveller who needs money for living expenses in France can acquire the francs from somebody in France who needs Swiss francs in Switzerland without a single check or letter between banks passing the frontiers.

In most countries of Europe, outside Switzerland, these transactions are clearly illegal. Swiss francs, for instance can be acquired in France legally only for importation of specific goods by special license. The purchase in Switzerland of dollar payments from Swiss credits would be illegal from the standpoint of the United States as long as the frozen Swiss accounts are not deblocked. Some transactions in the United States dollar checks and transfers orders are, however, entirely legal also from the American standpoint. These are concerned with payments from Swiss accounts that have been licensed for some reason or other by the United States Treasury, but of which the dollars received are not taken over by the Swiss National Bank at the official rate of frs. 4.30 to the dollar. (At this rate the National Bank buys only dollars received in payment for exports and —in limited amounts—for certain other purposes, for instance support of charities.) All other dollars are called "finance"—dollars as distinct from "commercial" dollars. They are traded and quoted freely and the quotations are, as most prices for currencies and transfer orders, listed in newspapers and bulletins.

A Quotation List

The following are the prices at which foreign *paper money* were quoted in Zurich on Aug. 3, 1946. The official exchange rate is added in the last column so that the discount of the free market rate in comparison with the official rate can be seen without difficulty.

	Demand	Offer	Official Rate
Dollar	3.32	3.47	4.30
Pound Sterling	10.32½	10.42½	17.34
French francs	1,35	1,45	3.60
Belg. Francs	4,80	5.00	9.90
Dutch Fl.	41.50	43.00	162.00
Swedish Kr.	105.00	110.00	17.40
Portuguese Esc.	13.00	13.75	----
Czech. Kr.	3.25	3.75	----

The following gives the quotations for the so-called *"internal payments."* The official rates are again added in the last column.*

	Internal Payment	Official Rate
Paris (100 ffr.)	1.45	3.60
Bruxelles (100 bfr.)	5.25	9.90
Italy (100 lire)	.80	1.91
England (1 pound)	10.50	17.34
USA (financial dollar)	3.40	4.30
Portugal (100 Esc.)	13.60	17.40
Sweden (100 kr.)	102.00	102.60
Holland (100 hfl.)	42.00	162.00
Argentina (100 pes.)	84.00	106.00
Spain (100 ptas.)	14.00	39.50
Turkey (1 L tq.)	1.35	3.30

It is clear from the above that dollar bills and financial dollars are traded at a discount of about 20%.

For gold coins the following prices are paid:†

*These quotations are taken from the weekly bulletin of the well known Private Bank of Julius Baer & Co. in Zurich.

†Again according to the bulletins of Julius Baer & Co.

	Napoleon	Eagle	Sovereign
Switzerland, (official)	30.50	7.50	38.45
Belgium	57.00	13.70	75.00
Italy	50.00	----	65.00
Portugal	----	13.70	40.00
Turkey	50.00	----	63.00
Egypt	----	----	62.00

The quotations represent the prices that are paid for gold coins on the black markets in the various countries, calculated in Swiss francs at the black market rates for the latter. It can be seen immediately at what a tremendous premium, in comparison with the offical rate in Switzerland, gold coins are traded all over the world.‡

The Napoleon — the golden 20 franc piece—for instance is worth almost 100% more on the black market in Belgium than it is officially worth in Switzerland.

The official price of gold in Switzerland is the price at which the Swiss franc is stabilized for the time being. The National Bank, however, sells gold or gold coins not to every bearer of her bills, but only—and this in very small quantities—to people who are known to her as reliable. The result of this semi-gold standard —where everybody can sell and not everybody can buy gold at the official rate—is the development of a black market for gold in Switzerland too. This market, known to the authorities, exists although trading above the official prices and even more the exportation of gold is strictly forbidden. The black market prices for gold and gold coins seem to be roughly 50% higher than the price corresponding to the gold standard of the Swiss franc.

From all this it is obvious that on the scale of values gold ranks at the top, then follows the Swiss franc, then the United States dollar and the currencies of the dollar block, then the pound sterling and finally the truly weak currencies as those of Holland, Belgium and France.

Awkward Consequences

The imagination is not sufficient to figure out the awkward situations that develop from what can be called euphemistically the arbitrage between white and black exchange rates. It is not possible to describe the multitude of abnormalities one hears of the longer one stays. A single story may suffice. The fact that it has been published in a well known Swiss magazine shows to what degree these things are publicly known. It seems, that a correspondent of "Time" has heard of it in London. He met a man who travelled to Switzerland with the 75 pounds allowed for voyages to Switzerland to every British subject. He changed his pounds in Switzerland at the official rate of Fr. 17.34, receiving approximately Fr. 1300. From these he spent Fr. 100 for all sorts of nice things. With the remaining 1200 Swiss francs he bought on the black market 120,000 French francs which were delivered to him when he came to Paris. Here he spent 5,000 French francs for black market dinners, etc. For the rest of 115,000 French francs he bought on the black market pounds at the rate of Fr. 700 for the pounds, thus receiving about 160 pounds. This means that he returned to London after having spent quite a lot of money for all sorts of luxuries and travel with 85 pounds more than he had when he left.§

This was possible, of course, because the traveller was able to change his pounds into Swiss francs at the official rate, whereas all following transactions back to pounds were traded on the black markets, where the Swiss franc has a much higher value.

Incidentally, in United States dollars too, a profitable transaction is possible which while not so spectacular is legal, although not quite fair. The National Bank of Switzerland pays to the American traveller Fr. 4,250 for $1,000 for living expenses in Switzerland every calendar month. If such a traveller stays one month and one day he receives for $2,000 Francs 8,500. Suppose he spends 3,000 francs—which is ample for one month's stay—he keeps 550 francs for which he can buy dollar bills at the rate of 3.50 thus obtaining about $1,600. This means that he has lived the whole month in Switzerland for $400 instead of the $750 that are the counter value of the 3,000 francs he really spent. (If he buys American money orders which are traded freely in Switzerland at the price of about 3.20 although the cashing of the money orders for Swiss accounts seems to be illegal from the American standpoint the profit is even larger.

The Black Market and the Morals of the Public

The profits black market traders can make at the expense of the community is not the worst consequence of the existing mar-

‡The gold premium is not only much higher than the premium for Swiss francs but also fluctuates from country to country in terms of Swiss francs too.

§As the black market prices have sunk somewhat in the meantime, the above transactions while still possible are no longer quite as profitable as they were.

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gin between white and black exchange rates. The real damage is that it undermines more and more the respect of the public for the law. The feeling is created that the black market prices represent the true value of the foreign money and that it is the government which does an injustice to its citizens when it forces the exporters, or—in the case of the confiscation of foreign bank balances and securities—the investors to deliver their property against a compensation in internal currency that is calculated at the low official rate.

The absence of the feeling of guilt by trading on the black markets renders again contraventions against the law more frequent. In fact the contraventions have become so universal that they can only be prosecuted in a very small percentage of cases. In certain countries every waiter is prepared to change foreign money at the black market rate. The entire situation shows that the power of the government to regulate prices against the laws of supply and demand has its limits. The only reliable way to regulate prices is by controlling the quantity of spendable money by a strict financial and interest rate policy. To those who believe that an inflation can be checked for any length of time in spite of easy taxes and easy money an information trip to Europe is strongly recommended.

Orgies of Bureaucracy

One can imagine what huge bureaucratic apparatus is necessary for the working of the artificial systems. For not only have the official prices to be enforced by all sort of police measures against the forces of supply and demand. There also has to be an organization that protects the economy against exchange rates that are "wrong" in essential respects: the official rate of foreign money being, for instance in France, too low to maintain an equilibrium in the trade balance and to prevent it from becoming too passive; the black market prices on the other hand being due to the risk premium they contain—too high and disturbing the balance of trade in the opposite direction toward too big activity.

The fact is that in every European country huge organizations have been created of which the only purpose is to enforce "wrong" official exchange rates and to paralyze their economic consequences — organizations which would of course be superfluous under a free currency system. We try to give in the following a survey of the respective "frustrations" that have to be introduced in various countries:

1. *In countries with weak currencies*, i. e., currencies that have a tendency to weakness at the official rates, especially toward the Swiss franc and the United States dollar.

Regarding frustration of the *official rates:* As the official rates of the foreign exchange are lower than the rate at which the trade balance would be in equilibrium, thus giving it a tendency of becoming highly passive, it is necessary.

(a) To strangle *imports* not limited by high foreign exchange rates through all sorts of artifical practices such as import quotas, rationing of the fortign exchange for import purposes and so on.

(b) To stimulate *exports* to which there is not sufficient incitement because foreign exchange rates are too low, by all sorts of direct and indirect subsidies.

Regarding frustration of *black market prices:* The very high black market rates of course create a very strong appeal to illegal export of all sorts of goods which the government wishes to retain in the country, as they serve as means of consumption to the masses—as food that is smuggled in great quantities from Italy to Switzerland—or because they represent internationally recognized values as jewelry and gold that the government wishes to use for its own purposes.

It is clear that a very extensive anti-smuggling organization is necessary to counteract the high stimulus to illegal exports. As a matter of fact the fights between the custom officials and smugglers at the various frontiers have become in some district regular battles, with many dead and wounded.

Strangely enough the high black market prices for foreign exchange do not prevent the *importation* of certain valuables in cases where the price of goods are higher in the country than in the foreign country even if the foreign exchange is calculated at the black market price. This is, for instance, the case with gold bought at the official and even at the unofficial rate in Switzerland. It is smuggled in great quantities to France although this transaction is strictly forbidden by the Swiss as well as the French government.

(2) *In countries that are on the other side of the fence*, i. e., in which the *currencies show a tendency to strengthen* at the official rates. Here all other currencies, including United States dollars are quoted unofficially below the official rates. Thus an opposite problem develops. Among the countries in this category today practically only Switzerland remains since Canada and Sweden have drawn the consequences of the strength of their currencies and have revaluated them in terms of dollars.

Regarding frustration of these *official rates:* The official rate that is higher than the rate at which the trade balance would be in equilibrium works as an impediment to *imports.* Switzerland would undoubtedly be more competitive on the markets, especially in the United States, if it could purchase the dollar lower than 4.30, for say at the rate of "finance" dollar of about 3.40. As Switzerland is extremely import-hungry, especially for raw materials and automobiles; imports will have to be subsidized sooner or later.

The too high official rate has the effect of a premium on all exports. Because the exporter receives 4.30 for his dollar balances created through exports instead of 3.50, he is extremely competitive on foreign markets. The consequence is that exports have to be rationed. This is done for instance in the case of the watch industry through the National Bank taking only a limited amount of export dollars at the official rate of 4.30. The amounts taken by the National Bank are, however, so substantial that a one-sided boom of the watch industry has developed that is considered by many as unsound and exaggerated.

Regarding frustration of *unofficial rates:* If dollars for the purpose of imports were available at the lower rate of "finance" dollars, imports would of course increase.

It is, however, strictly forbidden to use for payment of imports other dollars than those that the National Bank sells at the official rate of 4.30. For the National Bank must get rid of its dollars purchased from the exporter at the too high price of 4.30 at the same high price of 4.30 to the importer. Nevertheless, this frustration of the "finance" dollar is not quite comprehensible and is fought by many experts in Switzerland. They argue that in an import hungry country also "finance" dollars should be admitted to pay imports and they think that importation would increase to such an extent at the lower dollar rate that not only the floating amounts of finance dollars but also the amounts owned by the National Bank would be absorbed; and if the latter would suffer a loss on these dollars she should charge it to the exporters who allegedly make too high profits anyhow.

The Way Back

Is there a possibility of returning to normalcy? We begin by examining the easier problems that confront the strong currency countries.

Should we reestablish the gold standard in Switzerland, Sweden and some other countries?

As has been explained, gold is worth on the black markets in Switzerland roughly 50% more than corresponds to the Swiss gold standard. This is caused by the Swiss National Bank not selling gold freely, but only strictly rationing it at the official price, so that neither the internal hoarding demand nor the hoarding demand in foreign countries is satisfied.

There is no doubt that the premium of gold would disappear in Switzerland if the National Bank would sell gold freely at the official price. However, for the establishment of a true gold standard, it would be necessary to allow the free exportation of gold. In this case, the premium of gold in comparison to the Swiss franc on the black markets of other countries would disappear, the gold being marked down and the Swiss franc improving its price still further.

It is, however, important and interesting to examine the consequences of such reestablishment of a true gold standard even in a strong currency country like Switzerland. According to the classical scheme a gold standard country losing gold experiences—besides improvement of its exchange rate—a deflation because the out-going gold is paid for by bills which are prevented from being replaced by a high discount rate. It seems extremely unlikely that in Switzerland, in spite of the prevailing boom, such a deflationary policy would be tolerated, because there too people have become accustomed to the wrong idea that only under easy money conditions full employment can be maintained.

However, if one would try to reestablish the gold standard without establishing a prohibitive discount rate or a system of credit rationing the bank notes coming back to the National Bank against out-flowing gold would be replaced immediately in the economy by bank notes leaving the National Bank on behalf of credits granted by her. In this case, obviously, no deflation could develop nor would any equilibrium in the demand for and supply of gold be established. Instead, the demand—the quantity of money not being reduced—would remain effective until the last gold coin or gold bar has left the National Bank, thus exhausting its gold reserves in spite of their gigantic proportions—in the way already described so masterfully by David Riccardo. For it is not an imaginary gold hunger that pushes the prices for gold upwards—for with hunger alone ont cannot buy. It is rather the monetary inflation that produces the high gold prices which consequently can only be suppressed by monetary deflation. If one wishes, however, to avoid deflation the gold standard can only be reestablished at a price for gold that takes into account the existing quantity of purchasing power. In other words, the reestablishment of the gold standard presupposes a devaluation of the currtncies against gold.

One of the conclusions reached by studying monetary conditions in Switzerland is that a truly free gold standard could at the existing quantity of purchasing power only be reestablished in the world currencies after devaluations. Without devaluations — thorough deflation being extremely unpopular—it will be necessary to continue to frustrate the inflation towards gold by rationing the demand and fixing an artificially low price for the scarce supply; retaining what can be called a pseudo gold standard rather than a true gold standard.

Suppression of the Discount for Dollars in Switzerland

As shown above, United States dollar bills and "finance" dollars sell at about 3.40 whereas export dollars and import dollars are sold at the official or commercial rate of 4.30.

The first question that arises is why one does not treat all dollars alike, establishing one single price for all sorts of dollars at which supply and demand for the entire offered and demand amounts would balance. In all probability such a price would lie in the middle of the official and free market rates, say at about 3.85. By this all the difficulties mentioned above would immediately disappear.

It is said in Switzerland that the official rate for the dollar has been maintained at the suggestion of Washington authorities who allegedly fear a loss of prestige if the dollar would be officially devaluated. Besides, such a devaluation has meanwhile been effected in Canada and Sweden without any loss of prestige to the United States; this suggestion would be erroneous, insofar, as in Europe the free market rates rather than the official rates are considered as representing the true strength of a currency. Therefore it is the free market or finance dollar rate which would have to be raised to 4.30 for reasons of prestige.

There is no doubt that the free market rate for dollars could be raised easily in Switzerland if the mechanism of the gold standard was allowed to play between the United States and Switzerland. However, here again the gold standard is frustrated. Just as the National Bank does not sell gold freely, she does not buy it freely. Whereas probably the United States authorities would be prepared to sell so much gold against Swiss francs as they need to buy the floating amounts of finnace dollars, the Swiss National Bank does not buy gold for this purpose, although the floating amounts are relatively small now and will only become larger when the Swiss dollar accounts are finally unfrozen.

The reason why the Swiss National Bank is reluctant to accept gold freely—or to buy finance dollars—is that she is afraid of the inflationary effects of the Swiss money she has to issue against gold or dollars—she could most probably convert into gold at the official USA gold price. However, if one considers the monetary policy of a foreign country as too inflationary one must decide whether one wants to follow this policy in the interest of the maintenance of stable exchange rates, or whether one wants to become independent of this policy. In the latter case one has to sever the gold standard ties and revaluate their own currency —just as one has to devaluate as England did in the 30's, if one does not want to follow the deflationary policy of other countries. But one cannot eat the cake of stable exchange rates and keep the cake of internal price stability. For the time being, Switzerland has chosen a middle way—keeping the official rate of 4.30 stable and letting the rate of the finance dollar decline. The artificiality of this solution will, however, as time goes on force a decision. Either the National Bank will have to buy all sorts of dollars at the same official rate. For those who have invested in USA securities cannot be permanently penalized in comparison with the exporters. In this case the monetary policy of Switzerland would become synchronized with the policy of the United States. Or the Swiss franc will be revaluated in terms of dollars. The fight for both solutions is going on. The revaluation party argues that inflation on the one side and ever stronger bureaucratic regulations on the other can only be avoided by revaluation. The opposition, consisting mostly of exporters and the hostelries, fears that once the United States reaches full production and begins again to compete at lower prices on the world markets, the revaluated Swiss franc would have to be devaluated again. The Swiss authorities have officially denied their intention to devaluate. Whether they maintain this stand will depend largely on the development of the purchasing power of the dollar that is closely watched.

Observation of the international exchange rate markets leads to the conclusion that the US dollar is internationally not as strong as is generally assumed in the United States. There is no doubt that the US dollar is basically a currency of great strength. But any currency can be weakened through a policy that does not take into account that even a very rich country can grant foreign loans only within certain limits. If it surpasses these limits they must lead to a higher price level within the country and to the weakness of the currency in the international money markets. It seems therefore that in order to improve the situation of the dollar a certain restraint in the granting of foreign loans would not be out of place.

Suppression of the Premium for Foreign Exchange on the Black Markets in the Weak Currency Countries

The problem of the black market prices for foreign exchange is identical with the problem of black market prices on markets in general. It is the problem of controlling the purchasing power that cannot exert itself on the regular markets and that overflows to the Black Markets.

One method of dealing with the superfluous purchasing power that overflows on the black markets for foreign exchange would be to let the official rates rise to the point where supply and demand is in balance. This was more or less what happened in the weak currency countries after the first war. With rising official rates, exports from the weak currency countries would increase. Imports would of course become more expensive but due to the increased exports probably not scarcer. They could even increase quantitatively—just as on the internal markets the lifting of ceiling prices makes products more expensive but also more plentiful because marginal plants begin to work again.

On the other hand, it is clear that while imports on the whole would increase, then distribution among the population would be changed to the disadvantage of the masses who would have to pay the higher prices without being compensated through higher profits as would the entrepreneurial class. There is no doubt that a policy increasing imports as a whole but diminishing the share of the masses would be highly unpopular and politically unfeasible.

Another method of suppressing the margin between black and white exchange rates would be to deflate the purchasing power until under the pressure of this deflation the black market prices would recede. This was the method followed by Schacht at the beginning of the stabilization of the mark in 1923. Such a deflation—which would have to include deflation of wages too if mass unemployment were to be avoided—would hardly be feasible for political reasons.

Incidentally, whatever method

would be chosen in order to narrow the margin between black and official prices, the internal price and wage level would always have to remain relatively low in comparison with the price of foreign exchange rates. For as long as there is mistrust in the domestic currency, exporters, investors and speculators will only part with the foreign currency they receive if the exchange rates take into account this mistrust. A price for foreign exchange at which demand and supply would balance could thus only be maintained at a relatively low wage level. In other words, the population would have to work cheaply in comparison with prices of import goods because it has to bear the confidence premium for the foreign exchange with which imports are paid.

This confidence premium would of course increase in case of anti-capitalistic threats by governments or political parties. For it is the tragedy of socialistic experiments in an otherwise non-socialistic economy that they achieve the contrary of what they aim at. They do no better but worsen the conditions of the masses because it is they who ultimately must pay for the fear that socialistic measures arouse in those who possess or produce wealth.

This shows the only practical and politically possible way which would lead to the abolishment of black markets for foreign exchange in the weak currency countries. It is to restore confidence in the domestic currency. Only in this way the purchasing power overflowing to the black markets can be sterilized without a painful deflationary process. Only in this way the mistrust-discount of the domestic currency can be suppressed. In order to establish confidence in the domestic currency it is above all necessary to balance the budget. Furthermore, everything must be done in order to give small and large capitalists the feeling that it is not only forbidden but also unreasonable to export their capital. Whether, especially in France, under the prevailing internal and external political conditions a policy of restitution of confidence is possible may be doubted. But what is not doubtful is that without such a policy sound conditions in the field of foreign currency cannot be regained.

How About Bretton Woods?

It is obvious that nothing experienced today in the field of foreign exchange in Europe fits in the slightest way into the picture that the Bretton Woods agreements pre-suppose. In fact, Europe is not even yet in the so-called transitory period where currency restrictions work. It is in a pretransitory stage where not even currency restrictions are able to maintain orderly conditions.

Without reopening the discussion about Bretton Woods, one thing can be said: Observations of conditions in Europe show, what critics of Bretton Woods have always emphasized, namely, that for the stabilization of currencies the underlying political and financial conditions are of overwhelmingly necessary, and that technical devices and a stabilization fund as provided by the Bretton Woods agreements are of relatively small importance. Therefore one cannot help feeling that in all probability the Bretton Woods fund will not be essential for the stabilization of the postwar currencies. There is a good chance that for all practical purposes it will be replaced by individual credit arrangements coupled with certain guarantees to the creditors on the economic and fiscal policy to be followed by the debtor nations.

Long Prosperity Ahead!

(Continued from first page)

this or that item, if not in everything. By Christmas (which Christmas?) there will be more table radios, shoes, electric irons, nylon stockings, toy locomotives, woolen clothing, and other gadgets, than the stores can sell. Then, prices will break and the depression will be on—so we are supposed to believe.

Most of that is plain wishful thinking. A glance into a current mail order catalogue would indicate that much. True, there is enough wool to feed the textile mills; but they are complaining of labor shortage. We could produce all the electric gadgets; but there is just not enough copper to go around. Sewing machines are in great demand, but the shortage of castings, motors, electrical components, and lumber for cabinets hinder their output from approaching pre-war standards. Automobile output is running (at last) the better than half of the 1941 level and is gathering momentum; but when house construction, which is still far behind schedule, will attract its full quota of pig iron, the automobile plants will have to trim their output. There may be a surplus of tires, but not enough cars to put them on.

Suppose, however, there will be surpluses of this or that kind. So what? All that means is that the production of some articles will cease for a while. They will be "short" again, in a matter of weeks or months. In the meantime, some people will go on relief; more will be absorbed in other lines. Anyhow, the Boom does not depend on gadgets.

Importance of Capital Goods

The difference between Prosperity and Depression is in the demand for capital goods. It should take years before the output of furniture, motorized vehicles, railroad and mining equipment, farm implements, heavy machinery, etc., has satisfied the most urgent pent-up demand at home and abroad, to say nothing of dwellings, commercial and municipal construction—even if no shortages and interruptions would delay them. But there is a critical shortage in copper for a year at least, and in lumber for five years or longer. We are limited in steel, lead, cotton, glass, paper, sugar, containers, and many other materials. Feeding a distressed world will preclude major farm surpluses until 1948, if not longer.

Nor is it likely that we shall produce in an uninterrupted fashion. The big strikes behind us should be a lesson. Others are still on, with more to come. The longer the boom lasts and the higher wages are, the stronger will be labor's bargaining position. We may rely on the unions to take full advantage of it.

What is perhaps even worse, labor productivity is substantially reduced. That condition is not so bad on this side as it is in Britain and in liberated Europe, but it certainly hurts the volume of output. The normal working day has been reduced by five or six hours a week; overtime is practically eliminated; more people get longer vacations; "voluntary" unemployment has more adherents than usual. In many industries, the per-man-hour output has declined perceptibly, or has not risen in proportion to the cost of new machinery. The result is that while we have not produced as yet in a big way anything but farm products, soft goods, hardware, and personal services—very little of the so-called capital goods, even minor ones—approximately 57 million people are gainfully employed already, almost the entire available labor force. The size of that force, and its productivity, set the limits of production. We are stepping on that limit right now, while we have barely scratched the surface of the major shortages.

Causes of Shortages

Shortages are due in part to "natural" causes: wartime stoppage in the production of durables, increased wear and tear, depleted inventories, deferred replacements, and what have you. In part, they reflect the physical destruction and economic disruption suffered by the outer world, which compel us to provide charity, credit, and exports on a record scale. Uneconomic price-fixing, demagogic labor policies, and bureaucratic interferences are additional factors; industrial strife and reduced productivity "help," too. But the largest responsibility for our bottlenecks is on the shoulders of the greatly inflated demand. Its inflation is responsible also, indirectly, for many troubles, the source of which is apparently on the supply side.

The demand is unprecedented. Doubling of the national income and more than quadrupling of the nation's liquid savings, both in comparison to the best prewar years, create bottlenecks right and left. It is not shortage that raised by some 50% or more the consumption of alcoholic beverages, amusements, cigarettes, cosmetics, and vacation pleasures. It is inflation that brings about a 95% occupancy of metropolitan hotels, instead of the prewar 62%. The "shortage" caused by excessive demand cannot be met by production: *the more we produce, the more of the accumulated $250 billion liquid savings is activated.* The increasing monetary velocity stimulates more bank credit expansion,* too.

Wartime Savings

What promises to make this boom so gigantic in size and duration is the vast hoard of war-time savings, which bolsters the purchasing power of consumers as well as of corporations, plus the ability of the credit system to provide additional purchasing power. The loan provisions of the GI Bill of Rights alone is supposed to imply credit expansion potentialities up to $60 billions! Influx of foreign funds, if only for debt repatriation, will pour more oil on the fire.

Normally, the boom comes to a natural end when prices rise high enough to exhaust the public's financial patience. The automatism of the gold standard used to take care of that. But we are "off" the much-cursed, old-fashioned gold standard; no automatic breaks stand any more in the way of a long boom. If prices should rise faster than farm and labor incomes, that would stop the vicious circle. But such run-away prices could not last, and a buyers' strike, if it should occur, would correct itself fast.

To outsmart the inflation of purchasing power, production alone will not do. Nor would budget-balancing (which is by no means assured) solve the problem. A thorough-going deflation will be needed. That is just not in the cards—not yet. In this race between demand and supply, the former is supported constantly by the creation of new money, and the velocity acceleration of the old. Effective monetary control—by stopping credit expansion and raising taxes—is the only way to bring about a turning of the cycle at an early date, causing wholesale bankruptcy and large-scale unemployment. Left to itself, this boom must last much longer than any of its predecessors ever did.

"Inflation is winning by default. Unless Washington does something effective (along deflationary lines) to stop inflation, the nation is headed for the greatest financial explosion," says Prof. F. A. Fetter, in the "Saturday Evening Post" of July 13, 1946.

Bottleneck in Housing

Take the bottleneck in *housing*. Theoretically, we could start on prefabrication; but it will lag far behind the volume of prefabricated dollars. The dollars are here already, and are coming smoothly into circulation, while prefabrication is still largely in the blueprint stage. The example is most instructive. To get prefabricated dwellings from the assembly lines, the shortage of timber and labor has to be overcome. We have all the trees but by far not enough logs, with 40% of the installed capacity of Northwestern Douglas-fir mills standing idle. It will take a long time to open up the forests, expand production, replenish inventories, and provide the consumers with as much logs as they used to get (which is a fraction of what they need), while the money on hand can be spent in no time.

As a matter of fact, the bogged-down housing program scarcely meets even the current increase of demand created by the continuous rise of population. The situation is quite similar in locomotives, as another example. Export requirements in locomotives are fantastic: equal to several years' full capacity in our plants. At home, there are 39% less units than in 1925, with 19% less tractive power, but only a fraction of the estimated annual demand of 1,200 units (for Class I roads alone) will be shipped this year.

Will the accumulated money be spent? It would take only a part of the still dormant savings to make the present supply-bottlenecks seem broad in comparison to those to come. More than a small fraction is likely to be spent—unless people prefer to count their money in the drawer rather than to enjoy the good things it can buy. Even without being disbursed, the "cash hoards" help to spread inflation by inducing their owners to save less: already, in the first quarter, liquid savings of individuals have fallen to $2.9 billions, against $8.7 billions in the same period last year.

Human wants are insatiable. In addition to the pressure of our own wants, the productive apparatus of this Continent must help to satisfy an entire world hungry for goods, and for things to create goods. Moreover, business needs for replacement and expansion, stimulated by high prices and costs, compete with the consumers' requests for the limited resources. It should take many years of a policy of moderate budget-surpluses, if and when such a policy gets under way, to correct this fundamental maladjustment between supply and demand, and to end prosperity, to reverse the trend toward higher wages, rising prices, and lengthening waiting lists.

*The current theory, embraced by both advocates and opponents of OPA, that production is a cure or preventive of inflation, has been repeatedly exposed by the present writer as a fallacy. Dr. R. Warren (Institute for Advanced Study, Princeton) comes recently to the same conclusion, in "Commercial and Financial Chronicle," Jan. 31, 1946, p. 519.

Money in Circulation

The Treasury Department in Washington has issued its customary monthly statement showing the amount of money in circulation after deducting the money held in the U. S. Treasury and by Federal Reserve Banks and agents. The figures this time are those of June 30, 1946, and show that the money in circulation at that date (including of course, that held in bank vaults of member banks of the Federal Reserve System) was $28,244,997,112, as against $28,120,083,952 on May 31, 1946, and $26,746,438,483 on June 30, 1945, and compares with $5,698,214,612 on Oct. 31, 1920. Just before the outbreak of the first World War, that is, on June 30, 1914, the total was $3,459,434,174.

Officials of Fund And World Bank

(Seventeenth of a Series)

G. L. F. BOLTON
British Executive Director of the Fund

G. L. F. Bolton

In appointing Mr. G. L. F. Bolton its Executive Director of the Fund the British Government has adhered to its policy, enunciated at the Savannah Fund and Bank meeting, of drawing upon its best financial talents on a part-time basis, since it could not spare such men for full-time service in Washington. Mr. Bolton is on the staff of the Bank of England and devotes to the Fund only such time as his duties at home permit. Concerning his appointment to the Fund, the London 'Economist' said: "Mr. G. L. F. Bolton, an 'advisor' at the Bank of England, has had an unrivalled experience of the theory and practice of exchange control. From the earliest days of the Exchange Account he has been one of the principal architects of the exchange structure and principles which Britain has evolved. He is well qualified to watch British interests in the Fund and, in the technical sphere, will have an important contribution to make."

George Lewis French Bolton is 45, married and has three children. His banking experience started with the Societe Generale de Paris, whence he went to the London firm of merchant bankers, Helbert Wagg and Co. There he specialized in foreign banking, the discount market and international commodity trading. In 1932 Bolton was invited to join the Bank of England to aid in the management of the Exchange Equalization Account and in 1934 was placed in charge of all gold and exchange operations.

Bolton was associated with the work of the World Economic Conference of 1933 and actively participated in the Tripartite Monetary Agreement. He helped the British Treasury prepare the exchange-control arrangements which were promulgated on Sept. 3, 1939. Two years later he became advisor to the Bank of England on questions of foreign exchange and exchange-control. In this capacity he participated in the negotiations which led to BW. Bolton also took part in the negotiation of UK monetary agreements with various other Governments, the so-called sterling agreements. Mr. Bolton was on hand for the opening meetings of the Fund executive directors in May, 1946, but a few weeks later returned to England to participate in the negotiations for the solution of the problem of India's sterling balances.

Indian Affairs Bill Signed

The Commissioner of Indian Affairs may decide minor administrative matters regarding Indian affairs under legislation signed by President Truman on Aug. 9, Associated Press Washington advices stated, pointing out that previously the Secretary of the Interior has been obliged to devote time to passing on many such minor cases. The press advices reported that representatives of Indian tribes watched the President as he affixed his signature to the measure creating an Indian Claims Commission.

Latin America—Its Position and Prospects

(Continued from page 1007)

year, provided strikes do not interfere further with the pickup of production.

The trade position of Latin America is more clear than that of some other parts of the world. Its present ability to buy is good. It is not harnessed to any particular bloc, but can trade wherever it sees fit. Generally speaking, it is in the ascending phase of population growth and is making progress in industrial diversification and financial self-sufficiency. As members of the "inter-American system" the republics subscribe to principles of joint striving for peace and the promotion of democracy while retaining economic and political equality regardless of relative size and wealth.

Present conditions are not simply those resulting from the recent war, but have roots in all that has happened since 1914, when World War I began. Developments in trade, industry, social and political forms, and finance have been shaped by the shocks and repercussions from the outside world incident to two great wars and a formidable depression.

Latin America's Buying Power

The short-term prospects are connected in everyone's mind with the much publicized store of gold and foreign exchange that has accrued to Latin America through heavy war expenditures in that area by the active belligerents, particularly the United States and Britain. The latest reported total as compiled and published by the Department of Commerce showed $4,325,680,000 as compared with $1,070,024,000 at the end of 1941, the former figure applying to various dates near or at the end of 1945. Included in the "reported" total is the equivalent of Sterling in an unspecified amount, but which, in the case of Argentina, was more than £110,000,000 at the end of 1945. These cash resources are so large and the financial systems of the countries so different than in past history, that there is nothing with which to compare them.

The trade significance of the funds, to be sure, is subject to several modifying factors. The most obvious is the allowance that must be made for the present higher cost of imports—perhaps to the extent of about 40% as opposed to prewar. Governments also will use a part for their gold subscriptions to the Bretton Woods organizations (the Monetary Fund and the International Bank for Reconstruction and Development) and for the unusual expenses which they are incurring as participants in other international movements. It is well known, too, that exchange and other controls are used to discriminate in favor of productive or other essential goods and to govern the import trade in other ways. So great has been the depreciation of scarce mechanical equipment in some places that there is a question whether the reserve funds available are more than will be needed for replacements, especially in view of price increases. Authoritative statements have been made in Mexico that the war windfall would be dedicated to building up the industrial and productive power of that country. Argentina has used some of its London funds to reduce its foreign debt in Sterling to the point where but £10,200,000 remained outstanding at the end of 1945 as compared with over £40,000,000 before the war; it also seems to have plans for buying out British railroads and other property in Argentina if deals can be made. (More lately, Argentina has announced its intention to retire its dollar and Swiss franc bonds as well.)

Still another pertinent question is raised by the fact that the gold and exchange reserves constitute the backing for national currencies. A retrenchment or deflation incident to the substantial reduction of currency reserves would introduce some new problems in places where redundant funds are not the rule. So many debatable principles and concepts are concerned that it is futile to attempt here even a cursory review of the possibilities; nevertheless, the desire to maintain due forms of monetary organization will surely affect the handling of the situation if a downward trend in reserves began to cause concern.

There are, however, additional prospective sources of support for Latin America's buying power, in the Bretton Woods organizations already mentioned and the Export-Import Bank of Washington.

Nearly all of the countries are members of the former; those missing are Argentina, Haiti and Venezuela. Colombia is a member of the Monetary Fund, but not of the Bank.

The total subscriptions (or quotas) of the 17 countries to the Monetary Fund come to $469½ million, payable approximately 25% in gold and the balance in an equivalent amount of their own currencies. Under the rules this would enable them to avail themselves of about $115 million per annum to meet temporary or seasonal needs for other currencies, if each drew to the limit—a hypothetical and unlikely case. With two or three possible exceptions, the Latin American nations are not in a position where they might require more than nominal aid from the Fund within the foreseeable future. Withal, the mission of the Fund is not to provide means for direct trade expansion—for which, in any case, its resources though large would be quite inadequate—but to promote a worldwide exchange technique free from the artifices, distinctions, discriminations and depressive controls that have graced the international financial picture for the past 15 years. The outcome of its successful operation would be a stimulus to trade in all areas and probably a deterrent in general to governmental intervention in business. In fact, the growth of a healthy volume of private interchange and investment among world markets would seem essential to its success.

As to the International Bank, various Latin American nations that have development projects will no doubt resort to it for such credit in foreign funds as may be required to cover the necessary imported materials. The type of development most suitable for financing through an international institution, aside from some few that might be self-liquidating through the production of hard-money values (whether exportable or replacing imports), would be certain integrated programs contributing in a broad way to national life through the improvement of communications, sanitation and other public services and facilities. Much has been done by domestic effort, especially in the larger cities, during the past decades when foreign unsettlement and exchange restrictions tended to keep investment funds at home and encouraged some capital migration from outside. But in many places there is opportunity for cooperation by such an institution as the International Bank, able to set up a long-term line of credit and to provide impartial technical advice in both engineering and finance.

As we have learned from experience with the United Nations, the operation of international agencies is likely to raise problems more serious than were envisioned when these were created under apparent agreement on ultimate aims. It will, therefore, be interesting to observe the process of growth and maturity of both the Fund and the Bank. It would seem that their surest road to success would be that parallel to a lively movement of trade and investment by private initiative, in order that international transactions may again have the breadth and volume to lend stability to national balances of payments.

Still another potential source of trade support is the Export-Import Bank of Washington. At the end of 1945 the unused credits on its books in favor of Latin America stood at $340 million. In contrast to the Bretton Woods establishments, the Eximbank is an instrumentality of the U. S. Government. It is really an official loan agency, utilizing public funds allotted for the purpose by Congress. Like its parent, the RFC, it was formed at a time when there was a case for the expansion of credit with public money to get off the dead center of depression and inaction. During recent years its Latin American operations have been conducted mostly on a political or "policy" basis allied to the effort for Hemisphere defense and solidarity. It now appears to be cast for the same role on a world-wide stage.

Summing up the resources so reviewed—the present cash holdings, supplemented by the prospective support of the International Bank, the Eximbank and the Monetary Fund—it seems that Latin America's aggregate ability to import and pay for what it needs in the proximate future is quite favorable. A survey by separate countries would be needed to illuminate more clearly the individual positions. Reference might be made here to another general consideration, however: the technique of exchange controls in recent years has focused attention upon the balancing of trade accounts and by putting a moral premium on permits has undoubtedly promoted a higher degree of safety in the extension of individual credits.

The Outlook for Exports from Latin America

We have seen that the stock of gold and foreign exchange now on hand is subject to other needs than the simple one of paying for general imports. The care that has been taken to conserve the immediate assets indicates that an all-important factor in the whole situation will be an ability to continue the exportation of national products so that the quick assets will not be reduced to an alarming degree. This is the direct equation for trade support.

At first glance, and for the reasonably near future, it is impossible to be pessimistic about this question of exports. World scarcities are so obvious and the products of Latin America are so basic to human needs and to fundamental husbandry and industry that it is only a matter of distinguishing among those that are in more demand than others.

Specifically, the outlook for them may be estimated roughly as follows:

Those which should in adequate supply, regardless of temporary delay caused by "reconversion," renewal of shipping routes, etc.: coffee, sugar, bananas, cotton, tobacco, wool.

Those in which scarcity may continue for some time: Hides, flaxseed, other oilseeds and nuts, lead, tin, zinc, high-grade iron ore.

Those whose situation may depend on factors that will develop later, connected with technology and with economic and natural conditions: copper, petroleum, cacao, drying oils, minor industrial minerals, nitrate of soda, grains and meats.

The foregoing are the conventional and long-established staples of Latin America, to which might be added for completeness about 75 or 80 subordinate materials or sub-products. Despite efforts to develop wartime production of other materials that had come mainly from Asia, accomplishments were not impressive enough to add important new items to the list. Quartz for electronics, some essential oils, insecticide materials and certain fibers compose the assortment. A few regions will benefit from them, as well as from new mining activity in alloy minerals that may survive.

Looking somewhat farther, the natural question arises of what the settled buying power of the outside world will be. Latin America in the aggregate has always depended on three main outlets: the United States, the British Empire and continental Europe.

The course of affairs in the United States from now on is a matter of the most acute interest, not only to its own citizens but to the people of Latin America and other regions, who see it as the largest single market and the country most capable of dynamic effect, for better or worse, on the world's economy. The degree to which the United States recovers its social and economic equilibrium will be reflected in its relations with Latin America as a customer and a supplier.

Britain and its empire and related commonwealths compose a loosely complementary group with a strong tendency to maintain settled relations regardless of how far their formal ties may henceforth be relaxed in favor of the principles of multilateral trade. The United Kingdom, impelled to restore its world income from manufacturing, will expect to retain a principal place as a market for Latin American products on the basis of bargaining closely with due regard for reciprocal advantages and, from indications, in a collective manner so as to get full value from its position. If Britain forges ahead in its postwar program it should become a more important outlet than it has been for one or two decades; on the other hand, its need to convert its export product from ordinary factory goods to those of a higher range in kind and price may limit the volume of direct interchange with some markets.

As to Europe, the disappearance of Germany and, to a lesser extent, Italy from among the important consuming nations appears to raise a question, since Germany is generally regarded as having a prominent place in Latin American trade. In fact, however, the share of Germany and Italy together in Latin America's exports in years just before the war was scarcely 12% in terms of value; of this, Italy's part was negligible. Germany had managed to regain some of its trade between the wars, but during the thirties, governed as it was by strategic and political home policy, its Latin American business took on an unhealthy character with the apparent motive that of, so far as possible, getting something for nothing and dealing in promises rather than performance. Therefore, its practical elimination does not seem of great consequence provided there may be reasonable buying power elsewhere. The goods which Germany had taken in some amount amount included cacao, coffee, copper, corn, cotton, hides, frozen beef, flaxseed, tobacco, wool, etc. Japan bought chiefly cotton from Peru and Brazil and minerals from the West Coast. Germany and Japan together took a large share of the immediate prewar production of Brazilian cotton.

Western Europe, including Scandinavia, promises to regain its position as a taker of raw materials barring mishaps. Its industrious populations, fortified with dollar credits and with British economic support, should not be long in overcoming the war setbacks.

Aside from the quantitative demand, the price trend for primary materials will be a matter of concern to Latin America. In this category of trade, values are the main fluctuating element. Volume changes more deliberately, with long range rather than with seasonal trends. When we speak of "increased Latin American trade," such as that which took place during the two wars, we really are indicating that unit values were higher. For example, the average *volume* of the exports of Argentina in the years 1937-39 was about 13½ million metric tons. In 1945, it was not quite 6½ million tons. The average *value* in 1937-39 was 1,762 million pesos. In 1945, the value was 2,485 million pesos. In the prewar years just mentioned all prices were decidedly on the low side, consonant with the world's uneasy situation and the effect of the steep 1937-38 recession in the United States. Argentina evidently was able to gain considerable advances in price in its wartime sales arrangements with Britain and the United States. Similar improvements took place in the staples furnished by other countries. Nevertheless, wartime buying contracts (including those covering the less essential commodities, entered into by the U. S. under its obligation to support the Latin-American economy) were moderate in their price provisions excepting in a few cases where incentives to exploration and new production were advisable; they were in keeping with the price controls imposed domestically and which were applied to the materials shipped by the United States to Latin America under the system of sharing equitably in scarce supplies.

It is no secret that some of the Latin American countries have been restive under the limitations imposed, according to their views, by wartime contracts. In the case of coffee, which was allowed to double in price under the pan-American agreement for quota deliveries, complaints have been made that costs of production were stifling the industry. It has not been posible to learn precisely what the facts are; undoubtedly coffee growing has become more expensive and has suffered inconveniences like all wartime economic efforts. The chief element has been general inflation, itself largely induced by expanded money returns from the product.

Producers of coffee, together with those of other commodities in a somewhat similar position, have looked forward to the reopening of world markets in the belief or hope that the latter would serve as a fulcrum to price rises like those remembered from after the other war, and in the middle twenties.

World markets, however, do not seem likely to run away regardless of need and demand. The influence of the two great consumers, the United States and Britain, and the necessity of other substantial buyers to conserve their resources, seem to indicate a check on extravagant movements. The developments may be obscured by the unsettlement of exchanges, or vagaries of quotations in monetary units while the latter are in some confusion.

As for the "terms of trade", however—the relative prices of primary materials and manufactured goods — it would appear that the former should hold their own and perhaps improve their position if a large part of the world settles down to peaceful occupations.

This is said because, during the decade of the thirties, world affairs were not in a flourishing condition. The United States was going through a long-continued slackness of industry and enterprise. The industries of Britain were in a languishing condition. In Germany and in Europe generally the people were going without many things which they would have liked to have. Populations are larger now than in the last dimly remembered times of prosperity. There seems to be a potential for a larger consumption than ever before, if well directed efforts can bring it about.

Internal Conditions

Equally interesting are the internal conditions prevailing generally in Latin America. The key words to the situation are inflation, nationalism, statism, and industrialization.

These phenomena are the natural results of influences from the outside world since 1914, or the succession of wars, booms, depressions and social or ideological innovations which they have engendered.

Currency inflation, manifested in a steeply higher cost of living, has been common to all countries in greater or less degree, whether spontaneously or by reflection. It has been described many times as originating in the large sums received for exports and as war expenditures of other kinds, channeled through the currency system and distributed among the public in the form of cash or bank deposits. Largely unexpendable in the normal way for imported products, the pressure upon local supplies was such as to defeat efforts at control even where seriously attempted.

In some countries the inflationary volume was further enhanced by the effect of Government deficits that increased the means of payment in circulation through the use of bank credit. The increased money supplies alone would have raised spending and prices, but the situation was further complicated by shortage of goods and the difficulty of keeping local stocks, especially of foodstuffs, from migrating to other markets where demand was even greater, or from speculative handling. Since the people were more fully employed than usual, even normal stocks would have fallen short.

The severity of the ensuing inflation and its hardships on the poorer classes have varied widely in degree, so that in this respect it is especially hard to present a picture that applies to any one country. A Peruvian observer wrote at the end of 1943 that "the greater part of the population is not really prosperous in spite of high returns from production, since there is no supply of goods at reasonable prices to give them well being." This may be taken as a moderate view.

Enough has been said to indicate that the inflation problem is a menacing one. The gaps among social classes, especially that between the poorest elements and those which have profited the most, have become very wide. In some places inability to buy sufficient food has been a reality On the other hand, the demand for real estate and other physical property as an outlet for swollen funds has elevated values to a speculative stage. It is believed by conservative observers that some severe local reactions are likely to take place.

These features of Latin America's internal position have common roots and support in politico-social policies. Nationalism is defined as a revulsion from economic dependence on the outside world, a desire to avoid the effects of international depressions and "imperialist exploitation" — this is a provocative slogan now used almost exclusively by paid or professional agitators against the United States and Britain—and the wish to retain for the country's inhabitants the profitable use of its resources. Statism is official intervention, or sharing by government, in the control of industry and business. Industrialization — meaning that which is promoted under state direction as is the trend in some countries — gives play to the appealing theories of self-sufficiency, diversification, and improved earning power for individual workers.

Nationalism in practice is concerned with the reservation of rights in natural resources, particularly those of the subsoil, to domestic corporations or persons, and with the exclusion of foreigners, so far as is expedient, from local employment, proprietorship, or professional activity. It supplies much of the philosophy on which statism is based. The doctrine is especially strong in Latin America because it is easily related in the minds of the masses to the concept of patriotism.

The rules of nationalism, even in countries like Mexico and Brazil where such principles have been constitutionally confirmed, are carried out with moderation and with due thought for the best interests of the coutnry. Exceptions and relaxation are not uncommon. A productive and useful enterprise is not likely to be excluded if it promises to fit into national development and assimilate with the national economic life. A great deal depends on the character and background of the concern and the impression which its plans make on the authorities.

Statism, as above defined, is very prevalent in Latin America —more so than most persons realize unless they have been brought in touch with it.

The present system of controls generally started with the defensive measures taken as the world depression deepened in the early thirties, when world prices for raw materials declined steeply, the returns from trade diminished, and even local manufacturing went through thin times. The roots of official supervision over economic life, however, go back several centuries to the customs and restrictive regulations of the colonial regime. In spite of the pronounced individualism of the Latin American in matters of personal action, he still tends to conform to the deep-seated tradition surrounding the "patron" (the boss, the head of the property or business) and the exercise of paternalism by those in authority. The prevalence of personal political rule during much of the history of independence has had some influence. Thus the assumption of care by the state over material affairs has never aroused much opposition.

Control by the state is exercised in numerous ways, not all of which are found in every country. As examples, it is evidenced by legislation enabling the discretionary fixing and adjustment of tariff rates; the power vested in the executive over the inward and outward movement of foodstuffs and essential materials; power to protect the local producer against foreign competition; the power to grant tax exemption or other aids to new industries; the moral and financial participation of the government in arrangements for the "defense" of native industries; participation in "institutes", commissions or other bodies that regulate the production and prices of important commodities, whether for export or local consumption; the creation of boards or corporations that afford credit and marketing facilities for production deemed helpful to progress and employment; control over wages; control of central banking and the regulation of private banking and of exchange commissions.

With all these controls, it does not appear that private capitalism is threatened. Even where government has assumed a position amounting to dictation over foreign trade and the conduct of important industries, as in Chile, private capital is cooperative. The present stage is not that of a corporate state. In Argentina, the apt term "directed economy" is used. It seems to describe accurately the objective of present trends.

In mentioning industrialization as a partner to nationalism and statism, we refer only to the new industrialization, promoted by the state or with state participation, which is practiced or contemplated in several countries. This is a subject of which much has been said or written, and it deserves study as one of the results of forced or artificial conditions since 1914.

The normal or older industries of Latin America are those typified by the meat packing plants in Argentina, the sugar mills of Cuba, Peru and other countries, the textile industries of Brazil and Mexico which had a well established position before 1914, and in general the establishments providing manufactured foods, beverages, tobacco, clothing, shoes, building materials and many other articles of common use that grew up where business men saw opportunities according to local demand. The effect of modern wars with their interruption of outside supplies and of the 1930-40 depression which diminished the buying power available from natural industries accelerated the process. A good many small but effective enterprises were started in the later years by refugees from Europe who had the necessary capital and technical knowledge. Nearly all of the countries have shown an increase in the output of factories and, especially in the larger nations, what amounts to a revolutionary increase in the part of the national income so derived.

At present several countries have programs for increasing their industrial equipment by direct government aid or participation, and invite foreign cooperation with capital and technology. Government development corporations have been formed and many technical studies made; the increase of the power supply is an important objective (kept, however, in official hands, as public services owned by foreigners are in disfavor); even projects like TVA have been considered, and one regional development is under way in Peru. It has been anticipated that considerable progress would be made when installations and equipment were more readily obtainable from abroad.

The greater part of Latin America is not well adapted to manufacturing by modern standards because only in a few regions are the populations sufficiently dense to provide a broad market, and fuel and basic materials are not generally present in good supply. Factory industry, in the less favored places, has usually prospered behind a highly protective tariff which permitted pricing slightly under imported costs; the small number of producers has precluded the type of competition which regulates the market in advanced industrial countries. This accounts for the high rate of profit usually realized. The results of some studies have shown that costs of production in some lines are higher than in the United States—that productivity is lower in spite of the difference in wages paid.

One of the motives for promoting industrialization in Latin America is that of saving the foreign exchange needed for imports of similar products. The problem is not simple, however. Local industry does not produce foreign exchange except in the very few cases where some of the product can be exported. The more effective the industry, the more expensive are the original installations, and almost every industry requires imported materials of varied kinds. For this reason, the search in Argentina has been for processes that could use native products. Until the market broadens sufficiently to cause competition in efficiency and price, the consuming public gains little if anything as compared with what foreign merchandise would cost. The attraction of country workers to the cities draws labor away from farms and plantations, as has been discovered in Colombia. In Argentina there has been discussion about whether it is advisable to make goods that could be brought from abroad more cheaply, thus depriving foreign buyers of Argentina's grain and meat of their compensating market.

National pride, desire for modernization with its superficial advantages, and a striving for self-sufficiency in a changing world, have had much to do with the current vogue for industrialization.

This brief review has attempted to show the path along which Latin America is traveling in uncertain and rather difficult times. It is evident that the trade period through which we are passing, a year after the end of warfare, is only that of the immediate rebound from war conditions, characterized by the movement of such goods as can be procured without much discrimination as to kind, quality or price; the filling of delayed orders; the effort to catch the strong market. Following this there will be another phase during which social, political and financial adjustments will gradually be made in many areas and markets. Probably a number of years will pass before unsettlement subsides. As respects Latin America, individual countries will respond in different ways, and will be affected not only by the major factors to which this article has alluded but by others to which space has not been given. Some may be mentioned as: the trends of population growth as influenced by improvements in social standards, hygiene and medicine; basic scientific improvements in agricultural industries; the formation of capital and the broadening of investment; the progress of education and technical training; possible immigration from Europe; and others of local applicability.

In Praise of Lord Keynes

(Continued from page 1006)

paper editors — "the intelligent and partially informed." The editor of the London "Statesman and Nation," writing about Lord Keynes after his death said:

"An optimist by nature however, he always believed that somehow or other capitalists would cease to behave as, in fact they did behave. He called one of his books 'Essays in Persuasion,' and he spent a large part of his life expounding his views in language which would be understood not only by the expert but by that intelligent and partially informed opinion *in which he believed lay our hopes of salvation.*" (Italics mine.)

At his house in London, in 1936, I asked him why he didn't write a small, easily readable edition of his "General Theory" which might serve to convert those persons high in corporate and governmental authority but low in economic literacy. He replied that he expected to do so, but that it was necessary first to convert his academic brethren.

It is interesting to speculate upon the extent to which American financial opinion accepted his proposals for alleviating the great slump of the thirties. The banks eventually did take the interest payments off savings deposits; the Federal Reserve System eased credit and did all it could to stimulate industry. In an open letter to President Roosevelt dated Dec. 30, 1933, Keynes advocated a campaign of governmental expenditures especially designed to accelerate capital goods purchases; at the end of the first five months of 1934, factory payrolls began to show an increase. He urged the devaluation of the currency; after Roosevelt devalued the dollar, it happened that a marked expansion of industry developed in 1936. Keynes urged the reduction of long-term interest rates and in that December 1933 letter suggested a rate of 2½% on long-term government bonds; it is (no doubt) a coincidence, but our present rate is 2½%.

"Barron's." in its issue of Jan. 15, 1934, stated in the London Letter column:

"Contrary to the generally-held view in London, he (Keynes) is optimistic that President Roosevelt will win through and praises him for his courage in experimenting, though he deprecates the apparent confusion between Recovery and Reform."

Keynes repeatedly complained that Roosevelt undid with his left hand what he had accomplished with his right—the NRA being an example of reform which probably impeded recovery. The New Deal program was not a Keynesian program; it was so many believe: it was a Roosevelt — a politician's — program.

"Life" magazine, under a picture of Lord Keynes at Bretton Woods declared him the greatest economic thinker since Adam Smith. The "Manchester Guardian" called him the greatest economic teacher of his time; and both statements are certainly true. His ideas reached further in American minds than did those of any contemporary American economist. Professor Seymour E. Harris of Harvard edited a compilation of the views of 23 economists prominent in the United States and Canada, entitled "Postwar Economic Problems." On page 5 he wrote:

"Most of the participants—though not all—have been influenced by the writings of Lord Keynes; . . . Keynesian influence will especially be evident in parts of the volume devoted to the discussion of full employment and fiscal policies."

Few people realize how Keynes' influence has continued to grow with the passage of time. His last words in the "General Theory of Employment"—his greatest book—(page 383) were not only true, but prophetic:

"But apart from this contemporary mood, 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.* (Italics mine.) Practical men, who believe themselves to be quite exempt from any intellectual influences, are usually the slaves of some defunct economist. Madmen in authority, who hear voices in the air, are distilling their frenzy from some academic scribbler of a few years back."

Here is the thought at the end of "The Economic Consequences of the Peace" (pages 297-8), as living and vivid today as it was when written in 1919:

"The events of the coming year will not be shaped by the deliberate acts of statesmen, but by the hidden currents, flowing continually beneath the surface of political history, of which no one can predict the outcome. In one way only can we influence these hidden currents, by setting in motion those forces of instruction and imagination which change opinion. The assertion of truth, the unveiling of illusion, the dissipation of hate, the enlargement and instruction of men's hearts and minds, must be the means."

If this is true—that the only way we can influence these hidden currents is by setting in motion those forces which change opinion—and if it is also true that our hopes of salvation depend on the intelligent and partially informed (who are willing to pay taxes), then we must continue to bring to the bankers and industrialists the expert opinion of which they are so much in need. In this country, an expert must have a fair hearing if he cries "The MAN is MAD!" He must be able to make stupidity and rigidity in high financial places "intellectually disreputable."

World Bank's Success Dependent on Credit Policy

(Continued from page 1006)

amounts. Certainly, projects deserving serious consideration will total up to a figure many times even the large sums the World Bank will be able to lend out tin accordance with its charter. Undoubtedly, the Bank will have to establish some working procedure for the selection of the most pressing and deserving projects and thus implement the vague provisions of Article III, Section 1 of the Bretton Woods Agreement. Yet, however perfect such a system it will be unable to cope with all contingencies. Tremendous pressure can be expected to give preference to specific applications and projects for one reason or another, all of which may be supposed to be excellent and to carry substantial weight.

Already it has been proposed that the World Bank should take over the rehabilitation projects initiated by UNRRA when this organization will be liquidated at the end of 1946. Others want the Bank to finance the settlement in Palestine of displaced European Jews. This is just a beginning and many more similar proposals will be submitted and supported by various and powerful pressure groups.

The large number of applications should tend to facilitate to a certain extent the task of the Bank's management in selecting he most promising and deserving projects. However, on the other hand, it will have to face some peculiar problems and difficulties not usually encountered in the lending business.

As a result, there will be no precedents available to take care of these special problems and the management will have to set precedents of its own right at the beginning of its work. The term management, for the purposes of this article, shall include both the executive directors as well as the President and his staff. Since the executive directors will be in continuous session, they probably will participate even in those decisions which are usually left to the management (President and staff). This will be particularly the case in the early stages of operations until definite rules and procedures have been decided upon.

Most Executive Directors Will Represent Borrowing Governments

The first of these special problems will result from the fact that a majority of the executive directors will represent potential or actual borrowers rather than lending groups as is customary in other financial organizations. These directors will naturally be inclined to press for more lenient terms of loans in general and of those loans their countries are interested in, in particular.

The articles of agreement do not extend to the executive directors the restrictions which the President and his staff have to accept in accordance with Article V. Sec. 5(c) whereby they owe their duty entirely to the Bank and to no other authority and shall respect the international character of his duty.

Borrowing Governments Will Resent Controls

The second of these special problems is even more important. The Bank's customers will be sovereign governments and at the same time its members and contributors to its capital. They will be most reluctant to accept controls such as are usual in business transactions between lender and borrower and are considered necessary to safeguard the interests of those who will buy the Bank's obligations.

Such attitude is quite understandable. In the past, governments have submitted to financial controls under heavy pressure only and such controls have been looked upon as an impairment of their sovereignty and their standing in the society of nations. Some of the early borrowers will be governments which before the war were important lenders themselves and they will be especially resentful to accept terms which provide for substantial controls. Yet these first loan agreements will set the rules for the policies of the Bank for a long time to come and if exceptions are granted in some of these cases future borrowers will hesitate even more to agree to provisions which they consider unfavorable and discriminatory.

These few remarks should be sufficient to prove the exceptional significance of this particular problem. Upon its satisfactory solution may depend the whole future of the Bank and beyond that of international lending in general. Obviously this question needs and deserves a more thorough discussion than it has been given as yet. As a first step it will be advisable to review briefly the provisions of the Bretton Woods Agreement as far as they relate to this particular subject.

Provisions of the Bretton Woods Agreement

The Bank charter deals with the questions of credit policies at considerable length. It was known at the time of the Bretton Woods Conference that an effort would be made to provide for a "conservative" credit policy of the Bank in order to alleviate the reluctance of the capital markets particularly in this country which resulted from the unfavorable experiences during the inter-war period.

However, in this instance as elsewhere the requirement of unanimity in international agreements led to the adoption of terms and phraseologies which lend themselves readily to various and conflicting interpretations. As a result, different conclusions can be and certainly will be drawn from the provisions embodied in the articles of agreement. Final interpretation will be up to the management of the Bank and will be set forth in its declarations of policies as well as in the actual terms of its lending contracts. The very great significance of the initial precedents the Bank will set forth in its first loan agreements thus becomes readily apparent.

Loan Committees

The "conditions on which the Bank may guarantee or make loans" are stated in Article III, Section 4 of the charter. The most important provisions are as follows:

Before an application is acted upon, a written report has to be prepared by a "competent committee" recommending a project after a careful study of the merits of a proposal. [Sec. 4(3).] This committee shall consist of an expert selected by the Governor representing the borrowing member and one or more members of the technical staff of the Bank (Article V, Sec. 7). It appears that the final decision of the committee will rest with the members of the Bank's staff since the representative of the borrower can be depended upon to favor his country's application.

However, these staff members will have to depend for guidance upon the rules decided upon in advance by the management of the Bank. What they can do is to determine the facts underlying a particular application and to decide whether the asserted facts are correct and warrant extension of a loan in accordance with the rules laid down by the management. Obviously, these rules will have to be determined before the commissions start working and these commissions cannot relieve the management of its responsibility to decide upon the principles of the Bank's lending policies.

Secondly, the Bank shall consider the situation of the borrower and guarantor and shall act "prudently" in the interest of both the borrowing and guaranteeing member and of the members as a whole [Sec. 4(5)]. This provision is so general that it needs considerable implementation by the Bank management to determine its practical scope.

Special Safeguards Provided in the Charter

Thirdly, "Loans . . . shall, except in special circumstances, be for the purpose of specific projects of reconstruction and development" [Sec. 4(7)]. This provision should be read in connection with those of Section 5(b) and (c). According to them

(b) "The Bank shall make arrangements to ensure that the proceeds of any loan are used only for the purposes for which the loan was granted with due attention to considerations of economy and efficiency and without regard to political or non-economic influences or considerations."

(c) The borrower shall be permitted to draw on his loan account "only to meet expenses in connection with the project as they are actually incurred."

These are probably the most important clauses of the whole charter. How they are interpreted and implemented in their actual application will have a determining influence upon the Banks' future development.

They provide the management with considerable powers to make such arrangements as may assure adequate safeguards in the Bank's lending operations. But it will be up to the management to exercise these powers fully and consistently, and to grant exceptions sparingly and only if warranted by truly unusual circumstances. For very strong pressures may be expected to relieve borrowers from all or some of these controls. Claims will be advanced that the controls are unnecessary, burdensome and expensive and that they should be dispensed with for the sake of economy. Moreover, considerations of national prestige will be most powerful, either openly or implied. The management will have the difficult task to give appropriate weight to all the conflicting viewpoints and to arrive at common-sense decisions as may permit to place the Bank's operation on a firm and sound basis.

As a matter of fact, these control provisions of the charter are not comprehensive by any means. The management can include in loan agreements whatever additional clauses, safeguards and securities they consider advisable to protect the interest of the Bank, its members and its creditors. However, these charter provisions do carry particular weight; for they have been subscribed upon by all the members when they signed the articles of agreement and thus cannot be objected to at least in principle. Of course, this will not prevent disagreement in their actual application and this very fact makes their interpretation a matter of such vital significance.

Temporary or Permanent Controls

One fundamental issue which is not expressly dealt with in the charter refers to the question as to whether the provisions of Article III are intended to cover the preliminary stages of a loan only or should be continued during its whole life until full settlement has been arrived at. The importance of this distinction is readily apparent.

For example, a loan has been granted for the construction of a special project as provided for in the charter. But is the borrower under obligation to keep the project a separate entity after it has been completed or is he free to merge it into a larger unit after it has been put into operation? From the Bank's viewpoint the difference is highly important. One reason among others refers to the charter provision which deals with economy and efficiency and the exclusion of non-economic considerations. Do these rules apply to the period of construction only or do they extend to that of operations as well? If controls end with the completion of a project and the Bank has no means to influence the course of operations the security of its investments may be threatened in some cases and it may be helpless to prevent policies it considers dangerous and unsound.

Control Requirementns Will Be Influenced by Bank's Share in Financing a Project

Loans granted by the World Bank will differ from those commonly extended by commercial banks. They will not provide working capital but will represent long-term investments in fixed assets which cannot be easily converted into cash as loan instalments fall due.

In this connection it is also important to keep in mind that under the charter the Bank is permitted to finance only a share of the cost of a particular project (Article IV, Section 3) viz. the amounts to be spent in foreign exchange. The borrower has to take care of all cost incurred domestically and this is in many cases by far the larger part of the total investment. In exceptional cases only the Bank can finance "indirect" foreign exchange expenses such as may arise in connection with but not as a direct part of a particular project. Thus the charter takes it for granted that the borrowing country will always be able to raise the domestic share of the cost through its own capital markets. Experience during the inter-war period does not bear out such optimism and this provision may cause serious embarrassment in a number of cases.

Most probably the percentage of the Bank's share in the total investment will be instrumental in determining the amount of control the Bank management will consider necessary to safeguard a particular loan. If that share is comparatively small, the management efficient and general conditions are satisfactory, extensive controls during the period of operations may not be required. However, if the Bank's contribution is large, qualifications of management not beyond doubt and conditions in general do not inspire confidence, then provisions will have to be made for such continuous supervision as will give the Bank sufficient influence to assure appropriate operations and freedom from undue influence with regard to a project in which the Bank has an important stake.

Controls During Different Stages in the Development of a Project

The technical aspects of controls may be divided conveniently into three parts each of which reflects a different stage in the history of a loan.

The first stage covers the *preliminary work* until the final decision is made and the loan agreement is being drawn. The prospective borrower will be expected to submit all supporting evidence at his disposal; the Bank, in turn, will check and analyze the evidence and have it examined by the loan committee and other experts who will investigate particular aspects and problems. The loan committee will direct the work of special experts, coordinate the whole material and submit its report to the Bank management which will make the decision whether or not to grant the loan and to determine the clauses of the loan agreement.

The second stage will be concerned with the *construction phase* of the project. During that period the Bank will have to honor drafts on the borrower's loan account in accordance with the charter provisions. However, the Bank may wish to keep a closer watch on the progress of the construction work. It may decide to have its own representative and special experts on the spot to look into the technical, financial and other angles and to make sure that considerations of efficiency and economy are duly observed. Such procedure will be particularly important during the early postwar years when prices, wages and other essential factors fluctuate widely and as a result preliminary estimates as were prepared at the time of the loan negotiations may become completely meaningless.

These two stages are fully covered in the charter and there can be no doubt regarding the Bank's rights to make all the necessary inquiries although there may be considerable argument how far these rights should be actually exercised in a particular situation. But as long as the loan has not been fully drawn upon, the Bank will always be in a favorable position to have its requests complied with.

The situation will be different in the *operating stage*. As has been explained before, the charter provisions are not so clear in this respect and in general the Bank's position will be less favorable. However, there can hardly be any doubt regarding the advisability of adequate controls during this third period from the standpoint of sound credit management. The Bank will have to attempt to include into the loan agreements such provisions as may fit particular situations. These controls may start with a mere representation on a board of directors, they may be expanded to a right of inspecting and auditing books and records and may lead eventually to a more or less decisive influence on management policies. Each case will have to be decided upon its particular merits.

How complex a problem in credit management the World Bank will have to face and to deal with, even this very sketchy survey should have made abundantly clear. No doubt, the Bank management will appreciate whatever constructive advice it will be able to get in support of its efforts to arrive at equitable and fairly acceptable solutions. Widest possible discussion of these problems in all member countries would be quite helpful to familiarize the public with their complexities and difficulties before heated discussions of actual cases will tend to confuse the atmosphere with political slogans as occured so often in the past.

UNRRA's Experience Emphasizes Need for Proper Publicity and Controls

The usual difficulties in lender vs. borrower relations will be aggravated as a result of differences in national tempers, customs and practices and particularly through the introduction of the sovereignty issue, one of the touchiest in the field of international political and financial matters. The unfortunate role this issue has been playing in the instance of UNRRA should be taken as a warning by all concerned with drafting World Bank policies. In order to comply with the sovereignty dogma, the UNRRA agreements provided that the goods furnished by UNRRA should be distributed by the receiving governments in accordance with their own regulations. No wonder that reports and rumors soon multiplied, asserting unequalities, favoritism and abuse in distributing UNRRA supplies. As a result contributing nations got disgusted and eventually forced UNRRA's liquidation at the earliest opportunity. In the future there will be no more cooperative organization and each needy country will have to make its own supply arrangements without the protection and assistance being afforded by the cooperative organization of UNRRA.

Here is a striking example, if one should still be necessary, that no cooperative venture of governments in the financial and economic field can succeed without some concessions in the rigid application of the sovereignty concept. After all, it was conceived and developed in the political sphere exclusively and was never designed to fit economic needs and considerations.

Such cooperative organizations will depend for their success upon full publicity of the most relevant facts and a certain amount of influence granted the lender so he may be satisfied that his money is used in accordance with the loan agreement. Secrecy and unilateral action will again lead to distrust and rumors and will react unfavorable upon the readiness of prospective lenders to buy future bonds issues of the World Bank.

U. S. Standards of Disclosure Should Be Accepted

The World Bank should preferably set its own standards of publicity which its borrowers would have to accept in accordance with the rules of the U. S. Securities and Exchange Commission. Such a policy would have great advantages. First, all bond issues of the World Bank will have to be registered with the SEC in order to be assured of the broadest possible market in this country. This should be done even if bonds are sold first in another country, for it is an essential requirement for worldwide negotiability of the World Bank bonds.* Second, the standards of financial disclosure as practiced in the U. S. are undoubtedly the highest and most rigorous in the world. To lower these standards in the instance of World Bank loans would possibly have unfortunate effects. It may arouse distrust among American investors who will be called upon to absorb the largest share of the Bank's issues. And it may create difficulties in connection with the registration of the Bank's bonds which may be easily avoided by maintaining the standards of the SEC for all World Bank loans. As a result, these loans would be subject to all requirements as are prescribed for the registration of bond issues with the SEC with certain modifications made necessary by different conditions in foreign countries. Such practice will, incidentally, give a tremendous impulse to other countries to improve their own often quite inadequate standards of financial reporting and disclosure.

Spirit of Cooperation Should Overcome Difficulties and Prejudices

The World Bank management will have to face a big or as some may feel an overwhelming task. It will have to break new ground and have to set new rules and standards of international finance. Some of the problems may even appear to be beyond solution with the methods and tools commonly used in the financial field. Perhaps something more than financial considerations will be required. The task will have to be an educational one in the first place. It cannot be emphasized strongly enough that all negotiations and agreements will be among members of one cooperative organization. Every borrower will be a contributor to the Bank's funds at the same time (even if his contribution may be small in comparison to others). This fact alone should go a long way to dissipate the illfeelings usually encountered between creditors and debtors. All disclosures and controls will be imposed by the members themselves in the interest of the cooperative organization and its future sound development rather than in favor of any stranger. If all problems are seen in such a light, the awkward considerations of sovereignty, national pride, etc., may be pushed into the backgrund. If the Bank is fortunate enough to create such a spirit of trust and mutual cooperation, its success will be beyond doubt.

*For a fuller discussion of this important question see the article "Worldwide Investment Expected For World Bank Bonds" in the issue of May 2, 1946 of the "Commercial and Financial Chronicle."

Economic Laws Must Be Observed By All Nations to Avoid Inflation

(Continued from page 1012)

tendency is due to non-monetary causes, such as the shortage of goods and deficient production, and rising costs due largely to higher wages.

"But in most countries," the statement continues, "the monetary causes are substantial. Among these causes are large accumulations of purchasing power, continued additions to this by deficit financing, and cheap money policies, which involve monetization of debt and lead to rising values of equities.

"This increase in bank deposits and currency must be arrested as rapidly as possible by bringing budgets under control, and in most countries means must be found of reducing existing overexpansion of money."

The "homely truths" on which the foregoing comment is based, and which the Council of the International Chamber stated that it felt impelled to emphasize, follow:

"1. Economic laws, such as the law of supply and demand or Gresham's Law, are facts and are not decreed by man. All countries must adjust themselves to these laws, under penalty of first relapsing into chaos only to find themselves ultimately compelled to observe them, for they are stronger than human will.

"2. In the long run no economy can prosper if the State spends more than it receives, for the currency then deteriorates in spite of all legislation, restrictions, and exchange control.

"3. Reliable currency and credit are indispensable to the development of production and trade which alone create real wealth.

"4. Currency stability is an essential condition of preserving, increasing, and in particular distributing wealth on an equitable basis. An increase of the mass of purchasing power and particularly of wages, which does not correspond to an increase in the creation of goods, is an illusion and threatens currency stability.

"5. The instability of currency substantially lessens the creation of wealth, for it is a premium on gambling, and not on creative effort; moreover, it tends to accentuate social inequalities, falling with particular severity on the thrifty, the prudent, and those who supported the country's financial war effort by the purchase of bonds."

On the preparations for the World Trade Conference, the resolutions give full support to the broad aims of the United States Proposals for World Trade Expansion and Employment, issued last December as a basis for discussion for the forthcoming World Trade Conference. They suggest more definite commitments by the governments participating in the conference on negotiations that would lead to:

The effective reduction of protective tariffs.

The elimination of quantitative restrictions and exchange controls.

The acceptance in its widest form of the unconditional most favored nations clause as a basis for commercial treaties and conventions.

Agreement to arbitrate differences arising in the application of the exceptions set forth in the proposed Charter and the insertion of an appropriate arbitration clause in the agreements to be negotiated.

Discussing the subjects of employment and living standards dealt with in the Proposals, the resolutions suggest that commitments to achieve maximum employment avoid placing responsibility upon governments to guarantee jobs to all who are willing or able to work; that the role of government requires decision upon many policies in varied fields and should be accompanied by like responsibilities to be assumed by business interests, management and labor. The conclusions state that a high level of foreign trade has a vital influence on the maintenance and expansion of national employment and income.

In dealing with restrictive business practices, the resolutions reject as unsound the notion that one standard of conduct is applicable to private agreements and another to agreements between governments. The resolution stated that private business agreements between producers, subject to proper safeguards, are not necessarily in conflict with the objectives of the Proposals. It added that "when agreement is necessary in order to restore or maintain stable economic activity, it should normally be concluded between the producers directly concerned, unless they are too numerous and dispersed to make this possible." Reservations were made by the United States and Canada to the resolution as adopted. The dissent of the United States and Canadian delegates was stated as follows:

"We believe the statement fails to place sufficient emphasis on the value and importance of competition as the best regulator and stimulator of economic activity both in national and international trade.

"In our judgment restrictive agreements, whether private or governmental, which divide business or territory between the parties, regulate production, fix prices, etc., may be justified only in rare and unusual circumstances involving the interest of the general public and consumers as well as producers. We agree that when such rare and unusual circumstances exist, any restrictive agreements must be subject to governmental scrutiny and supervision and to the other safeguards provided in the section.

"In short, we feel the section is too broad and too general in its implied sanction of the use of restrictive agreements."

On the second subject of major attention, the transition phase problems, the resolutions declare in substance:

The distribution of war stocks and surpluses requires immediate and effective administration on terms which make need rather than compensation the primary consideration.

The international distribution of commodities in short supply should take place under a system of priorities and allocation or other forms of control which will meet the requirements of purchasing countries and relief needs.

The restoration of transport and communications facilities must be given first priority.

The retention of wartime controls can be justified only for such purposes as the prevention of inflation or the national distribution of products in short supply. Wartime controls should be modified or removed as rapidly as the emergencies for which they were created diminish or disappear.

Economic activities of Germany and other ex-enemy countries were necessary to the existence of the world before the war. Obviously considerations of military and political security must dictate what action shall be taken on the economic status of Germany. The economic restoration of the world as a whole and in particular that of Germany's neighbors would be retarded unless place were made for a peaceful and stable Germany in European and World economy.

The resolution on international transport and communications recommends that an official international conference be convened as early as possible for the reduction of passport and other restrictions.

Mr. Dalton's Washington Visit

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tions which were fated to be disappointed if no immediate decision or action followed their meeting. This time it is the heads of Treasuries and not of Central Banks that are to meet.

There is reason to believe that the procedure to be observed will be substantially the same as the one pursued in Basle on the occasion of the Board meetings of the Bank for International Settlements. The practice then adopted and pursued right to the outbreak of the war was that the leading Central Bankers held an informal meeting prior to the formal Board meeting of the B.I.S. It was at these preliminary meetings that most decisions subsequently reached by the Board were first discussed. In addition there were private meetings between some of the leading Central Bankers who between them controlled the majority of votes.

It stands to reason that the same practice will be adopted also on the occasion of the Washington Board meetings, if only in order to try to avoid any clash between British and American interests at the meetings. There are undoubtedly differences of opinion and interpretation. An effort is likely to be made to straighten them out before the questions are raised at the Board meetings, by means of private talks between Secretary Snyder and Mr. Dalton.

The conversations of the heads of the two Treasuries are not likely to be confined, however, to matters that are to come on the present agenda of the Board meetings. They will have to discuss some questions which are outside the scope of the two institutions, and some of which is likely to remain outside their scope. The following is a list of tentative suggestions on such subjects:

(1) Consolidation of the blocked sterling balances. Although Mr. Dalton repeatedly declared in the House of Common that his hands are entirely free, as far as the United States is concerned, in negotiating the terms of settlements with holders of such balances, it seems probable that he will want to keep Mr. Snyder informed about the progress of negotiations. Until now the Argentine is the only country with which such negotiations are being actively pursued, and the result so far is not very satisfactory. Nevertheless, it seems probable that Mr. Dalton has formulated the outlines of his policy to be pursued in all the forthcoming negotiations, and that he will want to communicate it to his American colleague.

(2) Liquidation of the Imperial dollar pool and of the sterling area. This will have to be achieved by July 1947. Possibly Mr. Dalton is in a position to inform Mr. Snyder about the stages in which he intends to proceed.

(3) Restoration of the convertibility of sterling for current trade purposes. This will also have to be achieved by July 1947. The new Exchange Control Bill which contains the necessary provisions is now more or less in draft, and possibly Mr. Dalton may want to communicate its contents with Mr. Snyder.

(4) Utilization of the proceeds of the dollar loan. In a statement in the House of Commons Mr. Dalton made it quite plain that Britain is entitled under the Loan Agreement to convert the dollars into other currencies and spend them in paying for imports from other countries. Should he intend to make use of this right he would in all probability wish to discuss the circumstances with the United States Treasury, in order to avoid any friction arising from it.

(5) Consequences of the rise in the American price level. Its probable effect on Britain's economy and on American-British economic relations is certain to be discussed. And even though at the present stage the question of of a revaluation of sterling in accordance with the Canadian and Swedish precedents does not arise, the theoretical possibility of such a situation may be envisaged by the heads of the two Treasuries.

(6) Possibility of a slump in the United States. The recent rapid rise of American prices accentuated British fears of being involved in a crash. Conceivably the steps that Mr. Dalton's government envisages in order to isolate Britain's economy from the repercussions of such a crash (if and when it should materialize) may also be discussed on the present occasion, even though the discussion on this subject would necessarily have to be very vague and hypothetical.

Mendels Named Sec. Of World Bank

Eugene Meyer, President of the International Bank for Reconstruction and Development, announced on Aug. 13 the appointment of Morton M. Mendels of Montreal, Canada, as Secretary of the bank. The announcement states in part:

"Mr. Mendels is a native of Canada. He graduated from McGill University in 1928 with the degree of B.A. and was awarded the Montreal Manufacturers Fellowship in economics and political science. He received from McGill the degree of M.A. (*suma cum laude*) in 1929 and the degree of B.C.L. in 1932. He was admitted to the bar of Montreal in 1933.

"Mr. Mendels engaged in the private practice of law in Montreal from 1933 to 1940. In 1940 he volunteered for active service with the Canadian Army and was commissioned in the 17th Duke of York's Royal Canadian Hussars. During the course of his military service he acted as head of the General Staff Section responsible for military estimates, finance, and military economic studies, and acted as liaison representative of the Army on these matters for Parliamentary purposes. He was discharged from active duty in January, 1946, with the rank of Lieut.-Colonel. In June, 1946, he was made an officer of the Order of the British Empire by the King in recognition of his war services."

A Grass Roots Approach to Better Understanding of Business

(Continued from page 1016)

we would have gone completely busted. By the time one employee had come to be 80, 1945 rolled around and as a last survivor of the original five partners, I then sold my interest.

The point of all this is that I had a taste of free enterprise and liked it fine. I liked it so well, as a matter of fact, that I am completely sold that free enterprise is "the system that for the most people produces the mostest."

I had seen a few dollars made into quite a few more — that I liked. I had seen well paying jobs that were secure and well supervised created. I had seen a rather special market spotted, studied and developed. It was a pattern typical of what put flesh on young growing America's bones. It's a pattern that we need today and that government control won't give us.

A second factor in getting me into public relations advertising is a factor which I believe to be of utmost inportance. It is the factor of human relations. It is the business of getting really interested in the problems of the men who work with you. It is the art of learning to do something about those problems. It is the job which starts with a heart and not the slide rule.

Anybody really interested in human relations knows how ineptly he practices what he believes. I will make bold anyway to mention a couple of the principles as they can't be stressed too frequently.

The first is honesty, complete honesty, in your dealings with your associates. Before you guffaw at such an old saw, let me mention one of our largest companies who forgot it during the recent coal strike. The effect upon this company of the coal strike was of interest to some hundreds of thousands of people. The company's top officials decided that on the one hand they did not want to scare the people, nor on the other to give the public undue optimism. Therefore, the company released a statement to the effect that it had a 30-day coal supply. Actually, the coal supply was just short of what was necessary for 90 days without any curtailing whatever on services. As some hundreds of people within the company knew the facts about the supply of coal and promptly told their friends the truth, another large group was automatically formed which look upon that company's next statement as "just another lie."

A second basic principle in human relations is to play the cards face up with the people with whom you are working. If labor and management, for example, will only begin to spend more of their time facing mutual problems instead of arguing over consciously-confused picayunish issues, there will be a lot fewer bald heads and a lot more money in the bank for everybody concerned.

A current assignment of ours is a plant-community education job. Our objective may be broadly described as "getting the plant employees and other members of the community to look to their business and not to government agencies for higher wages, greater security, more satisfying jobs. Impossible? Maybe yes, maybe no.

I think maybe yes if we don't sit up in an ivory tower and grandly tell the economic facts of life to our plant associates. I think maybe yes if we do get a tough local CIO to work with us on the problems that are common to labor and management.

I will illustrate the third principle by mentioning a story about a man, now Vice President of General Electric. In his early days at Schenectady, Bob was striding along, obviously in a deep study, when stopped by one of his friends who asked him what he could possibly be so worried about.

"I am worried about getting good public relations," said Bob.

"That's simple", said his friend, "Deserve them."

In trying to deserve them, incidentally, in my own former company, I tried an experiment with a guaranteed annual wage. It was rather workable. I mention it because I think it helped us get our good public relations in that business. That guaranteed annual wage plan was one of the factors that built up real morale.

I will admit I never tried to peddle any of that morale to a banker. But let me give you an instance of morale's results. I remember very vividly this occurrence several years ago.

One of our men ran his arm through a Miehle cylinder press. Everybody stood around looking sad, with Joe lying out on the cutting table, completely out, and with his arm rapidly swelling up like the business end of a baseball bat. He was taken off to the hospital in an ambulance and we all hoped for the best.

Later I went to a dinner meeting and was then unable to return home to Scarsdale, as it was a night of heavy storm and the trains were not running. I went back to the office to sleep on my couch, but before turning in, I went out to take a look at the plant which was operating. The first sight that greeted my eyes was Joe, standing on top of a feed board. For a second I thought he had died and I was seeing his ghost. When I asked Joe what he was doing there, he said they had given him some dope and put his arm in a sling and he had come back because the job on which he was working had to be delivered the next morning.

Eric Johnston recently delivered a brilliant address at an AMA luncheon. His topic was the importance of the human element in business. The first question from the floor was "Is the human element so important if 85% of your sales dollar is represented by materials?"

Mr. Johnston stared at the questioner then said, "Who the hell is going to manage the buying and handling of that 85% if it isn't men?"

The third and final factor that led me into the field of public relations advertising was an increasing love of the art of communication, or, if you will, of transferring ideas. I did not get that love overnight, nor do I feel today that I have as yet probed even a small part of the vast potential use of the spoken word, the radio, the newspaper, the magazine, and so on, as a means of influencing people. I have come to believe, however, that Voltaire summed up the power of communication pretty well in the 18th century when he said that the pen was mightier than the sword.

We had various opportunities in the printing business to experiment in a modest way with communications. One of these was in the field of the Annual Report to Stockholders. Back in 1935 a handful of hardy leaders had begun experimenting with what was called the modern form of report. The word "modern" incidentally, connoting that 15% of the audience could read it instead of 2%, and that the pristine severity of the unadorned typed pages would be broken with at least one illustration. As you all know, the practice of modernizing the Annual Report spread fairly rapidly, and within only a decade, America's principal business enterprises, to a large extent, are all vieing with each other to turn out a pretty brochure. Having become intensely interested in the Annual Report in 1935, it was only natural over the years that we should have an opportunity to work with management in helping to write its story as well as to design and produce the reports themselves. I think that it was this particular experience in the field of communication that got me into my present business. The more I saw of how good management's story was, and how poorly it was told, the more I felt there was a need for a specialist.

Of course it's a tough field to be a specialist in. For one reason every executive feels he not only can improve your copy but that his approach is better than your approach.

I like to meet this situation by asking the new client, "Tom, do you like to fish?" If the answer is yes, you look rought and say, "Well do you use the bait you like to eat, or the worms the fish likes to eat?"

So, you can see if you want to be a public relations advertising man, you must

(1) love free enterprise

(2) be ready to put human relations first in your thinking, and

(3) be an ever-loving student of communication.

Now let us get to the pay off. What has happened since I got into this rather nebulous odd-sounding business, called OPINION FORMING ADVERTISING.

I first found that businessmen were even more worried than I had originally expected. Here are some of the reasons for that well-justified worry:

1. Federal regulations of labor disputes (and, incidentally, I can't understand why it is called regulations).
2. The rapid extension of Federal banking.
3. Control of our monetary system by the politician.
4. Government ownership of some billions of dollars worth of industrial projects.
5. Administrative chaos.
6. The rise of screwy economic dogmas.
7. Taxes and others you could name.

There is no question, in short, that a problem exists and that businessmen are conscious of it. A number of management executives, and a number of well-staffed and well financed groups are beginning to tackle the problem.

Although the approaches are many and varied, I think it is probably fair to say that these, in general, are business' objectives in trying to improve the present state of affairs.

First they want to increase the areas of labor-management cooperation.

Second, they want to broaden the understanding of the man on the street as to business' usefulness to him, and

Third, they want to get better laws and better lawmakers.

Several weeks ago I had a meeting with a staff Vice President of one of the country's largest corporations. He described his job as "maintaining and improving a favorable economic climate for his company." The way he put it may be of interest to you.

"Business ought," he said, "to take its best men from its marketing division, raise their salaries, and put them into the business of creating a better economic climate. Years ago management executives learned how to market products, how to produce them, and how to finance corporate operations. Now," he said, "our chief difficulty is that we all like to follow the easy rabbit tracks that were made 30 years ago instead of facing the real problems of today."

Another executive highlighted this thinking when he said "Distribution is the profitable end of our business and we work hard at it."

"It isn't at all impossible, though, that the government will come along and overnight turn us into a kind of wholesaler of tank car lots. That's our No. 1 problem."

If you study the activities of the individuals or groups who are working on the problem of economic climate, I think you will find as I have that most of them have the legislator very much in view.

Again, approaches vary. Some are trying to bring the pressure of public opinion to bear on the legislator directly. Others are trying to get the public to vote for the kind of man who will eventually provide the proper kind of legislation.

It all leads up to the "$64 question," which is, "How are you going to get a majority of the people in a democracy to vote, not for the man who will promise them more bread, more cars, more theatres, more everything — but to vote for the man who will act in the public's long-term interest with honesty, sincerity and economic sagacity?"

My own personal belief, for what it is worth, is that if the job is ever going to be done, it is going to be done on a grass roots basis. If we are ever going to win the respect and understanding of Joe in Middletown, Ohio, and Bill in Emporia, Pa., and Jim in Salem, Mass., it is going to have to be right in his local community in terms of issues with which he is thoroughly familiar and in which he is very much interested.

Moving from the top down— the NAM or Chamber of Commerce or the Truman formed Labor - Management Committee, or the Yale Institute of Human Relations studies may play their part, but can never be counted upon to do the job as a whole. In a word, if we want Joe or Jim or Bill on our side, we had better start by winning his regard for his own local manufacturing company. If he doesn't like his job in his company, you can be pretty sure that nobody from an ivory tower in New York City is going to win him over. It will probably be impossible to affect his thinking much less his vote.

"Well, all right," you will say. "We believe the grass roots theory. What do you do about it?"

Actually there is a simple little formula. First you make sure that your client's policies create sound industrial conditions. You make sure, in short, that your client not only thinks it would be nice to have clean rest rooms, but actually provides them. Not only that he believes in security, but has done something about pension trusts or life insurance or security measures or all three and many others besides. You make sure, in short, that your client's policies are right for your client's employees.

When you are sure that they are right, then you take on the job of pounding home to every employee the facts on why the policies are right for him.

This is a job of education—with these objectives:

Each employee must understand that:

(1) His work is important.

(2) His work is appreciated.

(3) He is treated fairly.

(4) His fears of discriminatory treatment, of unfair lay-offs, and of cuts in his incentive pay, are groundless.

(5) He has a fair measure of security against the hazards of old age.

(6) He can advance within the limits of his own personal ability.

(7) He can have confidence in his management for sound leadership in shaping his economic welfare.

Now what about techniques. How do you do the job? First you try to measure current opinion so that you will have a thermometer, if you will, so that you can see what progress or lack of progress you are making. You find out, in short, first, what people think before you begin to try to make them think something else.

You are then ready to make use of a wide variety of channels of communication in getting your message across.

It may be the plan-city newspaper. I have a study here, which some of you may wish to look over later, and which goes into this particular approach in considerable detail, illustrating how some 40 companies throughout the country have used plant-community advertising to build morale and thereby increase production, lower labor turnover, and get a better grade of labor.

You may want to convey certain simple economic facts through the use of cartoon comic strips. Here, for example, is an ATF Employee Annual Report just issued with a five-page comic sequence entitled "The Road to Better Wages."

You may wish to turn to motion pictures or sound slide film.

You may decide to tackle a job of supervisory management education before you go to your employee groups in general.

You may decide to try the town meeting or the radio program.

These media are not only ready for use, but are already being tested as to their power in changing opinion on intangible ideas.

On the one hand we know from such surveys as those made by Macfadden among industrial employees throughout the nation that those employees are eager for information on their own companies.

On the other hand, we know from such programs as that of the electric companies, that hundreds of thousands of people can be moved from an antagonistic or an on-the-fence position, to one of friendship and understanding of one of our great utility systems.

The audience is receptive and the techniques are understood.

We are ready to get ahead with doing the job and management can ease off talking to itself on the topic "Business must sell itself to the public."

While I don't believe that we are really going to stop talking to ourselves, I do believe that we are going to start talking to the public.

And I believe we are going to make a great deal of headway because it is possible to **SELL** the truth.

In the next few years we will probably witness management's awakening and we will see a sales campaign of increasing intensity developed.

One thing that will come out of it as far as everyone is personally concerned, I believe, is that each of us personally will develop an increased awareness of his own responsibilities, as a management executive, to his own employees, his own stockholders and his own customers.

Progress in Federal Labor Legislation

(Continued from page 1013)

State Assembly as a young Assemblyman in 1915, Governor Al Smith and Bob Wagner and Franklin Roosevelt and others were just pioneering in the whole field of Labor and Social Legislation.

As a young Assemblyman I had the privilege of voting for some of those progressive measures, measures providing for safe and healthful working conditions in factories and mills and limiting the working hours for women, measures protecting children against too early employment and prohibiting night work for women. These measures were the beginning of Labor Code in Law and Administration and I took great pride in being associated with that great pioneer movement which your organization has so heartily endorsed in the State of New York. Some of you will remember that the manufacturers of this state when such legislation was being originally considered used to make dire predictions that the industries of New York State could not compete with the industries of other states because the labor and social legislation of our state was so much above that of other parts of the country. Well, one has only to look at the record to see that industry, business, transportation and merchandising have increased and improved abundantly in the State of New York since that time. But one looks at the record too and sees that the beginning of Federal and social legislation has had an enormous supporting effect upon the legislation of New York State. One finds also that the contribution of New York State to the Federal Government and to the states has been a better conception of the humaneness and practicability of legislation protecting the working people against the worst effects of industrial exploitation.

I went to Washington in 1919 as a member of the House of Representatives from New York State. I tried to carry the torch of better labor conditions, of better social conditions and sound humanitarian progress in the Congress of the United States. The example of what we have been able to do in New York State has always been impressive in Congress and although the progress was slow in the first years there gradually began to be an understanding in Congress that this kind of legislation on a Federal basis was desirable and necessary in an expanding industrial society such as the United States represented.

I count it a great privilege to have been able to vote consistently in the Congress of the United States from 1919 to 1946 for all sound progressive labor legislation.

New York Pioneer in Labor Legislation

Yes, there was pioneering done in the State of New York, and a philosophy developed under Smith, Roosevelt and Lehman. A philosophy that the economic life of the State as well as the social and spiritual progress of the community rests upon the plain people. The prosperity of the common people will help to develop the prosperity of the whole community.

The legislation that was inaugurated in the State of New York was not accidental. It was carefully prepared and well thought out. First, by investigation into the facts and conditions as they were. Second, by wide public discussion of these facts, and third, by framing of legislation aimed not at establishing a theory but at correcting specific abuses or wrongs. The investigations and reports of the Factory Investigating Commission back in 1911 to 1915 gave the people of this State an appraisal of industrial conditions and needs for reform such as has never been equalled anywhere else in the world and the great body of labor legislation enacted and administered in those days is a monument to intelligent public action in a representative government and in a democratic society.

I had the privilege of voting in New York State Assembly not only for the basic amendments to the Labor Law which provided safe, and decent, and healthful work places for the workers of New York State but also for the strengthening and extension and strong financing of the Department of Labor. And it must be remembered that a strong, intelligent, sympathetic administration of labor and social legislation depends upon a strong, conscientious, efficient administrative body. In those pioneering years, 1910-1920, and in years immediately following we passed improved legislation. We developed the Workmens Compensation Laws, we strengthened and liberalized the benefits under those laws, we extended the coverage so that at every step the individual worker was protected. New York State is one of the places where the great depression of '29 and '30 did not ruin the disabled workers when insurance companies which had previously paid their claims went into the hands of receivers. The sympathetic administration by the Labor Department of the Workmen's Compensation Laws had provided a fund whereby permanent disabilities and death claims were paid into a fund supervised by the State. The ruling of the Department of Labor that employers are liable for outstanding claims when an insurance company becomes bankrupt or fails to pay has saved many a home of the widow of a workmen killed in the course of his employment.

It was always a pride to me serving in the House of Representatives for 20 years and in the United States Senate for 8 years to be able to tell my colleagues there of the great success and progress which we had made in the State of New York in social and labor legislation and administration. With this practical experience in back of me in the State of New York I was able to play an effective, some say a leading part, in the upsurge of the movement for social and labor legislation at the Federal level. But prior to 1933 only a little Federal labor legislation had been passed. Workmen's compensation for Federal employees injured in the course of their work, the Norris-La Guardia anti-injunction act which gave labor unions freedom for free action—these were all important steps but until the great depression of the early '30's there had not been the understanding of the great need of "rules of the game" in industrial life which would protect the workers in every part of the U. S. against the worst hazards that can come from industrial exploitation.

Federal Labor Policy

With 14,000,000 people out of work in 1933, with the economy declining as a result of their loss of purchasing power, with the sufferings, physical as well as mental, of the families of men out of work or fearing unemployment, the people of the U. S. and the members of the Congress were concentrating on the horrors of an unregulated, unmodified, industrial situation which could lead to such serious results.

It was no accident that Franklin Roosevelt, the Governor of New York, came to be thought of as the most effective and hopeful leader to help the people of the United States out of the horrors of depression. His New York experience gave him the conviction that social and labor legislation on a Federal basis was possible, was practical, was necessary and that if sincerely developed and conscientiously enforced would pull us out of the depression and would lay the basis for a better, for a more secure, for a more rewarding industrial life for the plain people of the United States and that at the same time it would be a boom to business and to industry. And so Roosevelt, elected President in 1933 with great courage and imagination, presented the programs with which we are familiar today and which although they seemed new and startling at the time they were proposed are now seen as the bedrock of our industrial and political life. The National Recovery Act (I had the great satisfaction in voting for that) brought business and the government and labor together, to plan and to carry out the revival of production and distribution, of earned wages becoming purchasing power and spent as a market which was the first "shot in the arm" in our days of depression. The Federal Government in 1933 developed an immediate program of relief for the unemployed on a basis of Federal appropriations made available to the states many of whom had exhausted their own financial and taxation possibilities. None of us like to think of relief but it was essential in those days. There are hundreds of thousands in the United States who may have been plowed under in that unhappy time except for this piece of Federal social legislation. The Civilian Conservation Corps was a part, and a most successful part of the relief program. The appropriation and the development of Public Works to give aid and employment to the unemployed and to stimulate industry was another essential and wise piece of social and labor legislation for which I was proud to vote. The National Labor Relations Act which has done so much to give security to the labor movement was passed by Congress when it became clear that the healthy development of the labor movement and the right of workers to be represented by trade unions in collective bargaining was being interfered with by prejudice and selfishness. This was a memorable piece of labor legislation which I am proud to be associated with. The Social Security Act was necessary and necessary on the Federal level in order that all workers in all parts of the country should have the minimum protection against loss of unemployment, old age and other adversities.

This is the kind of legislation which would never have been developed on a state basis because when developed on a small scale the costs would have been prohibitive. But the economic and social loss of the whole country without such provisions for some stability of workers' income and purchasing power was so great that this pattern was clearly indicated. This one law on the Federal level is probably the most important social and economic legislation that this country has ever seen. Members of our New York State Federation of Labor served under Governor Roosevelt on an advisory commission on unemployment insurance which undoubtedly developed the whole conception in his mind as well as laid the basis for the education of the people of the United States in this much needed reform. Here again New York's experience contributed to the welfare of the whole United States. One of the greatest satisfactions of my service in government was the opportunity to vote for that Social Security Legislation. Not only is the legislation of first importance to the economic life of the country but you know what it means in the lives of men and women who are out of work through no fault of their own. You know what it means to aged persons who need to retire and who find the small insurance benefits a priceless boon, and you know too what the extension of our old age pension system means to the poor and aged who by the cooperation of Federal and State Government plans and appropriations can now have a decent provision for the few years left to them.

Wages and Hours Act

One of the most important pieces of Federal labor legislation has been the so-called Hours and Wages Act passed in 1937 after the Supreme Court held the NRA unconstitutional. This law marked a great change, the beginning of a new set of conditions in the working life of people all over the United States. Up until that time New York State and a number of other progressive states had laws limiting the hours of the labor of women on the grounds of health and public welfare, and an even smaller number of states had minimum wage laws for women providing for boards which might fix the minimum wage women could be paid in specific industries, there had been up until that time no general standard of hours or minimum standard of wages prevailing throughout the country. It is true that in the highly organized industries and labor unions by collective bargaining had managed to set up their own standards for their own people but there were millions of workers not covered by such contracts and these needed the protection of some basic regulation. The 40 hour week is now the usual picture in American life everywhere, and the opportunity of working people to improve their education, to participate in the social and civic life of the community, to attend to their health, and to have wholesome recreation has been enormously enhanced by this one act and by its conscientious and sympathetic administration.

The manufacturers and business elements of New York State and other progressive states no longer have legitimate claim that they cannot compete successfully with manufacturers in less progressive states with lower standards of labor and social protection.

By virtue of this same wage and hour act, child labor has practically been abolished in interstate industry which means the great manufacturing and distribution industries.

Believes in State Labor Legislation

These basic Federal laws make possible a good development of favorable State labor legislation setting higher standards or particular standards adapted to the needs of a particular state. I believe in the continuing development of State labor legislation and the working out of programs that will have the effect of meeting local problems by local laws but always with the basic Federal legislation underneath as a supporting economic standard. A great progressive state like New York in which great industrial wealth and activity exists must always be alert, alert to meet with legislation, new conditions and new hazards and new needs which arise in the lives of our working people.

Sound administration of the State Department of Labor will long be the key to the discovery of conditions that need correction within the state and to the devising of programs to meet those conditions.

I am proud, as I think you are, of the contribution made by the State of New York and by its citizens acting in the Federal Government on behalf of sound basic underlying social legislation at the Federal level. This must continue at the same time that New York continues to improve its own labor and social laws for its own citizens. One of the interesting results of the educational effects of Federal legislation and the conferences leading up to it has been the great improvement in state labor legislation all over the country. Better workmen's compensation laws, better labor departments, better regulation of the employment of young people, better safety and health provisions—all these have found their way into state legislation in many less progressive states in the last 12 years. The conclusion is inescapable that the stimulus of Federal Legislation and Federal Administration in the labor field was responsible for a large part of this forward movement. The agitation of the labor organization of all types within these states was a strong element in insuring the passage of wholesale modern local legislation, but the basic Federal legislation has made these advances wise and necessary.

Full Employment Act

One of the most recent new developments in the field of social legislation is the act known as the Full Employment Act. This act aimed to develop programs which will be favorable to maintaining high levels of production and high levels of employment. It is bound to be basic in the economic progress and the social life of the whole United States. Every state will be the gainer from the economic knowledge and from the practical suggestion which will spring from the Economic Board. The State of New York will gain and must cooperate in the studies and in the planning of the program of that board in such a way to adapt them to the needs of the economic life of this state, to maintain our level of high production, to maintain our wide and varied opportunities for employment, to utilize the knowledge and the means of preventing mass unemployment, to assist us in the development of training programs for our young people and for our veterans.

We must not forget that intelligent administration, sympathetic administration, competent administration is almost as necessary to the protection of workmen as the law itself. At every level the state, as well as the Federal, the working people of this state and the political leaders must concentrate on maintaining an effective competent Labor Department, good and fearless factory inspection, faithful and sympathetic administration of the workmen's compensation law, fair and intelligent handling of labor relations, mediation and conciliation between employers and workers. The same is true on the Federal level and a part of the contribution of the workers of the State of New York to the life of the other workers of the United States will lie in helping to secure good administration in Washington as well as at home. We are citizens of one nation, we love our state and we are proud of it. We are particularly proud of what has been accomplished in pioneering for social and labor legislation but we want to continue the basic protections at the Federal level without which further advances in one state are likely to be greatly handicapped.

I have been proud to be a Senator from this state. I have been grateful for your support and help when I rose to speak or vote in favor of every one of these constructive pieces of labor and social legislation and against the damaging amendments so often offered by those who would defeat their meaning.

The working people of this state will continue to be leaders in thought and in action in favor of both state and Federal legislation and I shall always be found with you in these activities.

Postwar Monetary Problems and Policies

(Continued from page 1013)
are purchased by the Reserve System in following its policy of stabilizing rates on government securities.

Should the Reserve System refuse to purchase government securities offered for sale and not taken by others, then interest rates would be subject to wide fluctuations. With $270 billions of the public debt widely distributed among individuals, businesses and investment institutions, the possible effect of fluctuating interest rates upon the financial position and the actions of these holders is difficult to predict. The task of the System then is twofold—to prevent inflationary expansion of bank credit and at the same time to assure reasonable stability of interest rates.

In its Annual Report for 1945, the Federal Reserve Board suggested a number of measures which might help to accomplish these objectives. Some, such as the present debt-retirement program of the Treasury, can be temporarily effective. Solution of the long-run problem, however, can be assured only by giving the Federal Reserve System additional instruments of regulation, which could be used to require that the banking system hold certain amounts of short-term government securities or to limit the amount of longer-term, higher-rate securities that banks might hold. These powers could be so applied as to leave banks adequate ability to take care of the credit needs of industry, commerce, and agriculture.

Situation as Result of War Finance

The tremendous growth in bank holdings of government securities and also in maintenance of the structure of interest rates are the result of war finance and of policies adopted to facilitate the financing of the government's needs during the war. The war cost around 320 billion dollars; adding other government expenses and increase in the Treasury's cash balance, total funds raised by the Treasury in the period from the middle of 1940 to the end of 1945 amounted to 383 billion dollars. Over 40% or 153 billion dollars of this amount came from taxes. About $230 billion was otained by borrowing, of which about $100 billion come from the banking system, including commercial banks, Federal Reserve Banks, and mutual savings banks.

While attempts were made in war finance to sell as many securities as possible to others than banks, it was necessary that banks purchase substantial amounts. These purchases were needed not only to help maintain an active market and facilitate the general sale of securities, but also to provide the increased money supply needed by the expanding and abnormal war economy.

The wide differential between short-term and long-term interest rates, however, encouraged expansion of bank credit because it was possible for banks to sell short-term securities to Federal Reserve Banks and buy longer-term issues bearing higher rates of interest. The new bank reserves created by sales of securities to the Reserve Banks provided the basis for credit expansion of ten times the volume of such sales.

The method of handling the war loan drives also was a stimulus to war loan expansion. Nonbank investors could sell previously acquired issues to banks and subscribe for new issues, thus helping to attain quotas. Banks during the drives had excess reserves because deposits against which reserves were required were drawn down in the purchase of securities, while Treasury deposits, against which no reserves were required, increased. This shift of funds resulted in a reduction in member banks required reserves.

As a result of these operations, bank holdings of government securities increased substantially during drives. Between drives, as deposits were reshifted and required reserves increased, banks sold sufficient securities to the Federal Reserve to meet the higher reserve requirements. The net result was a gradual expansion in bank holdings of government securities throughout the war period.

The result of these developments has been a tremendous expansion in the liquid asset holdings of the public which furnish a great potential for inflation. The holdings of deposits and currency by individuals and businesses have increased by nearly $100 billions to 2½ times the prewar level. The relation of deposits and currency to the annual value of the total national product over the past 30 years is shown on Chart 1. The ratio of the money supply to total product is now about 80% compared with 70% or less in the late 1930's, a period of considerable unemployment and unused resources, and with a little over 50% in the 1920's, a period of active business and full employment.

In addition to the greatly expanded holdings of deposits and currency, individuals and businesses have nearly a $100 billions of government securities, or eight times the prewar level. These can be readily converted into cash as long as the Federal Reserve Banks stand ready to buy them.

Commercial banks have increased their holdings of U. S. Government securities by approximately $70 billion. At the same time their loans have expanded and are at the highest level since 1930. Changes in bank assets over the past three decades are shown on Chart 2. As a result of the growth in assets, bank earnings increased substantially during the war and in relation to capital funds were at the highest level on record during 1945.

Another result of war finance has been a decline in long-term interest rates. Maintenance of the low rates on short-term securities encouraged holders to shift from short-term to long-term issues. As long as the Reserve System stood ready to purchase short-term securities at prevailing rates these rates could not rise. The longer-term rates declined. These low long-term rates have necessitated substantial adjustments for savings institutions such as life insurance companies.

Possible Effects of Continuing Present Policies

Continued ability of banks to shift from government securities to other assets and in particular continuation of the policy of maintaining short-term interest rates at low levels might well result in further expansion of bank credit and further decline in long-term rates. The basic reason for this is that the low interest rates on short-term securities provide an incentive to holders of such securities, mainly certificates, to sell them and use the proceeds to buy longer-term issues or expand their loans. Since there is an inadequate outside demand for certificates at prevailing rates, these certificates are purchased by the Federal Reserve. These purchases increase correspondingly the cash reserves of commercial banks, and on the basis of these additional reserves commercial banks as a group are able to make loans and to purchase securities—in other words, to expand bank credit—by probably as much as 10 times the amount of the added reserves. Commercial banks with additional reserves are in a position to bid longer-term Government securities away from nonbank investors, who in turn try to replace these securities by bidding against each other for restricted Treasury bonds or other high-grade bonds. This results in increasing the prices and lowering the yields on such securities.

In view of the large volume of government securities held by banks, the process of credit expansion and of increasing bond prices can continue until certain conditions are satisfied:

(1) The Federal Reserve holds all of the outstanding short-term securities;

(2) Commercial banks have made all of the loans that they are willing to make and hold all of the outstanding longer-term securities that are eligible for them to purchase;

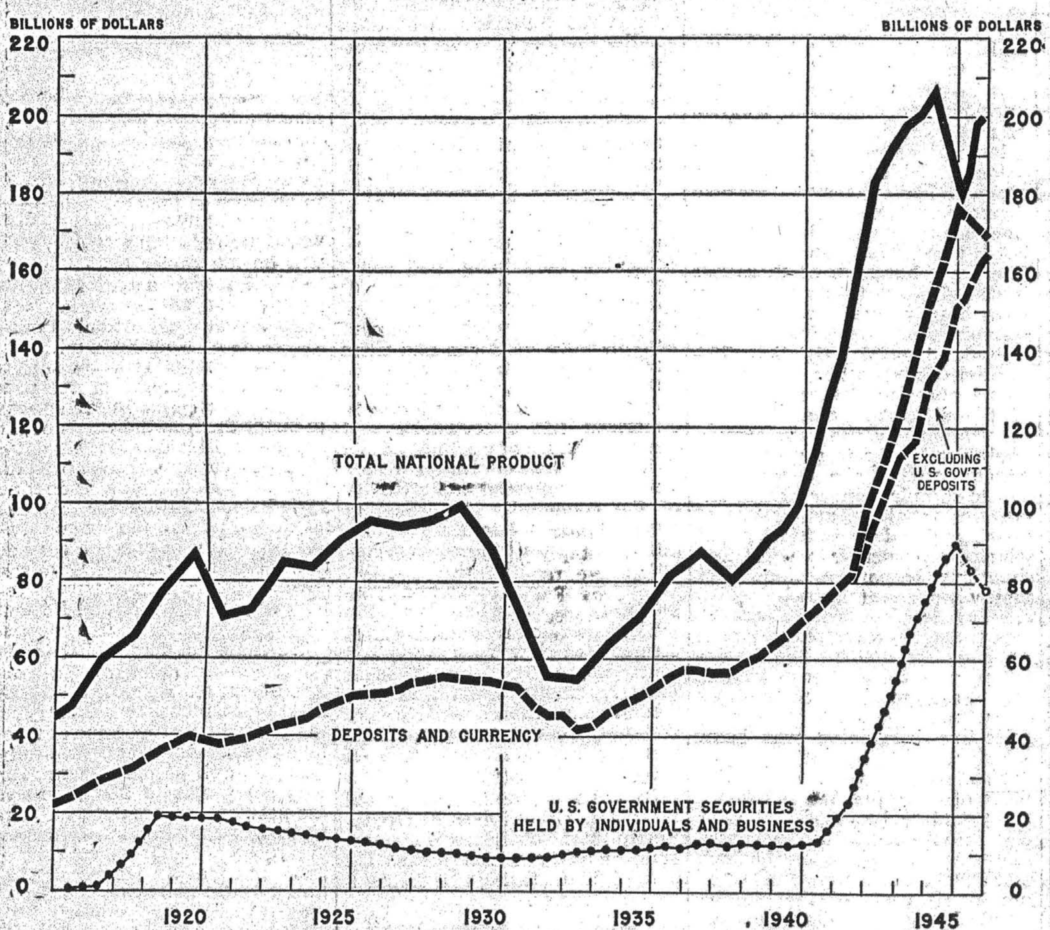
(3) Nonbank investors have sold all of the securities that they are willing to sell;

(4) Market yields on longer-term securities and the rates on loans have declined to a point where it is no longer profitable for commercial banks to sell short-term securities in order to make loans or to purchase longer-term securities.

The expansion of bank credit that could occur by the time that the Reserve Banks have purchased all of the outstanding short-term securities would be staggering. There are now some $50 billions of such securities outside the System; commercial banks hold $20 billions of certificates and several billion of short-term notes. The expansion that could result if commercial banks made all the loans that they are willing to make and held all of the outstanding longer-term securities that are eligible for them to purchase might run also to huge figures. Over $20 billion of eligible issues now outstanding are not held by banks; $30 billion more become eligible in the next 8 years, and $23 billion in the 9 years following that. The amount of loans and other investments banks may acquire is not possible to estimate.

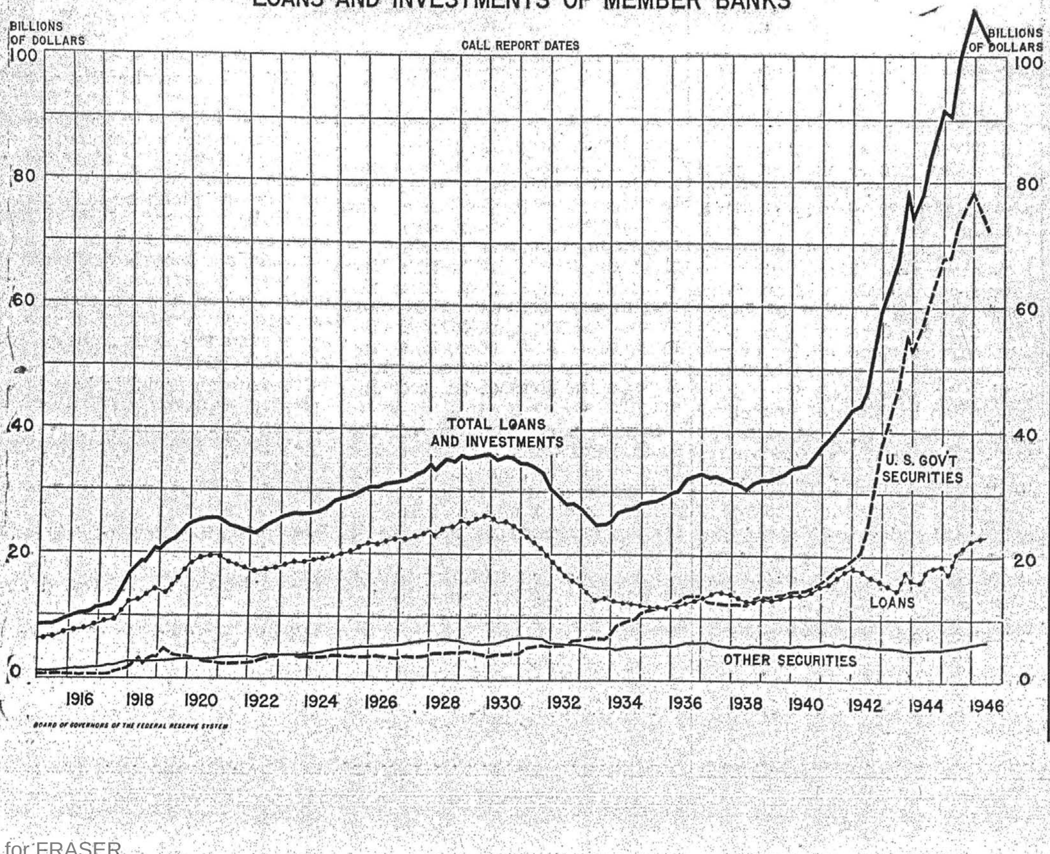
In practice the other two conditions are likely to be controlling. Nonbank investors probably would not be willing to sell to commercial banks all of the longer-term eligible securities that they now hold. They would not be willing to sell unless they could not only replace the securities sold with other securities or loans but also invest currently-accruing funds. Since the Victory Loan, however, the Treasury has issued no long-term bonds, and only a

BANK DEPOSITS AND CURRENCY AND TOTAL NATIONAL PRODUCT



TOTAL NATIONAL PRODUCT FIGURES ARE ANNUAL FOR THE PERIOD 1915-1938, INCLUSIVE, AND THEREAFTER ARE SEMIANNUAL FIGURES SEASONALLY ADJUSTED AT ANNUAL RATES. DEPOSIT AND CURRENCY FIGURES ARE FOR JUNE 30, 1915-1922, INCLUSIVE, AND JUNE 30 AND DECEMBER 31, THEREAFTER.

LOANS AND INVESTMENTS OF MEMBER BANKS



BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM moderate increase has taken place in the available supply of corporate securities, business loans, and real estate mortgages. As long as these conditions prevail, the amount of further sales of longer-term, bank eligible governments by nonbank investors may not be large. If new securities and loans should become available in significant volume, however, such sales would increase. The System would be faced with the dilemma of either adding to its portfolio and thus permitting further credit expansion or of letting short-term interest rates rise. If the public finds other uses for its funds now invested in government securities, the amounts that might need to be absorbed by the Reserve System could be tremendous.

There is no basis for estimating the point at which commercial banks no longer would consider it profitable to sell low-yielding, short-term securities in order to make loans or to purchase higher-yielding, longer-term securities. That point would be reached when commercial banks as a group felt that the higher rate or the higher yield was just balanced by the larger risk. The risk would be not only the credit risk that is involved in loans and non-government securities but the risk of price decline that is involved in all securities.

Possible Effects of Raising Interest Rates

The Federal Reserve could by use of existing powers and instruments place some restrictions on further credit expansion. It could curtail its buying of short-term government securities. This would inevitably result in a rise in short-term interest rates and would, therefore, remove the inducement to bank credit expansion now resulting from the margin between short-term and long-term rates. However, it is difficult to know how far the rise in rates would have to go to remove that inducement.

Consequences of such a remedy might be more harmful than the disease. The System certainly would not want to go so far as to refuse to purchase any short-term securities. Banks wishing to make loans or to meet losses of reserves would need some accommodation. The question then would be at what rates would purchases be made.

It is not possible to know how much of a rise in interest rates would have to occur to stop sales to the Reserve System. It is doubtful whether a rise in rates would discourage banks from selling government securities in order to make private loans or to invest in corporate bonds, if attractive loans and investments were available.

The major effect of a rise in short-term interest rates would be to increase the interest cost of Treasury borrowing. Most of the $60 odd billions of government securities maturing within the next year will have to be refunded. Commercial banks hold nearly half of these issues and Federal Reserve Banks about a third of them. Thus a rise in short-term rates would increase the profits of banks, which are already at high levels. This increase in bank profits would be largely at the expense of the government, which in effect means the taxpayer. In the past increases in interest rates have been largely at the expense of those individuals and businesses who wanted to borrow. In those cases the restrictive effect of higher rates was likely to be greater than it would be if it worked only through the government securities market.

Finally, an increase in interest rates might lead to a reduction in the prices of marketable government securities. If these declines were sharp, they might weaken public confidence in the solvency of banks, insurance companies, and other financial institutions, which hold large amounts of government securities, and might even shake public confidence in the credit of the government itself. If this occurred and the public tried to dump its holdings of government securities in order to purchase common stocks, real estate, and commodities, the effect of restrictive policies would be the exact opposite of what was intended. Inflationary pressures would be increased instead of reduced. These price declines would also create difficult problems for the Treasury in refunding its maturing and called securities. It should be recognized that the Federal Government debt now comprise two-thirds of the total public and private debt, whereas in 1940 it was only one-quarter of a total less than half as large as that now outstanding. The possible consequences of changes in the value of that debt structure are difficult to assess in the light of existing knowledge. Old tools must be used with great care, if at all.

Changed Situation Since the End of War

Certain new developments since the end of the war have made the problem immediately less acute. The most important of these developments has been the cessation of expansion in the public debt. As a result of the decline in war expenditures and an increase in government receipts growing out of the higher level of individual and business incomes the Federal Government now has almost a balanced budget. Consequently, there is no more need for further bank credit expansion to supply the Treasury with funds.

The second important development has been the discontinuance of war loan drives. This has removed the impetus on the part of investors to shift securities to banks in order to subscribe for new ones and it also removed the periodic large-scale releases of bank reserves by the shift of deposits to reserve-exempt war loan accounts.

The third important development has been the debt retirement program of the Treasury which has been made possible by the use of large cash balances accumulated from the Victory Loan. About $13 billion of maturing issues have been retired to date. More than three-fourths of these were held by commercial banks and Federal Reserve Banks. The retirement of commercial bank holdings by drawing on war loan deposits reduces bank assets and liabilities but has no effect on the reserve position of banks in general. Retirement of Federal Reserve holdings, however, reduces bank reserves and has put some pressure on banks to sell securities to the Reserve Banks.

The sharp decline in yields on long-term and medium-term government securities in 1945 and early 1946 narrowed the spread in the interest rate structure and reduced somewhat the profit that might be obtained from shifting from short-term to long-term issues.

Temporary Measures

In view of these current developments, the rapid expansion in bank credit that characterized the war period has slackened considerably, and since April there has been no further decline in long-term interest rates. In case the situation should change again there are various measures of a temporary nature which might be attempted to effect some restriction on further bank credit expansion. It is not impossible that these measures would suffice until the basic factors in the situation change. But these measures do little or nothing in themselves to correct the basic difficulties. Some of these transitory measures are:

1. Continuation of the debt retirement program of the Treasury, which by retiring Federal Reserve holdings, would bring about a further reduction in reserves. To maintain their reserve positions banks have to liquidate holdings of government securities and while they are doing this they are less inclined to sell additional amounts of short securities in order to buy long-term ones. It is possible, however, that many banks in order to restore earnings may eventually purchase additional amounts of long-term securities. In fact member bank holdings of bonds are still increasing moderately.

2. Increase in reserve requirements at central reserve city banks would have similar effects. This is the only remaining power under existing law to raise reserve requirements. Since these banks have no excess reserve they would have to liquidate securities to meet the increase. The Reserve Banks would have to purchase securities in order to supply the additional reserves and to maintain interest rates. There would be, however, at least for a while, some pressure on the market. This pressure might be a useful supplement to a program for refunding bank-held maturing issues into non-bank held issues.

3. Additional issues of long-term securities might be sold to nonbank investors, while bank-held issues were retired. This measure would have to be accompanied by provisions which would discourage nonbank investors from selling existing issues to banks in order to purchase the new ones and also by restrictions on bank buying to replace retired issues.

Selective Credit Controls

Selective instruments of credit control of the kind newly developed in the past decade in the case of security loans and consumer credit offer a means of restricting particular speculative situations without reducing the supply of credit in general or raising interest rates. Margin requirements on security loans have been raised to 100% and thus the use of credit to feed stock market speculation has been prohibited. The effectiveness of this instrument as a means of controlling stock market speculation is blunted somewhat by the existence of the large supply of cash with which the public can speculate without borrowing. A stock market boom based entirely on cash buying, however, would not entail a subsequent liquidation of credit, which has been the most disastrous aspect of most speculative bubbles in the past. Consumer credit likewise can be regulated so as to reduce the wide swings to which it is subject and to keep consumer demands closer to the limits of available supplies.

The power to control stock market loans is well established in law, but that to control consumer credit is based upon a wartime Executive Order which will expire. It would seem desirable that this power be permanently vested in an appropriate authority for use as the situation may require. Consideration should also be given to the possible desirability of smilar controls over other types of credit to which such a control mechanism is applicable, such as real estate loans.

It should be pointed out that the vesting of authority to control such credits in a responsible agency does not mean that severe restrictions will necessarily be imposed. At first there are always some adjustments in existing practices needed to conform to minimum uniform requirements, but provisions can and should be broad and loose, except when excessive and rapid expansion needs to be checked. The very existence of powers to impose restrictions may be sufficient to forestall the development of excesses.

Controls over various other types of bank loans to business and to agriculture are more difficult to exercise through direct measures. In coming months there may be great demands for loans to speculate in inventories of merchandise or basic commodities or in real estate. In 1942 banks were asked not to make loans for excessive accumulation of civilian consumer goods and examination authorities check on bank loans for these purposes. It is possible that more could be done through bank examination and supervision than has ever been attempted at any time in the past. Generally bank examiners, like the loan officers of banks, are inclined to base their judgments on last year's statement of the individual borrower, not at the possibility that next year's statements for a whole group of borrowers may not be so good.

Proposals for Additional Controls

There are a number of methods of a more fundamental nature that might be adopted to restrict further credit expansion and consequent declines in long-term interest rates without raising short-term rates. Most of these are variations of one or the other or combinations of three basic plans. These three plans are designated by the following terms:

(1) A primary reserve plan
(2) A secondary reserve plan
(3) A bond limitation plan

These three proposals have many similarities and also important differences. In each case adoption would require legislation, which should permit considerable administrative flexibility, because of the wide differences between individual banks and groups of banks. It would also be necessary that they apply to all commercial banks, not alone to member banks of the Federal Reserve System.

The primary reserve plan—This plan is simply a further increase in reserve requirements, accompanied by Federal Reserve purchases of securities in sufficient amount to keep short-term interest rates from rising. This amount would probably correspond closely to the increase in requirements. Any increase probably should be applied gradually. To assure adequate powers to absorb a large portion of short-term securities held by banks, the law should authorize an increase to twice the present statutory maximum.

The principal effects of this measure would be (1) to shift a certain amount of earning assets from commercial banks to Federal Reserve Banks, and (2) to reduce the ratio of multiple credit expnsion on the basis of a given amount of reserves. It would, therefor, reduce the amount of short-term securities available to sell to the Reserve Banks and also reduce the potential credit expansion on the basis of any reserves thus created.

This measure could be applied to put the banks under pressure to liquidate securities and thus discourage further purchases of long-term issues, but Federal Reserve support would keep interest rates from rising above the established pattern. It would correspond to present banking practices, be relatively simple to operate, and cause no confusion in effecting adjustments in the market for interbank flows of funds.

The proposal would tend to reduce the earnings of commercial banks and increase those of the Reserve Banks. If this plan were adopted it might be desirable for the Reserve Banks to have power to pay some interest on reserve balances, if bank earnings should be seriously affected.

Legislation authorizing this action might also include provisions for amending various aspects of the present requirements, such as permission to count vault cash and greater administrative flexibility in imposing different requirements on different types of deposits and in classifying banks for reserve purposes.

The secondary reserve plan would establish a required secondary reserve of Treasury bills and certificates equal to a specified perecentage of net demand deposits. This percentage might be placed initially at a level that would induce commercial banks as a group to retain their present holdings of short-term government securities—probably around 25 or 30% of net demand deposits would be sufficient after the debt retirement program is completed. Subsequently the percentage should be sufficiently high to assure for such securities a commercial bank demand large enough to maintain present rates without Federal Reserve purchases. To facilitate transition to the new plan, as well as regular adjustments of bank positions required by interbank flows of funds, banks should be permitted to hold cash (including reserve balances) as secondary reserves in place of bills and certificates. This feature is essential to make the plan effective as a limitation on bank credit expansion. Otherwise it would be necessary for the Treasury to supply bills or certificates to banks needing them to meet their secondary reserve requirements against expanding deposits (Seltzer plan). This would mean further credit expansion and deposit growth.

This plan has the advantage of permitting banks to retain substantial holdings of short-term government securities, but limiting their ability to sell these to the Reserve Banks in order to make other loans and investments. It has been criticized because it would purportedly require the banking system to increase holdings of government securities every time there was an increase in deposits resulting from expanding loans. This would be avoided in practice because in the absence of excess primary reserves banks would have to sell long-term issues out of their portfolios or borrow from the Reserve Banks in order to make possible an expansion in loans. The plan would establish short-term government securities in a preferred market position. An important disadvantage of this plan is that the double set of reserve requirements would complicate adjustments necessary in the case of interbank flows of funds.

The bond limitation plan would limit a commercial bank's holdings of bonds to no more than an amount corresponding approximately to savings deposits and capital accounts plus some percentage of its net demand deposits. In a sense this plan would merely extend the policy pursued during the war of restricting bank investment in long-term Treasury bonds. At the outset these percentages might be established at levels that would prevent commercial banks from adding to their present holdings of bonds—an average of about 50% of net demand deposits for all commercial banks. Eventually the percentages should be sufficiently low to assure a commercial bank demand for short-term Government securities large enough to maintain present rates without Federal Reserve purchases.

This limitation should apply to **all bonds**, which might be defined as all single payment marketable securities having a final maturity of more than one year at time of issue, or might be more limited in scope. It should cover obligations of State and local governments and of corporations, as well as those of the United States Government. Otherwise United States bonds would have a disadvantageous market position. Bonds within a year or perhaps within five years of maturity might be exempt from the limitation, but such exemption would cause sud-

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Postwar Monetary Problems and Aims

(Continued from page 1039)

den adjustments in the market and in the banking position as large issues came out from under the limitation.

This measure would not restrict bank lending activities and might even encourage them. It would leave the various sectors of the short-term market — government and private — on a comparable basis. Adjustments of reserve positions between banks would not be particularly complicated by this plan, although some reductions in bond portfolios might be necessary if banks lost deposits, particularly time deposits and increases would be permissible in case of additions to deposits. It would not restrict banks in shifting from short-term securities into loans, as would the secondary reserve plan, although by lowering the amounts of bonds banks could hold, the authorities could force retirement of bonds, rather than short-term securities, to offset any loan expansion.

Any of these various plans could, once established, be fairly rigidly maintained, while traditional Federal Reserve open-market and discount rate policies were relied upon for current policy measures. Alternatively these new schemes could be flexible in their application, with requirements and limitations being varied as bank credit and monetary developments and prospects might justify or require.

Conclusion

War has brought about drastic changes in the banking and money market structure. There are no effective limitations on the amounts of bank credit that might be diverted from government securities to other uses. Utilization of traditional instruments of credit control would result in upsetting the government securities market which has come to occupy a dominant position in the financial structure of the economy. This is not alone a problem of dealing with the current inflationary threat, which must be largely controlled by other means, but is a long-term one. New means must be evolved for coping with it.

Abbott Laboratories Stock Subscribed

Holders of common stock of Abbott Laboratories subscribed for $166,068 of the 169,991 additional shares offered them at $60 a share, the underwriting group headed by A. G. Becker & Co., Inc., reported Aug. 15. The remaining shares have been sold to Abbott employees at the subscription price. Proceeds will be used for redemption of the corporation's outstanding 30,000 shares of 4% preferred stock and to increase working capital.

Clayton in State Dept. Post

The nomination of William L. Clayton heretofore Assistant Secretary of State to the newly created position of Under Secretary of State for Economic Affairs, which was sent to the Senate on Aug. 1 by President Truman, received the confirmation of the Senate the following day. In making the nomination the Associated Press reported from Washington on Aug. 1, that Mr. Truman said Mr. Clayton's duties in his new title will be the same as those he has been discharging as Assistant Secretary of State. The creation of the second position of Under-Secretary in the State Department, it is added, is in recognition of the vastly increased work of the department in the economic field.

NYSE Firms Taking Conservative View of Permissive Incorporation

(Continued from page 1007)

the matter, it will be glad to print the views of members of the Exchange and of the partners with whom they are associated 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. 8

The type of our business is probably different from that of any other brokerage house on the "Street." We have no customers. We act entirely on our own account. We buy and sell for a number of large institutions and specialize in a limited number of securities. We can see no reason why the corporate type of organization should be denied to those who want to avail themselves of it but the argument that incorporation favors capital formation can have no meaning for us because we have adequate capital.

BROKER No. 9

The word permissive as used in connection with the issue of permissive incorporation is a misleading term. As experience has demonstrated so many times, anything permissive usually ends up by becoming mandatory. If incorporation is made permissible, then even the New York Stock Exchange might, in time, find itself obliged to incorporate and that would be a terrible mistake. Incorporation exposes the entire brokerage business to the actions of regulatory bodies and to the influence of court decisions and there is no telling what might develop once the corporate form of organization takes hold.

The advocates of incorporation say it would bring more business to the floor of the Exchange. I claim it would not. The belief that incorporation would increase the demand for seats in the Exchange is, I think, wholly illusory. At best, there would be only a substitution of a new member for an old and the effect of this swapping of places would be only temporary. Some new members might bring additional business to the Exchange. Others conceivably would not. A balance in the amount of business transacted would be hit which would not be much, if any, different from that which prevails at the present time. A gain would offset a loss, so to speak, and there would be no change.

I do not like the implications of the limited liability of the corporation. In our business, we feel that our capital is merely our first line of defense. We have been doing business for 75 years and our capital has at times been as much as $5,000,000. We have conducted our affairs in a most conservative fashion and we have voluntarily imposed restrictions on ourselves more severe than those which the regulatory bodies have fastened upon us. We like to feel that others—just like ourselves—are liable to the full extent of all possessions for transactions that are entered into. Some of the smaller houses want incorporation because they think that incorporation will help them to build up capital. We think it is not building up the financial integrity of the industry to rely on capital accumulation through the rather devious device of tax avoidance, a practice which the Bureau of Internal Revenue is certain to frown upon, particularly in cases where companies did not regularly set aside funds out of earnings for caiptal purposes as partnerships.

BROKER No. 10

We are brokers' brokers and as such feel that we have no particular interest in incorporation one way or the other. Really, we have given no thought at all to the question. For us, the matter is of no importance whatsoever.

BROKER No. 11

The owners of this business prefer the partnership. We partners are close to one another here and we think this intimate relationship would be destroyed by incorporation. The larger organizations might want incorporation and if the issue is decided affirmatively by the weight these organizations can throw on the matter, most of the industry will probably move along in that path because the small houses tend to follow the lead of the big fellows. Because of the unlimited liability rule, a partnership must watch its capital carefully. Being a small firm, we have to watch our money very carefully but we think that's a good thing.

BROKER No. 12

The Stock Exchange has held up to its members the ideal of always acting in the public interest. I don't see how incorporation furthers this ideal. It is the unlimited liability rule of the partnership which gives the customers the ultimate in protection. The zeal with which a few of the larger firms are advocating incorporation make me suspicious not only of them but of the whole issue of incorporation. This is not the first time the question of incorporation has come up. Apparently, soneone has something to gain from incorporation.

Our firm, for one, would hesitate to do business with a corporation. In the event of a reverse, a corporation would merely pass its obligations down to others. If we had some transaction in process with this corporation when the reverse took place, we might easily find ourselves in the position of having to make good with a customer without the possibility of ever recovering our money from the assets of the corporation which would be oligated only to the extent of its investment to pay off its indebtedness. The corporate form of organization might very well make "suckers" out of those Stock Exchange members who prefer to do business on a partnership basis. A large corporation doing an underwriting business, for instance, could pass on the onus of its misjudgments or ill luck to the brokers carrying on a more conservative enterprise in partnership form.

If it did turn out to be that incorporation increased the number of really active Exchange members, then in a quiet market—such as has happened to prevail on numerous occasions recently—where the volume of trading is light, competition for available business would become extremely severe. I venture to say that not only are we in this firm opposed to permissive incorporation but the entire industry will turn down the proposition should the question come before it for a vote.

BROKER No. 13

We oppose the admission of corporations to membership in the New York Stock Exchange. We base our stand on the belief that the admission of corporations to membership would be neither in the public interest nor in the interest of the members of the Exchange. To the public, the matter of liability is important. It is argued by the advocates of incorporation that in the fact of possible failure, a firm exhausts its resources so that on collapse additional assets upon which the creditors may draw to satisfy their claims are non-existent. But it has been known that many firms have been saved from failure in the past by the addition of supplementary capital by the general partners just because of the unlimited liability rule of the partnership. Knowing in advance their other resources would be tapped on the failure of their firm, the partners did everything possible to prevent the worst from happening.

We are also inclined to doubt the tax advantages claimed for incorporation by its supporters. In the first place, with incorporation the problem of double taxation is with us. Earnings are taxed even before they are distributed and, in the second place, the building of reserves and surplus would be subject to more regulations and interpretations by officials of the Bureau of Internal Revenue. Nor do we feel that the corporate structure makes for continuity of capital. The corporation like the partnership can be dissolved. In the event of the death of the owner of a large block of common stock, the executor of the estate might have a very different idea as to what might be best for the firm from what the Stock Exchange, as indicated by its restrictions on corporate membership, or the firm itself might think.

Observations

(Continued from page 1009)

ROME, Aug. 19—"The Dalmation Islands, the Dalmation coast, as well as the coasts of Montenegro and Albania are seen being fortified with permanent emplacements." . . .

NANKING, CHINA, Aug. 19—"Chinese Reds Declare War 'to the Finish.' Yenan orders its 130,000,000 followers to mobilize for full-scale action." . . .

MOSCOW, Aug. 19—"The Moscow radio reports that British troops have occupied two towns in Iraq, where the largest refineries of the Anglo-Iranian Oil Company are located, charging that such movement of British troops is **'creating a war danger in the Middle East.'**" . . .

PARIS, Aug. 18—"It is revealed that Russia during the first Armistice year has extracted from Rumania 'booty' and taken goods on the excuse of "restitution of looted property,' to a value exceeding those openly taken as reparations." . . .

BUCHAREST, Aug. 10—"The arrest and detention incommunicado of Rumanian employees of U. S. missions here, has been vigorously protested by the United States Government." . . .

CALCUTTA, INDIA, Aug. 17—"The British army, with armored cars, called in to quell Moslem-Hindu fratricidal warfare in which 2,000 have been slain or injured thus far." . . .

PARIS, Aug. 15—"Western Allies Fight Soviet on Danube trade control. . . . Byrnes opposes Nazi-type encirclement by another Power." . . .

Excerpts from Recent Russian Official Radio Broadcasts:

(1) "Great Britain is engaged upon a slave trade in which Iranian girls are kidnapped in Baluchistan and sold in India, and a similar trade takes place in all territories under British control."

(2) "U. S. Government circles and the business world look upon China as one of the most important steps to world dominion."

(3) "Vickers, the British armament company, is helping Gen. Franco build up his Fascist army. Many cabinet members are directors of the armament concern, and are personally benefitting therefrom."

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Moscow's Motivation

What possible motive can the Soviet have for these studied and persistent provocations of her former Allies from the West? Does she want War, either with or without possessing the atomic bomb?

The only possible explanation—based on the premise that Russia does not now want another war any more than do we—is that her conduct is intelligently geared to the end of peacefully getting us completely out of Europe. By befuddling and delaying the United Nations meeting and building up the public's disillusionment therewith; and by transforming Foreign Ministers' meetings and Peace Conferences into filibusters or diplomatic impasses; Russian diplomacy will be designed to bring about the American public's discouragement with, and disgust for, the entire Continental scene; and our consequent relinquishment of all interest therein to the Kremlin. This explanation would perfectly account for the activation of Yugoslav aggressiveness while a Trieste settlement is still brewing.

* * * *

Stalin and Napoleon

Indicative of the public's great popular swing to anti-Russian feeling in this country, is the conversion thereto of Administration left-wing "liberals" who now are more vehemently anti-Soviet than are the rank-and-file of their fellow-citizens.

One of these individuals—an original member of the Roosevelt Brain Trust and a State Department high policy-maker—is privately expounding the interesting hypothesis that Stalin's execution of Mikhailovitch historically may prove to be the counterpart of Napoleon's killing of the Duke of Enghien—that the recent slaying of the Yugoslavian may prove to have epochally marked the climax of Russian ascendancy. He holds that although the decline will be long-drawn out, already several millions of Slavs have thereby become antagonized, beginning a long-term tide of resentment welling up against Moscow domination. **But how long before the people can stand up against an iron heel?**

Government and Labor

(Continued from page 1013)

unions in anything but a free society. I hope very earnestly that the lesson has not been lost upon the world that wherever totalitarianism has reared its head the very first onslaught upon the freedom of man was directed against his right to bargain collectively.

Has Organized Labor Become Too Powerful?

We have many people today in this country who say that organized labor has become too powerful. We have people, some of them unquestionably sincere, who argue that labor unions ought to be curbed. But I do not think that there is any responsible person anywhere who would seriously argue that labor unions should be abolished. Nor does any intelligent person challenge the fact that they are a powerful factor for progress in the world. The argument that is most commonly heard is this: that labor unions, having securely established their fundamental rights, must become more responsible in the exercise of those rights.

In labor's own interest this argument cannot be dismissed lightly. The right of labor to organize, the right to strike—these are, beyond all question, fundamental human rights. But rights and the responsibility not to abuse those rights to the injury of others go hand in hand. We treasure our fundamental right of free speech. But that right does not entitle a man to slander his neighbor.

The right to bear arms is guaranteed in our Constitution. But it does not entitle a man to shoot his neighbor's cows or chickens. I does not even entitle him to exercise his right in such a way as to endanger the life or property of an innocent bystander. Unfortunately, the right to strike is sometimes used so that it does endanger or injure the innocent bystander. I know full well that stubborn or grasping employers often aggravate situations beyond the bursting point. I have addressed myself to them on other occasions. The difficulty is that too often the distinctions between labor unions are brushed aside and all unions must stand in the dock of public opinion to answer for the sins of a few.

By the same token, the political strike which serves some party line and the massed picket line which carries the seeds of civil conflict are tactics employed by a few but which injure the many.

We have learned in these uncertain times that unprincipled seekers for power look for scapegoats. We must not allow irresponsible action of a few to nominate labor for the part of the whipping boy of demagogues.

And most of all, we must learn that fundamental rights do not include license to invaders of unionism to carry out the party line of a foreign nation.

I have no hesitation in saying these things to you. I know, as you know, that sometimes these issues are raised by men who pose as honest critics of the labor movement but who, behind the masquerade, are serving the purpose of naked reaction intent on making labor supine and helpless. I think the record of my administration qualifies me to talk to you frankly without having to worry about being misinterpreted or misunderstood. What I say is to advance the aspirations and achievements of a strong and vigorous free American union movement. I am confident that free labor unions in a free America will meet the great responsibilities which go hand in hand with the great power and prestige they now have.

New York's Labor Record

For the fact is that our State of New York includes among its great assets a body of organized labor which has strikingly demonstrated that it is mature, progressive and responsible. There is ample proof of that in the record of recent years.

New York State's record for good industrial relations during the critical war years has been pre-eminent. Taking the twelve leading industrial States and comparing the amount of time lost as a result of strikes with the available working time for the years 1940 to 1945 combined, New York ranked first. None of the other leading industrial States has as good a record as ours.

It is interesting to note that we did not stand at first place during the entire period. During the years 1940 to 1942, before my administration came to office, New York was not first but in fourth place. But, beginning in 1943 when the present State administration took office, and continuing thereafter, the record was so good as to lift our average for the whole period to the best in the entire United States.

That is an achievement of which all of you here may be justly proud and I think you will permit me as Governor of the State to share with you a pardonable pride in that record. It is a record which I consider a high testimonial to the labor policy that has guided your present State administration. That policy may be stated as follows: A maximum of voluntary mediation and arbitration and a minimum of Government interference and compulsion.

We in your State Government have had complete confidence that in the overwhelming majority of cases the leaders of both labor and management had the ability to bargain peacefully and to adjust their differences without resort to strikes and violence. We now have a record of results of that policy and the record justifies our confidence.

Opposes Arbitrary Government Interference in Labor Disputes

It is my deep conviction that where government persists in arbitrarily injecting itself into labor disputes, the inevitable result is to weaken or destroy the processes of free collective bargaining. It is a waste of time to set up machinery for mediation and arbitration to reinforce collective bargaining if, in the end, every major dispute is going to have to be carried to a government bureaucrat—and I may add —to any government officer, no matter how high his office.

Under these conditions, experienced and able labor leaders and business men find the settlement of disputes taken out of their hands. They are relegated to the position of mere petitioners or messenger boys waiting upon the doorsteps of Government. Both sides are left guessing whether they are going to be given more than they dare to hope for, or dealt out an unmerciful drubbing over the radio and through the press. Their experience has shown that the result can go either way, depending upon which way the political winds of the moment are blowing.

Policy in New York State

Here in New York, as I have said, we have pursued a different policy. We have mediated, not dictated. It has been a successful policy and the proof of the pudding is in the eating. But, I am happy to say, there is no copyright on that policy. If the Federal Government cares to adopt it, it may feel perfectly free to do so.

From the beginning of 1943 to the middle of this year, the New York State Mediation Board assisted in settling 385 strikes involving 109,025 workers. It succeeded in averting 1,216 strikes which would have involved 125,087 workers. The State Labor Relations Board, from 1943 through 1945 settled 164 strikes and prevented 121 others with some 10,000 workers involved. The board notably improved its speed and efficiency. From Jan. 1, 1943, to April, 1946, its examiners dealt with a total of 3,234 cases and settled 82 per cent of them—actually 2,358 — without having to hold a formal hearing. The mediation board took part in no less than 3,111 arbitrations of labor disputes.

For years our State has stumbled along under the benign confusion of a bumbling and incompetent Labor Department. It is a pleasure to report that a wholesale reorganization has now taken place, under a larger and more adequate budget. Moreover, the department was too centralized. You know about it; you often had to travel 100 miles or more on a single complaint. So we took the State Labor Department out to the people, where it belongs. It now operates in six regional offices, each under an assistant commissioner. The new plan is working well and the personnel have been brought closer to employers and employes in the industrial areas of the State with the result of preventing misunderstandings and disputes.

New York's Labor Legislation

For the first time in its history, your State is genuinely looking out for the health and safety of its working people. The Department of Labor has pursued vigorously the campaign to prevent industrial diseases such as lead poisoning and the dread silicosis. Another innovation is the division conducts a conscientious and constant inspection of machinery, requiring modern safety devices in factories to save lives and reduce accidents. Since the department was reorganized I am proud to say there has not been one single major catastrophe in New York's industrial establishments.

Even during the war we were preparing for the peace. It was clear that the abrupt canceling of war contracts would throw hundreds of thousands out of jobs, pending the reconversion of war plants to peacetime production. I instructed the Division of Unemployment Insurance to prepare itself thoroughly so that people suddenly unemployed would face a minimum of delay in obtaining their unemployment insurance benefits.

Upon my recommendation the Legislature reduced the waiting period from two weeks to one week, raised the maximum benefit from $18 to $21 a week and increased the benefit period from 20 to 26 weeks. And New York is the only State in the Union where veterans made jobless by a strike may collect unemployment insurance. In addition, merchant marine employes are now covered by New York's Unemployment Insurance Law, although they are ignored by the Federal Social Security program.

Billion in Reserve Fund

Today, a year after V-J Day, I am able to report to you that in spite of the demands made upon the unemployment insurance fund since the end of the war, its reserve is almost a full billion dollars. We have protected the workers of our State better, I believe, than any other State in the Union.

New York's minimum wage standards today are also the highest in the country. Under my administration that protection has been extended to more than 450,000 workers in the retail trades never previously covered. We have enacted the equal pay law which assures women the same rate of pay as men for equal work. New York led the way with the anti-discrimination law to eliminate bigotry and injustice, to abolish unfair discrimination in employment.

We have enforced the law against child labor. Formerly one out of every four working children was illegally employed. We propose to pursue this program until no child in the State of New York will be deprived of schooling.

Another important measure is the on-the-job training and by the middle of June, this year, 34,020 veterans were taking advantage of on-the-job training, being paid while they learn. Their number is growing at the rate of 2,000 a week.

To maintain the precious supply of skilled labor we placed the program for training apprentices under the Department of Labor. Today, as a result, there are some 11,000 apprentices in 8,500 establishments throughout New York. More than 85% of these are veterans.

Most important of all, for the long range, is the great new experiment in New York State in post-high school technical institutes. After three years of study and preparation we have this year post high school technical institutes throughout the State, and in this pioneer movement the State Federaion of Labor has provided help and cooperation with one of its members on each board of trustees which I have named.

State Workmen's Compensation Law

When I first took office we found shocking conditions in the operation of the State Workmen's Compensation Law. Under callous and indifferent administration, corruption and incompetence had been given a free hand to exploit injured workers.

We rooted out that mess and have done everything possible to prevent the recurrence of abuses in this field. In our reorganization the old industrial board of five members was replaced by a Workmen's Compensation Board of ten members. We also raised maximum benefits for total disability from $25 to $28 a week, minimum compensation from $8 to $12 a week, and increased maximum death benefits.

I was particularly proud to have the privilege of opening the New York State School of Industrial and Labor Relations at Cornell University as a permanent institution, the only school of its kind in the country, under a great dean whom you have so long known as a friend.

I think it may be fairly said that taken together these achievements mark substantial progress in the truly liberal tradition. They will bring lasting benefits to all the people of our State. It is a record by no means closed. Not only have we had to break new ground, but we have had to sharpen our vigilance against a resurgence of the forces of bigotry and intolerance that ride through the night wrapped in hooded white sheets. I pledge you that as long as I am Governor the Klu Klux Klan or any group like it will not hold a meeting in the State of New York. There will be no Bilboism here.

Together, the State federaiton and your State administration have made a promising beginning in fitting organized labor into a life-size role in the community. The dreams of years have reached a rich fulfillment. What has been achieved was the result of determined work and practical idealism of many people.

Praises Labor Leadership

Much of our progress has been made possible by the high order of maturity, responsibility and integrity displayed by the labor leadership of our State which is so well represented here today.

From my association with you during the better part of the last four years I have derived a deep and abiding satisfaction. You have helped me to learn much; you have helped me in the solution of many problems. I have come to know many of you as sincere, hard working, intensely human beings, deeply devoted to the responsibilities of your own jobs, but also devoted to the welfare of our State and all its people.

We have emerged from the great war with many elements of remarkable strength. Even while we put forth all our efforts in the struggle we have been able, to a well-nigh miraculous degree, to make progress, financially, economically and socially. So far as conditions within our own State are concerned we can face the future with confidence and hope. Together we have built well and soundly for the years to come.

Ours is a State richly endowed by God with many blessings. We are blessed in the wealth of our natural resources, in the uncommon beauty of our countryside and in the character of our people. We have great creators and producers in labor, business and agriculture. Working together in a spirit of unity we can advance to ever greater objectives for ourselves, our children and for the cause of freedom everywhere.

Theodore Roosevelt Mem.

A bill which would have established a Theodore Roosevelt National Park in the village of Medora, N. D., and a monument to the late President, was vetoed on Aug. 10 by President Truman who, in a memorandum of disapproval, stated, according to Associated Press Washington advices, that the area chosen "does not possess those outstanding natural features of scenic qualities that would justify its establishment as a national park and has no direct historical association with Theodore Roosevelt." The Associated Press further said:

"Neither the Maltese Cross Ranch, in which President Roosevelt had an interest, nor the Elkhorn Ranch, which he owned, are embraced within the proposed park area. The Maltese Cross Ranch is situated some distance south of Medora, N. D., while the proposed national park area is situated north of Medora. The Elkhorn Ranch is situated 35 miles north of Medora, and is a considerable distance from the proposed park."

The President said the land within the proposed site was now a part of the Theodore Roosevelt national wildlife refuge, and was "best fitted for use as a wildlife protection and management area."

He said that if a national park were to be established in honor of the late President it should "more fully measure up to the standards developed and maintained in the past for national parks."

Mr. Truman also objected to a provision which would have permitted the Secretary of the Interior instead of the Attorney General to determine the validity of land titles within the area. He said this provision alone would have been sufficient for him to disapprove the measure.

The CIO's Position on Price Control

(Continued from page 1010)

after OPA took action to grant an increase in the price of flour. Just a few days before this price increase was granted General Mills, America's largest producer of flour, reported net profits for its fiscal year ending May 31, 1946, to be the highest in its history.

Stocks of many other commodities such as foodstuffs, electrical products, consumer durables are being manipulated by monopolistic practices to create scarcity situations and thus force price increases.

Duty to Stop Rising Prices

It is the solemn duty and responsibility of this Board to put a stop to rising prices. Ramifications of your decisions affect our entire economy. Refusal to recontrol will mean runaway prices and rising living costs. When American workers are squeezed between rising prices and declining take-home pay, something must be done to protect their living standards. The decisions of the Board on recontrolling these basic food commodities will let the American people know just where the administration policy stands on holding the line on prices.

Labor has been scrutinizing with some care the actions of the government since the passage of the OPA bill. What we've seen thus far hasn't been encouraging. A review of the price-wage policy of administrative agencies such as OPA, Stabilization Board, OES, OWMR, indicates a let-up on price controls with a stiff hand still being applied to wages. Commodity after commodity is being decontrolled each day, price increases are being granted on other commodities, but a decision on Aug. 8, 1946, by Mr. Steelman, the Director of the Office of Economic Stabilization, disapproved a wage increase of 3½¢ for the lumber workers. This increase added to the 15¢ they received in March would have brought them in line with the pattern established in Steel, Auto, Electrical and other industries. It would seem that the government has one policy on wages and another, entirely different, on prices. Let me make our position clearer. On its face the wage-price executive order of Feb. 14 called for tight price control. Relief was to be granted to compensate for wage increases only when necessary to assure a prewar profit margin under anticipated high-volume operations during the succeeding 12 months.

OPA Decontrols Criticized

Actually, the policy agreed upon turned out to be extraordinarily generous with respect to prices. As revealed first in the case of automobiles, it aimed to guarantee normal profits on low-volume operation and was applied by means of an escalator formula which granted price relief for any wage or materials increase without regard to actual costs or profits either present or future.

Regulations issued by Bowles, then at OES, required wage increases to get approval as a condition of seeking price relief. In certain instances industry-wide price relief was granted. The reason given was approved wage increases, but actually producers who had not even increased wages were permitted to increase prices.

Decontrol operations were put into high gear by OPA in March, pursuant to an unpublished administrative decision which converted the previous piecemeal decontrol actions, authorized by Mr. William H. Davis in 1945, into a top priority, all-out campaign to remove goods from price control.

Decontrol orders followed for thousands of items. Major as well as minor lines were included. Exemptions were granted by whole categories, so that frequently OPA itself could not say what goods were or were not still subject to price ceilings. Practically no effort was made to ascertain what happened to prices of the exempt items.

Price regulations that continued in effect were liberalized through lax administrative application. Demands for ceiling increases were handled frankly across the table on a bargaining basis. Established pricing standards of the agency were ignored, twisted and violated to substantiate decisions already arrived at by horse trading.

Meanwhile price indexes were revealing the inflationary effects of the new policy. Wholesale prices of raw materials advanced five times as fast between March 1 and June 30 as during the preceding 12 months, and the rise in the wholesale index of finished manufactures was seven times the earlier rate. The Consumers' Price Index, which had risen 2% from February, 1945 to February, 1946, jumped 3% between February and June, with a record gain of 1.2% in the last month of that period.

Cites Price Rises

The price rises initiated by OPA before June 30 were greatly accelerated after that date due to removal of controls for 25 days. These increases have not been significantly rolled back since the restoration of controls. Basic commodities jumped about 25% at wholesale. The inclusive wholesale price index by Aug. 3 had risen 11% above the end of June.

From the middle of June to the middle of July the consumer price index, with no allowance made for rent increases, and only 1% for items other than food, jumped 5½%, the largest single monthly increase in the history of the index (which dates back to 1913).

At this point Congress finally passed, and the President signed a bill extending the OPA in amended form. Those of us who have fought for price control and an orderly reconversion to peacetime production were sorely disappointed in its terms. We do feel, however, that it leaves the OPA, the Department of Agriculture and the Decontrol Board with sufficient power to do something about slowing up inflation. But this will not come about unless the Board acts firmly and quickly.

Subsidies

One of the areas in which the administration can do an effective job concerns the question of subsidies. Under the new bill the total sum available for price control subsidies has been cut to less than half the amount requested by OPA. However, most of this reduction is accomplished by limiting the period for which subsidies may be paid to April 1, 1947. Since most subsidies cannot be resumed prior to recontrol on Aug. 21, the subsidy funds provided need cover only 7 instead of 12 months.

Within the dollar limits set by Congress, OPA can pay food subsidies at a rate of $137 million a month beginning Aug. 21 and ending April 1. This rate compares with an average monthly rate of $148 million paid in the last fiscal year on food subsidies in effect on June 30. Eliminating the dried fruit and coffee subsidies, the funds available will pay all other food subsidies at the full rates in effect June 30.

Those rates will reduce milk prices 2 to 3 cents a quart, bread prices 1 cent a loaf, butter prices 10 cents a pound, margarine 4 cents a pound and canned tomatoes 2 cents a can. These are commodities on which subsidies will provide most valuable aid to low-income families who are being rapidly rationed out of the market by rising prices. In addition, we can have savings of 6 to 12 cents a pound on beef cuts, 6 to 8 cents on pork, and some reduction on other dairy products, bakery goods, fats, canned goods, meats and sugar.

In view of this ample coverage, there is no need for OPA to "taper off" in its subsidy payments with a view to effecting a painless transition on April 1. Selection of that particular date by Congress for eliminating subsidies and increasing food prices need not be taken as a signal to OPA to so handle its subsidy payments as to conceal from the public the fact that food prices will be increased, and sharply, by the exhaustion of the funds which Congress has provided.

I stress the importance of subsidies because they affect commodities which hit workers' pocket books hardest. As I have already stated, events since the passage of the new OPA bill have not lent us any encouragement. Within a day after the new bill was passed by Congress, a flood of price increases and decontrol orders was issued. They were in the mill when OPA expired on June 30, and held back until the new bill was signed by the President. These price increases and decontrol orders continue in a steady flow day after day. All types of materials are affected by the price increase orders. A great many of the items are purchased each day by consumers and workers and such increases in work gloves, rubber footwear, kitchenware, chinaware (inexpensive), men's shirts, shorts, and pajamas, men's outerware, shoes, etc. have a direct bearing on their cost of living.

Under the new bill two types of price increases are being given. First, those because of the elimination, or contemplated partial elimination of subsidy payments. Examples of this are the increases granted for flour, $1.11 per hundred in the East and $1.26 in the West. As a result of this increase the basic price of America's most staple commodities were raised. bread, rolls, biscuits, crackers and cookies were all affected.

Elimination of subsidy payments also resulted in price increases being announced for canned corn, peas, tomatoes, and tomato products. These commodities are on the kitchen table of our housewives at almost every meal. Similar increases are being prepared and will be issued soon depending on whether the Decontrol Board decides to re-apply subsidy payments.

"Special Privilege" Price Increases

The second type of price increase being approved by OPA affects groups of commodities that special privilege Senators and Congressmen looked out for during the debate on the OPA Bill. An amendment dealing with cotton provided that all current prices of commodities manufactured from cotton must reflect the market price of raw cotton. Raw cotton being uncontrolled jumped during July to 36¢ a pound. OPA has granted increases in cotton textiles at the mill level which will result in a six to 8% increase in retail prices of cotton apparel and an increase of approximately 17% in household linens. Some of these items whose price increase will vary between 15 and 25% are bed linens, cotton blankets, yarn, denim, cotton duck, gingham, flannel, towels, etc. If the price of cotton rises any higher, additional increases will have to be granted, says the OPA. The cotton textile industry is already pressuring the OPA for further increases because they claim the increases just granted are not sufficient.

Other special privilege groups will also get increases as a result of Senate amendments to the bill. Senator Wherry's amendment on retail and wholesale margins will permit increases on automobiles, stoves, refrigerators, washing machines and similar household commodities just as soon as the OPA can get around to it. The magnitude of some of these price changes will be quite large, automobiles in the neighborhood of $100 to $125.

Already OPA has granted price increases for farm implements and spare parts because of an amendment to the extension bill sponsored by Senator Fulbright. These revised Taft amendments will result in further increases to commodities which affect the consumer's cost of living.

Profits and Savings

Current inflationary trends cannot be discussed without some facts on profits and dividend payments as they relate to income and savings. The Department of Commerce reports that over-all corporate profits for 1946 will be equal to any previous year. Reports for the second quarter of 1946, according to the National City Bank, shows profits that are "almost double that of the preceding quarter, and 12% higher than in the second quarter of 1945." This tabulation covers almost 300 corporations. Some corporations faced with reconversion problems and inadequate supply of materials did not show increases in profits. But there is every indication that as production approaches full capacity corporations will make 1946 their best profit year. Some corporations showing slight losses for the first two quarters of 1946, transferred funds from their reserves which were set aside during the war years. Out of these funds dividends have been paid to stockholders.

The Department of Commerce reported that in April, cash dividends paid by corporations were almost 10% higher than in the same month in 1945, for the three month period ending in April of 1946, dividends were 5% higher than for the corresponding period last year. During this three month period in 1946 wage demands were being made upon these same corporations. Some didn't operate for a month or more. When they started operations, wages were increased but it appears, sufficient has been left over to increase dividend payments above the highly satisfactory level of 1945.

While profits soar and dividends increase, reports from the Federal Reserve Board show income and savings of workers to be at relatively low levels. 47% of our American families in 1945 had incomes of less than $2,000. This group of our population, all propaganda to the contrary, had only 11% of the savings. Put still another way, the top 50% of our families in 1945 saved 97% of all savings. This leaves the lowest 50% with only 3% of the savings and the very lowest 30% had no savings whatsoever. A good many of this latter group had to go into debt because their income was insufficient to meet expenditures.

Effect on Price Rises on Labor

The plain fact is that the great majority of American workers have no reserves to draw upon, and spiralling prices will slash their living standards.

Although it rejected the view that wage increases are inflationary, labor nevertheless accepted and participated in the wage stabilization program in the belief, and upon official assurance, that the remainder of the economy would be stabilized. President Truman, in laying down the wage-price policy had stated:

"Increases outside and beyond this general policy cannot be approved without subjecting the workers and the public to the danger of inflation. It is to the best advantage of the American worker, above all other groups, that the price line be held."

In the collective bargaining agreements concluded by labor organizations during the early months of this year, labor accepted amounts which fell short of the drastic cuts in earnings which American workers had suffered since the war. In the interests of a stabilized economy labor acceded to official pleas for extended contract terms so that today wage levels in major segments of industry have been fixed by contract for periods ranging well into 1947. Accompanying these agreements and these commitments was the pledge and assurance of the present Administration that the price line would be held.

The program of discouraging wage increases which was written into the wage-price policy of February 1946 and the severity in the administration of the order on the wage side is illustrated by the figures dealing with workers' earings. Despite the steady streams of propaganda and hysterical charges about runaway wage increases, conservative government estimates show that gross weekly earnings (take-home pay) for all employees in manufacturing industry are now approximately 8.5% below what they were in April 1945. This means that the average employee-consumer earned $47.12 a week in April 1945 and in June 1946 only $43.10, a loss of $4.02. Add to this cut in money earnings the rise in the cost of living, and you find an overall cut of 18% in factory workers' real earnings since April 1945.

The wild charges of those who insist that there is a runaway wage movement should not be permitted to obscure the basic tragic facts. The figures in industry after industry show that gross weekly earnings have sharply declined despite wage increases. Thus, in the automobile industry, despite an increase of 18 cents an hour, gross weekly earnings in May 1946 had decreased by 15% since April 1946.

Even these figures do not tell the entire story. It must be borne in mind also that the May, 1946, average work week of 39.8 hours remains higher than the 37.7 average work week of 1939 and the 39-hour work week of January, 1941. Instead of even permitting a restoration of take-home pay through free collective bargaining the Administration's wage-price program resulted in cutting wage adjustments to a level far below warime take-home pay.

It now appears that in addition to the loss of earnings suffered by millions of American workers under the Administration stabilization program further wage cuts may be imposed upon them in the form of increased prices on food and other consumer goods which absorb the bulk of their income. In other words, labor is being squeezed between rising prices and shrinking earnings. Frankly, gentlemen, I think you will agree that this state of affairs cannot persist.

The ever-widening chasm which separates the real wages of the American worker from the paper wage adjustments embodied in contracts cannot be bridged by theories or abstractions. American workers caught in a desperate squeeze created by unchecked profiteering look to their government for some form of prompt and effective action. If this action is not taken to protect the living standards of the American people, the stage will be set for a new depression.

Reasons for OPA Price Increases

(Continued from page 1011)

for certain kinds of cotton clothing. And when announcements like these are followed up with price hikes for such things as washing machines, gas and electric ranges, radios, vacuum cleaners and small household appliances—the whole thing's bound to seem discouraging. But I think we'll all be glad—a little later on —that the Congress did insert this 30-day deadline in the act.

We're running into quite a lot of the unpleasantness all at once, it's true. But the sooner we adjust ourselves realistically to that, the sooner we'll be able to get on with the main business at hand—which always has been and still is keeping the whole economy on an even keel.

Ever since this new act became law, I've maintained that this job can be done. The recent price increases, unpopular and even a little frightening as I know they are, haven't altered that belief. I've told you before that the law under which we are now controlling prices is far from a perfect law. But it is, to my mind, a far better law than the earlier bill the President vetoed.

I said, right after the passage of the new act, that all of us at OPA were determined to accept it as our marching orders. I said I thought Americans everywhere should accept those orders—and do their utmost to support the law which Congress gave us. I promised you then that we at OPA would move as rapidly as possible to carry out the mandates of that law.

And that is exactly what we have been doing. We have been doing our best to get the necessary price adjustments over with as fast as possible, before the 30-day deadline date expires. That's why they've been crowding one another—in the headlines of your newspapers and over your radios —in the last few days. And if you've read your papers carefully, or listened to your radios, you probably know these price adjustments weren't discretionary with us at OPA. Congress told us to make them. And Congress gave us very definite standards and instructions to follow when we made them.

Retail Discounts

For instance, Congress gave us this very explicit instruction. It said that where a commodity had been 75% out of production during the war—and where the commodity was the major item sold by a retail industry—full peacetime retail discounts or mark-ups must be allowed that industry by the OPA. When you apply these definite Congressional standards you come up with some equally definite results. Translating the language of the act in terms of the only product to which we found it applied, it was plain that an average of 7.3% increase in the retail selling price of new passenger automobiles would be necessary.

There wasn't any question about it. We were not told to exercise discretion in the matter. It made no difference whether we thought automobile dealers were entitled to this increase or not. Congress had told us that the dealers were to get increases—and exactly how we should go about making these increases. Congress gave us a mathematical chore to perform. We went through very much the same sort of process before we announced the price increases to resellers of electric ranges, washing mcahines, small electrical appliances and a number of other reconversion products. Only here it was another definite instruction from the Congress that was being obeyed.

Some time ago the OPA granted increases to the manufacturers of these various reconversion articles. At the time we granted these manufacturers' increases, wholesalers and retailers were required, under the old law, to absorb some or all of the increases. Under the old law, they were not, for the most part, passed on to you by the stores. The new law changes that. It says that no cost absorbtion not in effect before March 31, this year, can be required now.

Here again, it was a case of a Congressional mandate, and some mathematics on our part. We had to compute the amounts that some resellers of reconversion goods had been absorbing—and give them those amounts as price increases. That was the law.

So now these price increases have been made. But there's at least this consolation. With the exception of household mechanical refrigerators—for which pricing adjustments will shortly be announced—OPA is now up-to-date on pricing actions required in the consumer durable goods field.

And it perhaps will help a little if you remember this. Price adjustments will not be needed, for instance, on furniture, floor coverings, lamps, some types of bedding and luggage—for the simple reason that OPA has not been requiring any cost absorption by resellers on these articles since March 31. And where the increases do apply, your storekeeper won't begin to charge the high prices until he himself has recevied shipments ticketed by his manufacturer with the new legal prices.

Let me repeat again. These new price increases have been made in strict accordance with requirements of the Price Control Act. We haven't made them because we wanted to, or because we had any choice in the matter. We've simply carried out the letter of the law. And we haven't changed our policy, which is to establish ceiling prics on the basis of requirements of the law—or for bona fide reasons of supply. In carrying out Congressional requirements we shall continue to provide you with the utmost protection that is possible under the law.

No Uncontrolled Inflation

Do you remember a full page picture that appeared in "Life" a few weeks ago? It showed a close-up of a gutter in some European country — Hungary, I believe. Moving into the picture was a street cleaner's broom, and right in the path of it was a piece of paper money. No one was bothering to pick that money up. That's what you call an uncontrolled inflation. I know that the recent legal and well-controlled price increases we have had to make in this country have a number of you alarmed. Certainly no one likes these price increases. But at least there is a vast difference between these legal, controlled price increases and the kind that would come if all the rules were off, and uncontrolled inflation suddenly began to take over.

A price increase for washing machines of 7% is bad enough. But it doesn't take much imagination to guess where prices would go if they were permitted to seek their own level—especially in today's market—with demand what it is and supplies as limited as they are.

I believe this country, with the support of all groups, can control inflation. As the President said in his message to Congress at the time he signed the present Act, there is "sound basis for the hope that (an inflationary) spiral can be prevented." The President declared that the new bill offers enough of a prospect of success in this fight against inflation to warrant a wholehearted effort on the part of everyone. But we've got to act and think as if we ourselves believed that the goal of a sound economy with full production can be achieved.

I know there is a tendency on the part of some to treat the recent mandatory price increases as though they were the first act in some brand new melodrama of rising prices—or as if they were pinwheels announcing a lot of inflationary fireworks just about to explode. It's only natural, I suppose, that these mandatory price increases should have been given a good deal of publicity. But sometimes, just to balance the ledger, I think we at OPA ought to get up a press release which could be good for issuance nearly every day. The release would simply say, "Today the OPA did not raise prices."

There is little, if any, public knowledge of OPA's resistance to price increases. The shoe is always on the other foot. But we are constantly resisting pressures to raise prices. Somebody wants us to grant an increase every day, and several times a day. But our policy, as I've said, is to make only those price adjustments that are plainly required by law, or by the plain evidence of incontrovertible fact.

Much of my talk this week has been devoted to an explanation of price increases required under the terms of the present price control Act—and which Congress told us should be made insofar as possible within 30 days from the passage of the law. I think we've just about reached the end of these mandatory price increases. We've probably done the basic job for automobiles. Mandatory price increases for 20 classes of reconversion goods have been announced. And I expect within a few days we shall announce whatever price increases are required for refrigerators. These increases loom big when you get them all at once. But let's keep our perspective — and our thinking — straight.

Vast Areas of Unchanged Prices

There are still vast areas where no price increases have been granted. Nearly one half of the foods you buy are still under OPA controls. The Rent Control Program has been preserved intact. For areas in which about 97 million people live, the rents for living quarters are, as a general rule, no more than they were on June 30, 1946. And, as I told you last week, production, in many fields, is rapidly approaching or passing all previous peacetime records. As production rises, unit costs of producing various commodities are bound to decrease and make the job of controlling ceiling prices on those commodities that much easier. In a time of expanding peacetime production a weaker price control bill can do the job that only a strong Act could before.

That fact is borne out by another sign of the times. One of the major inflationary pressures, the money the government has been borrowing for its wartime program of deficit spending, should steadily grow less and less as the national budget comes closer and closer into balance, now that the urgent needs of war are over.

For these and other reasons, I can't help being a little impatient when I hear some people say that the price control battle has already been lost.

As sharply as I can I want to deny that this is so. In no sense has the battle been lost, and it can be won. But in order to win the fight we need first of all clear public understanding of a few basic facts. We need to realize that 4% increase in the price of electric irons is not surrender to the forces of inflation. All that it means is that we are giving distributors—the people who resell these articles— the additional increment Congress decided they should have. An increase of 7% for automobiles, on the average, is not inflation. What that increase means is merely that the OPA has moved with dispatch to give the dealers the extra profit Congress decreed that they should have.

As I told you last week, I think it's inevitable that there'll be some rise in the cost of living above the level of last June. I don't know what the Price Decontrol Board is going to do in the matter of foods which the Congress specifically exempted from control. In any case the amount of money that can be paid out as food subsidies, in the event of restoration of some food controls, has been drastically reduced. Reduction or elimination of subsidies is bound to result in price adjustment for some foods. The probable effect of a special amendment affecting textile and clothing prices has already been announced. The one hope here, as in so many other fields, is that increased production will begin to operate before too long to bring the average cost of clothing down.

Have Met Inflation Crisis

Looking back over the progress of our fight against inflation during the past four and a half years, I think it can safely be said that we have passed from one crisis to another. We have lived on a diet of crises—and I, for one, am as tired of them as you are. But I'm afraid we aren't through with them yet. There's still a lot of difficult terrain that must be travelled before we can come out on high, safe ground.

You people yourselves are going to have to pitch in and help, just as you did so wonderfully during the war. The country needs people who are willing to help the local Price Control Boards in their efforts to help the merchants check legal ceiling prices in the stores. I hope you will volunteer your services—and in your own day-to-day transactions do everything possible to see that the necessary atmosphere of compliance with the regulations is obtained. Wherever compliance by itself doesn't do the job, OPA is planning rigorous enforcement measures to keep price and rent violations down.

And finally, the great need is for forbearance—and cooperation —on the part of all of us—farmers, businessmen, workers, professional people and consumers everywhere. With everyone working together, and practicing individual restraint for the good of all, I think there's a good chance that the cost of living increases which will be required from now on out can at least be held to manageable proportions.

I pledge you again, that we at OPA shall do what we can, under the terms of the present law, to keep increases down. And I know you can count on the help of other agencies in the government's stabilization team. But the best and surest guarantee of America's success—in this fight against inflation—will come from 140 million Americans themselves.

If we all do our level best to make the program work—and if we stick at it—we simply cannot fail.

No Benefit From Low Interest Rate

(Continued from first page)

Indeed, the politicians who emphasize the low cost of interest on the public debt resulting from the low interest rate do not seem to realize some very practical matters affecting the average run of citizens. In the first place we are all affected by higher prices; only some of us enjoy increased wages. And under present tax laws a very large percentage of us pay so little in taxes, if anything, that the so-called saving by virtue of the low interest rate on government bonds makes little or no difference. In other words the cost at the price spigot is much greater than the saving at the interest bung.

In the second place public officials frequently assert that the low interest rate reduces the cost of mortgages resulting in savings to home owners and renters of housing by the saving in interest on the mortgage; but the mortgage interest is only a fraction of the increased cost of housing. This results from high prices and wages flowing from the increased money supply, due in turn to the low interest rate. It really is not of much interest to the buyer or builder of a home that he can save 1% on his mortgage interest when he is paying twice as much for the home as it would have cost in 1940. The housing situation is not helped much by the fact that the interest on the money borrowed to produce housing is 1% less when the cost of the housing is at least 40% more.

For example, an apartment house which cost $1,000,000 before the war was mortgaged for $650,000 of 4½% or $29,250 annually. Presently the same house would cost $1,300,000 and the mortgage interest on an $850,000 mortgage might be as low as 3½% or $29,750 annually.

The saving in the interest rate on the mortgage is obviously of no real value to the owner or tenant who has to pay the additional costs of material and labor, all of which result from the low interest rate. You get a lower interest rate, but you pay more interest.

Treasury officials have frequently declared that they intend to preserve the current low interest rates and have explained that in saving in interest cost on the public debt and private borrowing is of great benefit to citizens generally. Notwithstanding the respect due to the authors of these statements, there is no fairer appraisal of them than to say that they are nonsense. There is only one way to maintain the low interest rates and that is to continue and expand the existing excess supply of money.

There are four times as many dollars available in the country as there were a few years ago. Each one of them must necessarily be of less value. The average citizen is finding this out every day in every way. Not only do these excess dollars boost prices, but they constitute the ever present gravest danger of runaway inflation. Hungary did not reach her present pitiful financial position because of the lack of price control. She came to it naturally and promptly as the result of an excess of circulating paper called money but not having the enduring values which money ought to have.

Peter P. McDermott & Co. To Admit John McDonald

Peter P. McDermott & Co., 65 Broadway, New York City, members of the New York Stock Exchange, will admit John J. McDonald to partnership in the firm on Sept. 3.

Anglo-Swiss Monetary Agreement

(Continued from page 1016)

(b) if the balance standing to the credit of the Bank of England's No. 1 Account with the National Bank of Switzerland amounts to 86,750,000 Swiss francs against gold to be set aside in the Bank of England's name at the National Bank of Switzerland, Berne.

(2) The National Bank of Switzerland (acting as agents of the Swiss Government) shall sell Swiss francs to the Bank of England (acting as agents of the United Kingdom Government) as may be required for payments which residents of the sterling area, under the exchange regulations in force in that area, are permitted to make to residents of Switzerland—

(a) against sterling to be credited at the official rate to the National Bank of Switzerland's No. 1 Account with the Bank of England, provided that the balance standing to the credit of that account is not thereby increased above a maximum of £5 million, plus such additional sum as may be determined by the contracting governments in the light of the estimated balance of payments between the sterling area and Switzerland, or

(b) if the balance standing in the credit of the National Bank of Switzerland's No. 1 account with the Bank of England amounts to £5 million, plus the additional sum referred to in subparagraph (a) above, against gold to be set aside in the name of the National Bank of Switzerland at the Bank of England, London.

(3) The National Bank of Switzerland shall at all times maintain on their No. 1 Account with the Bank of England a minimum balance, the amount of which shall be determined in agreement with the Bank of England.

(4) The Bank of England shall at all times maintain on their No. 1 Account with the National Bank of Switzerland a minimum balance, the amount of which shall be determined in agreement with the National Bank of Switzerland.

Article 3

(1) The Bank of England shall have the right at any time to sell to the National Bank of Switzerland against all or part of the sterling balances held by that bank, either Swiss francs at the official rate or gold to be set aside at the Bank of England in London.

2. The National Bank of Switzerland shall have the right at any time to sell to the Bank of England, against all or part of the Swiss franc balances held by that bank, either sterling at the official rate or gold to be set aside at the National Bank of Switzerland in Berne.

Article 4

(1) Gold set aside in Berne in accordance with the provisions of Articles 2 and 3 of this agreement shall be at the Bank of England's free disposal and may be exported.

(2) Gold set aside in London in accordance with the provisions of Articles 2 and 3 of this agreement shall be at the National Bank of Switzerland's free disposal and may be exported.

Article 5

(1) Subject to the provisions of Article 2 of this agreement, the Government of the United Kingdom shall not restrict the availability of sterling at the disposal of residents of Switzerland for making—

(a) transfers to other residents of Switzerland;

(b) payments to residents of sterling area; or

(c) transfers to residents of countries outside Switzerland and the sterling area to the extent to which these may be authorized by the Government of the United Kingdom under the arrangements contemplated in Article 9 (3) hereof.

(2) Subject to the provisions of Article 2 of this agreement, the Swiss Government shall not restrict the availability of Swiss francs at the disposal of residents of the sterling area for making—

(a) transfers to other residents of the sterling area;

(b) payments to residents of Switzerland; or

(c) transfers to residents of countries outside the sterling area and Switzerland to the extent to which these may be authorized by the Swiss Government under the arrangements contemplated in Article 9 (3) hereof.

Article 6

To the extent to which the National Bank of Switzerland requires sterling area currencies, other than sterling, for the purpose of providing for payments in the countries which such currencies are legal tender, the National Bank of Switzerland shall purchase them through the Bank of England against payment in sterling.

Article 7

The two Contracting Governments shall cooperate with a view to assisting each other in keeping capital transactions within the scope of their respective policies, and in particular with a view to preventing transfers between the sterling area and Switzerland which do not serve direct and useful economic or commercial purposes.

Article 8

Any sterling held by the National Bank of Switzerland shall be held and invested only as may be agreed by the Bank of England, and any Swiss francs held by the Bank of England shall be held and invested only as may be agreed by the National Bank of Switzerland.

Article 9

(1) If the two Contracting Governments adhere to a general international monetary agreement or if either government changes its monetary policy in such a way that the provisions of the present agreement would be affected, the two governments shall review the agreement with a view to making any amendments that may be required. In any event, they agree to meet for the purpose of making such a review not later than 12 months after the date of the coming into force of the present agreement.

(2) While the present agreement remains in force the Contracting Governments shall cooperate to apply it with the necessary flexibility according to circumstances. The Bank of England and the National Bank of Switzerland, as agents of their respective governments, will maintain contact on all technical questions arising out of the agreement.

(3) As opportunity offers, the Contracting Governments shall seek with the consent of the other interested parties—

(a) to make Swiss francs at the disposal of residents of the sterling area and sterling at the disposal of residents of Switzerland available for payments of a current nature to residents of countries outside the sterling area and Switzerland; and

(b) to enable residents of countries outside the sterling area and Switzerland to use sterling at their disposal to make payments of a current nature to residents of Switzerland, and to use Swiss francs at their disposal to make payments of a current nature to residents of the sterling area.

(4) Notwithstanding that each of the Contracting Governments shall be alone responsible for its monetary relations with third parties, they shall maintain contact wherever the monetary relations of the one offect the interests of the other.

Article 10

(1) For the purpose of the present agreement the expression "the sterling area" shall have the meaning from time to time assigned to it by the exchange control regulations in force in the United Kingdom; and the expression "Switzerland" shall mean the Swiss Confederation and the Principality of Liechtenstein.

(2) Transactions between the Bank of England and the National Bank of Switzerland are to be considered as transactions between the sterling area and Switzerland.

(3) Transactions entered into by the government of any territory within the sterling area or by the Swiss Government are to be considered as transactions entered into by a resident of that area or of Switzerland, respectively.

Article 11

The present agreement, which shall be subject to review and adjustment after mutual consultation, shall come into force on the day of its signature. At any time thereafter either Contracting Government may give notice to the other of its intention to terminate the agreement and the agreement shall cease to have effect three months after the date of such notice. It shall terminate three years after the date of its coming into force, unless the Contracting Governments agree otherwise.

In witness whereof, the undersigned, being duly authorized by their respective governments, have signed the present agreement and have affixed thereto their seals.

Done in duplicate in London, this 12th day of March, 1946, in English and French, both texts being equally authoritative.

(L.S.) ERNEST BEVIN
(L.S.) PAUL RUEGGER

Hospital Bill Signed

In spite of provisions which he said "I consider objectionable," President Truman on Aug. 13 signed legislation setting up a $1,125,000,000 five-year hospital construction program. Authorizing the Government to pay one-third of the cost of building or equipping new hospitals, the Government's share of the aggregate to be $375,000,000 and the sponsors the remaining $750,000,000, the measure, Mr. Truman declared, "lays a groundwork for providing more and better medical care for the people of our country." Sponsors under the program, Associated Press Washington advices stated, may be state, city or other public governmental agencies or private non-profit hospitals. It is added that states will share in the fund on the basis of their needs, which will be ascertained through the ratio their per capita income bears to the national average. Other factors bearing on the determination of need will be population and value of products.

Economic and Transportation Trends

(Continued from page 1020)

stopped growing," the committee observes at the outset. "The most persistent and most significant element of the counry's history has been economic and social progress, resulting in a standard of living which, despite wars, depressions and natural disasters has constantly risen. . . .

"It is not likely that long-term economic upward trends of the past will be wholly reversed, but they may be interrupted, by failure to solve the problems of inflation on the one hand and postwar unemployment on the other. The most serious interruption that might develop would result from inability to so adjust cost-price relationships as not to weaken the spirit of private enterprise, the vital force behind this country's progress. . . .

"Throughout American history, transportation development has kept pace with, and even outrun, the increase in population, the settlement of unoccupied lands, and the growth of agricultural and industrial production. This is one of the foundation stones of progress in the United States.

"The war strikingly demonstrated the essentiality of the railroads. They are no less essential in times of peace, not only as service agents of agriculture and industry, but also as potential arms of national preparedness."

Nevertheless, the committee points out, "many uncertainties lie ahead of the railroads"—not only the uncertainties which face all industry, and the "special questions which transportation must resolve," but particular problems of railroads which "involve competition, public aids to competing forms of transportation, and quality of treatment as to regulation, investment, and taxation."

With "more nearly equal public treatment of all forms of transportation," the committee concludes, "traffic would find its proper levels, and flow naturally and almost inevitably to that agency of transport offering the most satisfactory service at the lowest real cost.

"If this be done, progressive and aggressive railroads will obtain their due proportion of the total traffic, and will continue to play their indispensable part, as private enterprises, in meeting the transportation needs of the nation. . . . Under such conditions, the railroad industry can be assured of investment of private capital necessary to supply the type of effective rail transportation service which, as the war has so strikingly demonstrated, is an economic 'must' in the public interest, both now and in the years to come."

Railroad Prospects

Considering broadly the general economic background against which transportation and railroad prospects must be considered, the committee develops an approximate index of productive output of the country as a whole in the next few years, taking 1940 production as 100. It next translates these production prospects into total ton-miles of freight handled by all agencies of transport. These two indexes are as follows:

Year	Production Index	Ton-mile Index
1940	100.0	100.0
1947	111.9	117.5
1948	118.6	124.5
1949	123.7	129.9
1950	127.2	133.6

The committee then calculates the total ton-mileage of freight, in billions, corresponding to its ton-mile index. Having in mind the special uncertainties facing railroads, the committee also estimates the railroad proportion of the total freight traffic. These calculations are as follows:

Year	All-Agency Ton-Miles (Billions)	Railroad Proportion (Percent)	Railroad Ton-Miles (Billions)
1940	607	62	378
1947	713	65	463
1948	756	64	484
1949	788	63	496
1950	811	62	503

This prospective total ton-mileage of traffic for the railroads, the committee points out, is below the record totals of the war years, when railroads were handling more than two-thirds of a much larger total traffic, but is somewhat greater than the prewar peak of 453 billion ton-miles reached in 1929. The annual average for the years 1947-50, some 486½ billion ton-miles, is not far from the 481 billion of 1941.

Passenger traffic prospects for the same years are estimated by the committee as follows:

Year	All-Agency Passenger-Miles (Billions)	Railroad Proportion (Percent)	Railroad Passenger-Miles (Billions)
1940	38.7	62	23.8
1947	80.0	62	50.0
1948	65.0	61	40.0
1949	60.0	60	36.0
1950	58.0	60	35.0

This prospective total of railroad passenger traffic is much below that of the war years, or even the prewar peak attained in 1920, but is greater than in any year from 1927 to 1941, and greater than the 1941 level of 29½ billion passenger-miles.

The committee couples its estimates of railroad traffic for the years 1947 to 1950 with the warning that they are necessarily speculative in character, and subject to a considerable margin of error, perhaps as much as 10% on the side of either over-or-underestimate.

From its analysis of railroad traffic prospects, the committee concludes that, on the basis of freight rates and passenger fares in effect at the beginning of 1946, the aggregate annual operating revenue of the railroads in 1950 would be no more than $6 billion.

"Total operating revenues of $6 billion per year," the committee observes, "with existing wage rates, prices of material, and rates of taxation, would probably meet operating costs, taxes, interest, and other charges. It would not, however, leave a margin sufficient to maintain railroad credit at levels that would be to the best interest of railroad progress or of the public in general."

This calculation, it will be noted, was made on the basis of operating conditions as of the end of the year 1945, and takes no account of increases in wages and prices already made in 1946, nor of future increases. These increases sharpen the point of the committee's concluding statement that "the problem confronting the railroads is either to increase their traffic to greater volumes than here suggested, or to institute further substantial economies in operation, or to raise their own prices for services rendered."

NAM Head Praises Truman Economy Order

Robert R. Wason, President of the National Association of Manufacturers, made a statement on Aug. 2 in which he expressed gratification of the directive issued by President Truman to Federal departments and agencies to reduce expenditures as a means of combating inflation. "In using the words, 'one of the most effective means' of reducing inflationary pressures 'is to reduce Federal expenditures,'" Mr. Wason declared, according to advices to the New York "Times," "the President now forcefully, and we hope effectively, has come to grips with what NAM and other organizations have been emphasizing for months."

The Pathology of Inflation

(Continued from page 1008)

Treasury in 1937, and the raising of member bank required reserves from 13% to 26%, in order to save us from an anticipated inflation, and which, instead, threw us back into the depths of the depression, will not be forgotten. It leaves us with the feeling that neither the Treasury nor the Federal Reserve Board yet know enough about inflation to be trusted with remedial measures in which the cure may turn out to be worse than the disease.

The belief among economists that an excess of money available for the purchase of scarce goods is the cause of inflation is well-nigh universal. The belief probably has its origin in the fact that an inflation of prices often followed a large influx of gold from other countries, such, for instance, as that which was brought to Spain from Mexico in the 16th century, and that which followed the introduction of the cyanide process for the extraction of gold from low-grade ores. In most cases of this kind, however, inflation of prices is due to the increase of industrial activity brought about by the arrival of much-needed money. Under such conditions it was the competition for skilled workers and the higher costs of production due to the hiring of unskilled men that brought about the inflation of prices.

Without money and the credit based upon it there can be no exchanges, except those of common barter. A plethora of money and credit, however, cannot, of itself, raise prices; it can increase business and industrial activity, but without raising wages and profit per unit of work it cannot raise prices.

It is essential that the supply of money, including its velocity or frequency of exchange, and that embraces bank credit, should be ample for all exchanges. Any money in excess of that amount can not enter into circulation; it can only lie inert as required reserve and excess reserves, in the Federal Reserve Banks, earning no interest. **Regardless of what is on every tongue at the present time to the contrary, excess money does not produce inflation.** The sooner that specter, as regards its inflationary proclivity, is laid, the sooner will banking, and, indeed, the political economy of nations, be freed from an incubus that has shackled them for many generations.

Then, what is it that produces inflation? To produce inflation money must have entered into circulation. But there is only one way in which money can enter into circulation and that way is through "the wages group of costs," or, if we interpret wages as we should, through "wages."

Primarily the word "wages" applies to the remuneration of an employee. Wages, however, may properly be considered as a generic term, and we may adopt the meaning attached to it in early times. Towards the end of the dark ages Wyclif said "The wagis of synne is deth," and, later, wages signified "a payment for the use or possession of property."

Capital expenditures may all be reduced to terms of wages. The so-called employee exchanges his services and perhaps the use of his tools for the capital of an employer, paid out as wages. The employee expends his wages—his capital, on such things as food, clothing, education, recreation, and rent for housing, etc., that is, for sustenance, which, as raw material, is transformed into energy and experience. He may also invest a certain amount in tools, etc. The unexpended balance is profit. But the wages received by the employee are merely a return of his revolving capital.

It is much the same in the case of the employer. The exchange of a manufactured product for money is a return of the revolving capital of the manufacturer. It is, indeed, his wages, and it is equivalent to all the costs of manufacturing, including profit. It includes the raw material that has entered into his product, and that raw material in turn has cost wages and profit of another producer. It includes interest on borrowed money, which is just wages paid to a lender for the use of his money. Taxes are wages paid, e. g. to the government or other authority for general services which they supply. Rents are wages for the use of land and property. Profits are part of the wages for the use of capital, mental and physical. Depreciation and similar charges are included in revolving capital as wages for the wearing-out of property which must be replaced. The consumer of the manufactured product is, it may be said, paying wages for the use of, or the loss of, the manufacturer's fixed capital.

Every expense connected with the conduct of any productive business, including the production of all raw material, may, therefore, be represented by wages, or collectively by "the wages group of costs." As every expense connected with the production and distribution of anything is included in the selling price, it follows that, provided the product has not been sold below cost, wages and prices must be the same. If the cost of production remains the same and the price rises, it can be due only to increased profit; but profit is wages, and, therefore, prices and wages are still the same.

During the recent General Motors Corporation strike, it was asserted by the strikers that a 30% rise in wages would raise the price of a car by a very much smaller percentage. It is apparent that no allowance was made for a correspondingly large increase in the wages which would in justice have to be paid to the workers producing the raw material. If this were done, only that small part of the cost of raw materials which is under the heading of interest and rent and which would probably not be raised, could be counted upon to give a lower price, and as the cost of the finished product is made-up of wages, the raised price of the car would be the same as the raised wages with a deduction of interest, etc., which was not raised and which would be comparatively insignificant. Enough has been said to show that wages and prices are exactly the same except when a product is sold under cost.

The accepted but nevertheless fallacious economic principle that a rise in prices precedes a rise in wages, except under special circumstances, has demoralized the relations between capital and labor for a long time, for labor unions are not slow in using this argument to their advantage in their constant endeavor to raise wages. That raised wages can not be otherwise than concurrent with a rise in prices is evident when we distinguish between wages and wages-rates; it is very simple if we add "per unit of work." If a workman does half the amount of work for the same wage, the price will certainly rise above the wages-rate. If we, however, take the total wages for a given amount of work, wages—not wages-rates—will be the same as prices. The misunderstanding has been due to defective reasoning ability on the part of statisticians.

Wages are paid to a worker for a certain output of work. If he fails to deliver that output, the cost of production at once rises and the employer must either suffer the loss due to the worker's inexperience and inefficiency or raise the price. In boom times, when employment is good, there is great competition for workers. Inefficient men who are normally out of work are employed at standard wages, and as they are inefficient the cost of production must rise. To save himself from loss the employer must raise the price of the product. And so price rises have the appearance of preceding wage rises. But price rises do not precede wage rates per unit of work done. They are exactly concurrent if other factors remain the same.

From what has already been said, it follows that money can enter into circulation in only one way—through the wages group of costs, that is, through wages, and, further, that prices are the equivalent of wages. No matter how much excess money may be available for circulation it cannot enter either of these except in one way—that is wages.

Inflation of prices is brought about in two ways: (1) by competition for scarce goods at a time when there is plenty of money with which to buy them; (2) by raising wages. The first implies that wages have not been raised and therefore the increase in prices must have been caused by giving a higher profit to the producer. The second type, brought about by rising wages, is much more dangerous than the first. Indeed, other things remaining the same, the first type can raise prices only in as far as it raises profits, and if profits are taken as an equivalent of wages, spiraling inflation can be produced only in that proportion represented by profit to total wages. It is not a dangerous type, for as the price of a commodity rises it issues an invitation to other producers to compete in the market, and as production grows prices, if not interfered with by other agencies, will fall. Inflation brought about by rising wages is, on the other hand, very dangerous; it is the primary cause of spiraling inflation.

Hitherto no distinction has been made between these two types of inflation. The remedy or preventive which has been in use, tentatively, for many years applies only indirectly to either of them and is more applicable to the innocuous type than to the more dangerous type. The preventive favored by the Board of the Federal Reserve System is that of limiting the amount of money capable of being placed in circulation. This precautionary remedy is aimed at the effect rather than the cause; it is suicidal inasmuch as it obstructs both industry and commerce so much that they cannot survive the ordeal. The cure is not in the hands of the Federal Reserve Board. The cause is rising wages, and the cure, and with it the welfare of the United States, should lie in the hands of the Congress.

It is not difficult to understand how spiraling inflation takes place. Wages and the cost of production are the same thing. Aggregate wages and aggregate prices rise equally. Every penny paid as wages becomes prices. The price of a finished article is the same as the wages used in making the raw material added to the wages expended in finishing the article, provided neither of them is sold under cost. If the price of the article is then raised, it means that the amount of profit has been raised, but profit is wages of the manufacturer.

If the profit of a manufacturer has been raised, let us say $10,000, it is paid by the purchasers, and it lowers their standard of living by that amount, for if the wages of the purchasers are not also raised they will buy that much less of other goods, thus disemploying workers who would have made that amount of goods, until they can find other employment. It is quite likely that the profiteer may furnish that employment in utilizing his profits in further production, but as the disemployed workers were not his employees, such employment would probably be not only in a distant locality but of a different kind and quite unsuited to the disemployed workers.

It will be evident that if one class of worker receives higher wages for the same amount of work, the increment is paid first by the purchaser of that work and then, in addition to that, through his having been deprived of that amount of purchasing power, the employment of others and still others will be unbalanced. The standard of living of those who receive higher wages rises at the expense of others whose standard is lowered.

But those whose standard of living is lowered are not going to submit tamely. They are not long in demanding higher wages in order that they also may lead their previous more abundant life. That, however, only makes matters worse, for aggregate prices must rise by exactly the increased amount of their wages. And so is begun the ascent of the conical spiral of inflation which only the most heroic measures can stop. When aggregate wages double, it takes $2 to buy that which previously cost $1; a $25 war bond at maturity will buy only half that amount of commodities.

In 1945 the gold backing of the dollar was reduced from 40% to 25%, and the "required reserve" against deposits in the Federal Reserve member banks was also reduced from 35% to 25% in order to provide more money; so we are really ascending the vicious inflation spiral, and the higher we go the faster we go—in geometrical progression. If it continues, the gold and other backing of the dollar will become insignificant and the mad whirl will continue until, near the end, it is limited only by the speed at which the printing presses can turn out fiat paper money.

With the data we now have before us, what can we do? Our hope hangs upon our systematized knowledge of the causes of inflation. Armed with that knowledge it should not be beyond us to find a remedy. During the war, prices have been held down by ceilings, but wages have been forced up. Under such conditions the production of the goods limited by ceilings cannot continue, for as soon as profit ceases production will come to a stop. It is held by some that in time, with greater production and greater productivity per man, prices will come down. That, however, is more than we have a right to expect, until we have some evidence of greater productivity.

Certain classes of workers have selfishly forced up wages at the expense of similarly skilled and able workers whose wages have not been raised. It would, therefore, be unfair to freeze all wages at the present level. In common decency and justice the best plan would be to raise the wages of all those whose wages have not already been raised, let us suggest 20%, and freeze all other wages and profits. Strikes would have to be banned under a heavy penalty. Prices would rise to the level of wages, but it would stop the inflation spiral.

It may be asked: well, why not let all prices rise? The answer is that our prices are finally fixed by the action of other economic forces. If we allow our prices to rise we must pay for it with a period of depression. It is also not sufficiently realized in the United States that we are so dependent on our exports for full employment that we cannot allow our costs to advance to the point at which our competitive prices are beyond the reach of foreign buyers.

It is imperative that our prices, or to use another word, our wages, must be kept low, for the reason that in our highly mechanized American industry one worker produces more in the aggregate than one worker and his dependents can consume. The prosperity of our country thus depends upon the exportation, small as it is, of the surplus production. If our wages, that is our price, is higher than that of our foreign competitors, or if the importer is too poverty-stricken to pay the price, our workers, who produced the surplus, will be disemployed, and that disemployment will to a certain extent be cumulative.

Wages in terms of gold and unit productivity must not be greater than those of other competing countries, especially those for export; otherwise our exports will have to be sustained by subsidies at the expense of domestic production. The cry that has served so long, that higher wages enable us to buy more of the goods we produce, is absurd when we realize that wages and prices are synonymous. We should, indeed, be just as well off with wages of $1 a day and correspondingly low prices as we would be with $10 a day, except that if our prices in terms of gold are lower than those of our competitors we should have to pay more for our imports, and to that small extent both wages and prices would have to be raised to maintain the same standard of living.

If we are to maintain our predominance among the nations, the distribution of rewards for work must take first place. Wages of any kind must not be raised without knowing the source from which the increase is to come. Disregard of this principle has already lowered the standard of living of those groups whose wages have not been raised and, naturally, they also demand higher wages for the same amount of work to restore that standard. That, however, reduces the new standard of those whose wages were first raised and the demand for more wages continues. Wages double and double, and the value of money (wages) halves and halves. Money becomes too scarce for the demand, and if that demand is not met disastrous unemployment will follow. And so it may go on until our war bonds—the hundreds of billions of dollars we spent in prosecuting the war become valueless and are wiped out.

The limitation of wages strike at the principle of collective bargaining. But why should we have collective bargaining and, indeed, why should we have labor unions? The conservation of the rights of labor is a function of the Congress. The members of Congress are delegating a burdensome, troublesome duty to labor leaders who are now beyond their control and whose living depends upon their ability to force ever higher wages, selfishly, at the expense of every other class. However much these leaders may be convinced that their claims are honest and equitable, it cannot be denied that they have unwittingly placed us on the conical inflation spiral which, unless stopped with drastic measures at once, will be beyond our control and will lead us to an appalling disaster.

Decontrol Board Reports

(Continued from page 1011)
against the tragedy of inflation," he asserted, adding:

"We hope that labor leaders will use wisely their new-found power, restraining any impulse to get theirs while the getting is good—while the country is hungry for the things our factories are now turning out at record rate.

"We hope that industry and farmers will use wisely their increasing freedom from controls, restraining any impulse to obtain more than a fair profit or to withhold goods in the hope for more profit.

"And we hope that consumers will use wisely their vastly increased purchasing power, restraining any impulse to buy more than each really needs.

"We hope that labor will restrain any impulse to advance its interests against the interests of the country."

The text of the Board's decision, as reported by the Associated Press follows:

DETERMINATIONS OF PRICE DECONTROL BOARD

The Price Control Extension Act of 1946 was approved by the President on July 25. It extended the Emergency Price Control Act of 1942, which had expired on June 30, 1946. In extending the Emergency Price Control Act and reviving regulations and orders thereunder, the Price Control Extension Act left certain food and feed commodities free from price controls.

It provided that the question of whether price controls should or should not be re-established for these commodities should be determined by an independent agency, the Price Decontrol Board, on or before Aug. 20, 1946, in accordance with certain standards set forth in the act.

The Price Decontrol Board has made its determinations in this matter and has filed with the Federal Register its directive containing these determinations. The purpose of this statement is to set forth the reasons which governed the board in reaching such determinations.

The determinations of the board and the reasons therefor were arrived at unanimously and this statement is the joint expression of opinion of the three board members.

A. STATUTORY PROVISIONS

Paragraph 1A (E) (8) was inserted into Title 1 of the Emergency Price Control Act of 1942, by the Price Control Extension Act of 1946. Subparagraph (A) in this paragraph provides that no regulations under the Emergency Price Control Act of 1942 or under the Stabilization Act of 1942 shall be applicable prior to Aug. 21, 1946, to the agricultural commodities, food and feed products listed in Subparagraph (A).

Subparagraph (B) requires the Price Decontrol Board to direct any of these commodities shall remain free from price controls after Aug. 20, 1946, unless it finds all of the following conditions to exist:

(I) That the price of such commodity has risen unreasonably above a price equal to the lawful maximum price in effect on June 30, 1946, plus the amount per unit of any subsidy payable with respect thereto as of June 20, 1946, and

(II) That such commodity is in short supply and that its regulation is practicable and enforceable, and

(III) That the public interest will be served by such regulation. Any commodity which continues free from regulation by virtue of a direction of the board issued on or before Aug. 20 may at any subsequent time, be returned to control by direction of the board if the board finds the necessary conditions to exist. Paragraph 9 of Subsection 1A (E) empowers the Price Decontrol Board to determine whether any subsidy is to be re-established in whole or in part for any of the commodities listed in Subparagraph (8) (A).

These statutory provisions are set forth in Footnote 1 below.

B. INFORMATION AVAILABLE TO THE BOARD

Subparagraph (B), quoted above, provides that the board shall make its determination "after due notice of a public hearing and full opportunity for representatives of affected industries and consumers to present their views orally or in writing."

The board issued and released its notice of public hearing on Aug. 2, 1946. The notice provided that the public hearing would start on Aug. 12, 1946, and would be in four main parts, as follows:

I (A) Grains for which standards have been established under the United States Grain Standards Act, as amended. These grains are: wheat, corn, rye, barley, oats, grain sorghums, flax seed, mixed grain. Aug. 12, '46.

(B) Livestock feed, or poultry feed, processed, or manufactured in whole, or in substantial part, from these grains.

II Livestock and food, or feed products, processed, or manufactured in whole, or in substantial part, from livestock. Aug. 13, '46.

III Cottonseed and soybeans, and food, or feed products, processed, or manufactured in whole, or in substantial part, frmo cottonseed and soybeans. Aug. 14, '46.

IV. Milk, and food or feed products, processed or manufactured in whole, or in substantial part, from milk. Aug. 15, '46.

The notice provided that all interested persons and groups, including representatives of affected industries and representatives of consumers, would be given an opportunity to present views and economic or other data by filing written statements, and supplementary statements by way of rebuttal. The board received a total of 104 written statements.

Oral presentations were made at the hearing by all the organizations and groups that requested time to be heard. In addition, in time available on each day, the board invited members of the public who were not scheduled to be heard to present their views. One hundred and eleven persons appeared before the board and made oral presentations, representing in the aggregate a greater number of organizations.

The record of this hearing is available for inspection at the office of the board and consists of the written statements filed and the transcript of the oral presentations.

Views were heard from various sources: representatives of affected industries, including producers and processors of raw commodities, wholesale distributors and retailers, state officials, representatives of labor unions and consumers' representatives.

The board, in addition, received data and facts from various agencies of the United States Government, including the Department of State, the Department of Agriculture, the Department of Labor and the Office of Price Administration.

C. COMMODITIES

The statute directs the board to determine whether "any commodity listed in Subparagraph (A)" shall continue free from regulation. The board is well aware that the term commodity may be given a wide variety of meanings. The Congress, in considering various decontrol amendments offered during the course of enacting the Price Control Extension Act, treated broad groups of commodities as a single commodity. Subparagraph (A) lists similar broad groups and the board has assumed that the Congress expected that it generally would consider each group listed as a single commodity.

The board's treatment of each of these groups as a single commodity for purposes of this Aug. 20 determination of recontrol or decontrol gives recognition to the close interrelationship of sources of supply, prices, and uses between the different elements in each group. Moreover, the board has deemed it impracticable to undertake any extensive and separate examination into the numerous individual elements which exist within each commodity group.

For these reasons the board has generally treated each of the groups listed in the statute as a single commodity. This decision, however, did not preclude the board from giving consideration to a separate commodity within any group where facts sharply differentiated the commodity from the remainder of the group and where considerations compelling different and separable treatment for the commodity were brought to the board's attention.

For instance, in the case of grains, the board has treated flaxseed and by-product feeds as separate from the remainder of the grain group. In this instance, conditions of supply, prices and specialized use made it necessary for the board to give to flaxseed and by-product feeds separate consideration.

D. GRAINS

This commodity group is defined as "grains for which standards have been established under the United States Uniform Grain Standards Act, as amended, or any livestock or poultry feed processed or manufactured in while or substantial part therefrom." The grains included under this definition are wheat, rye, corn, oats, feed oats, mixed feed oats, barley, grain sorghums, and flaxseed (soybeans were included with cottonseed in a separate commodity group). The major processed products included are carbohydrate feeds and by-product protien feeds.

As already indicated the board has considered flaxseed and the by-product feeds separate from other grains and whole grain feeds in this group.

The board has determined that flaxseed and the by-product feeds processed in whole or substantial part from grains in this group shall be subject to price controls. No subsidies were in effect on June 29, 1946, with respect to flaxseed and by-product feeds, and none have been prescribed by the board.

The board has directed that wheat, rye, corn, oats, feed oats, mixed feed oats, barley and grain sorghums, and any livestock or poultry fee processed or manufactured entirely from any one or more of these whole grains shall not be regulated.

1. The grains other than flaxseed.

The board has directed that the grains and grain feeds listed in the preceding paragraph remain free from price control because it has failed to find that the public interest would be served by their regulation. It reasons are threefold.

First, the estimated supply of these grains after the harvest of the current record corn and wheat crops appears to be adequate to meet the estimated demand. If these estimates prove correct, these grains would be removed from price controls shortly after harvest, as being no longer in short supply. (See Footnote 2.)

The Department of Agriculture presently estimates the domestic supply of corn this year at approximately 3,671,000,000 bushels, 50,000,000 bushels more than were available for the previous record season of 1942-43, and 620,000,000 bushels better than the 1937-41 average. Taking the four feed grains—corn, oats, barley and sorghum grains, the department estimates a total supply of 140,800,000 tons, almost equal to the previous record year, 1942 and 16,800,000 tons better than the 1938-1942 average. With an indicated decrease of 5% in the number of grain-consuming animal units this year from the previous year, the Department expects the supply of feed per animal unit during the coming year to be 8% larger than last year.

This estimate of prospective long supply is corroborated by the price behavior of the commodity markets. For example: The price of furtes for corn, oats and barley for December delivery has dropped below the June 30 ceiling prices.

The same considerations apply, to a lesser degree, in the case of wheat and rye. Wheat, accounting, as it does for over 95% of the total annual tonnage of these two food grains, is the determining factor. With wheat, as in the case of corn, the country has in prospect an all-time record crop of 1,160,000,000 bushels. Despite this record crop, because the carry-over from the last season will be the lowest since 1937, the total supply is lower than last year.

However, the Department of Agriculture estimates that this supply will adequately meet our domestic food and feed requirements, the Government's export program as presently formulated, and will, in addition, permit an increase toward a more normal carry-over available for next year. In view of these estimates, the board anticipates that the size of the current crop coupled with current estimates of demand would very shortly lead to the removal of ceilings under the statute.

Second, the maximum prices that may be established for these grains are required by law to be at least as great as parity prices. Recent increases in the index of prices paid by farmers, which governs the determination of parity prices, have raised the legal minimum at which price ceilings could be established for wheat. Similar increases would have to be made in the ceilings on some of the other grains under consideration.

Third, though the prices of these food and feed grains rose sharply and to unreasonable levels upon their release from controls in July, since early August and with the approaching harvest season prices have been returning rapidly to more reasonable levels. The following example will illustrate this trend for No. 2 hard winter wheat at Kansas City.

June 30 Ceiling	Highest Price July	Recent Quotation	New Ceiling
$1.88½	$2.23	$2.01	$1.97

In view of these three considerations, the board has been unable to find that resumption of these controls will serve the public interest. It is to be noted, however, that should the board's expectations as to price trends, or as to the adequacy of the current crop prove to be in error, the board is authorized on its own initiative to reconsider its determination and to direct recontrol in accordance with subparagraph (C).

2. Flaxseed and by-product feeds.

With respect to flaxseed and by-product feeds, the conclusion that prices have risen unreasonably since June 30, 1946, that the supply is short, that regulation is enforceable and practicable and will serve the public interest is substantiated by information obtained at the hearings. Thus, prices for linseed meal have increased as much as 57%, and prices for gluten fed have increased as much as 25%, over June 30, 1946, ceiling prices. The need for continued regulation is evident to avoid unbridled bidding for the very limited current stocks.

The conditions dictating recontrol of by-product feeds are elaborated in the section of this opinion devoted to cottonseed and soybeans. To implement the board's decision that protein feeds be recontrolled, it is essential that mixtures of feeds which contain these by-product feeds be likewise subject to regulation. Otherwise proteins would readily escape controls by being mixed with the carbohydrate grain feeds which the board has directed shall continue free from regulation. In addition, the same factors which make soybean and cottonseed feed products eligible for recontrol apply with equal force to the by-product feeds which fall within this grain group.

E. LIVESTOCK AND FOOD OR FEED PRODUCTS

This commodity is defined as "livestock or food or feed products processed or manufactured in whole or substantial part from livestock." The principal products are beef, veal, pork, lamb mutton, and a great variety of processed meats, fats, and feed products.

The board has determined that this commodity shall be subject to price control and that subsidies in effect prior to June 30 shall be re-established.

In the public interest there are compelling reasons leading to the conclusion that unreasonable prices in meat should be avoided.

Meat, according to the Bureau of Labor Statistics, accounts for 19% of the food budget of the moderate income family. Maintaining price levels of meat low enough to provide an adequate proportion of the total meat supply to workers in low-income brackets is important to attain full productivity.

The board found that meat prices have risen unreasonably above June 30 ceilings plus subsidy. Reports of these unreasonable price increases were received by the board from a wide variety of sources.

The reported price advances ranged, in the case of livestock, from 20% to 50%, in the case of wholesale meat prices, from 35% to 80%, and corresponding increases have been reported in the case of retail meat prices. A part of these increases is attributable to the lapse of subsidies. However, for the most part prices reported were beyond question unreasonably above ceilings, plus subsidies.

The board has found that the supply of meat has been and will continue to be short in relation to demand at reasonable prices. It is estimated that production of meat will be somewhat smaller than in the comparable period last year. It is well known that consumer demand has far exceeded meat supplies over the last several years.

Got Many Opinions on Meat

The board received many statements regarding the enforceability and practicability of meat price regulations. These statements disclosed the failures that have occurred in the past, particularly during periods of extreme short supply or uncertainty with respect to the continuance of price controls.

Nevertheless, it appears that the Government has at hand adequate techniques to enforce these regulations, including the overriding ceilings on cattle. It has available slaughter controls which can be used to channel livestock into markets that comply with the regulations. It has available a subsidy program which is helpful to bring about compliance.

The board has been informed that the Office of Price Administration has laid plans to enlarge its staff and the scope of its enforcement program. The board has concluded, accordingly, that these regulations are practicable and enforceable.

The board has authorized the re-establishment of the subsidies that were in effect on this commodity on June 29, 1946, subject to the limitation that, on or before Jan. 10, 1947, the subsidy for the remaining period will be reduced by one-half from the amount that would otherwise be payable. This reduction will provide the consumer with a more gradual transition to the removal of the entire subsidy on April 1, 1947, required by the statute.

F. COTTONSEED AND SOYBEANS AND PRODUCTS

This commodity group is defined as "cottonseed or soybeans or food or feed products processed or manufactured in whole or substantial part from cottonseed or soybeans." The principal products included are edible oils and protein feeds.

The board has determined that maximum prices regulation shall be re-established over this commodity group, and over mixed grains consisting in substantial part of soybeans There are no subsidies involved.

The price of this commodity has risen unreasonably above the lawful maximum price in effect on June 30, 1946. The prices of soybeans, soybean meal and soybean oil have risen substantially above June 30 ceilings, the oil as much as 40% and the meal as much as 55%.

Cottonseed was not subject to a ceiling on June 30, but cottonseed oil increased in the neighborhood of 25% above June 30 ceilings. The same and higher proportionate increases have occurred since June 30 in the oilseed cake and meal products. No substantial decline has occurred.

Supply of these cotonseed and soybean products is extremely short. These products are closely inter-related with other vegetable and animal fats. For most purposes these oils and fats are used interchangeably. The shortness of supply of the cottonseed and soybean oil products must be measured in terms of the country's over-all supply of and demand for related fats and oils.

Requirements Top Supplies

The country's present requirements for fats and oils far exceed its supplies. As a consequence, fats and oils are still under Government allocation. The inadequacy of the country's supply of fats and oils, the efforts to enlarge this supply, and the Government's steps to preserve available supplies, even to the point of stopping all export for famine relief after Dec. 31, 1946, are well known and do not need elaboration.

The same is largely true of cottonseed and soybean meal cake and millfeed products. The protein feed products derived from cottonseed and soybeans generally serve the same purposes as that served by protein feeds derived from other vegetable and from animal sources. The products are again inter-related with the other protein feed products and their supply must be judged in the light of the country's total protein feed supply.

Protein feed supplies are short. Most recent estimates of the Department of Agriculture are that supplies available this year will be less than last year. The shortness of supply throughout the last season is well known and compels the conclusion that supplies for the current season will continue well below demand.

Maintenance of stable prices in this commodity is in the public interest and regulation is practicable and enforceable.

Controls have been successfully maintained since 1943. In addition to the separate importance of oils derived from these products their control is an integral part of, and nessary to, the control of other fats and oils, because cottonseed and soybean oils in their processed stage are indistinguishable from any other oil products. For these reasons the board is convinced that their continued regulation will serve the public interest.

G. MILK AND DAIRY PRODUCTS

This group includes milk and feed or feed products processed or manufactured in whole or substantial part from milk. The principal products are fluid milk, butter, cheese and ice cream. There are, however, many other milk-food and feed products which are of substantial importance to the economy.

The board has determined that this group shall continue free from regulation after Aug. 20.

The Department of Agriculture anticipates that milk will be in short supply even though the demand be somewhat reduced by price increases. The industry's estimates of demand and the Department of Agriculture's production goals over the past few years, as well as estimates for the coming year, have all exceeded the total available supply. In view of these facts, the board has concluded that the supply of milk and milk products will fall short of demand, at least until the approach of the next flush season.

Status of Milk Controls

Regulation of milk and its products is enforceable and practicable. Both State and Federal controls have been applied to this commodity group with effective results, and, in the case of State controls, for many years.

The board has found some instances in which prices of milk and milk products since June 30 have exceeded the June 30 ceilings plus the July subsidy. In most of these cases, the excess has been small. In some cases the excess was unreasonable. The information received to date, however, seems to evidence restraint and to show that, in general, prices have been in the neighborhood of the June 30 ceiling, plus the subsidy. Therefore, the board has failed to find that the price has risen unreasonably above the June 30 ceiling plus subsidy.

However, the board is convinced that the public interest requires that undue price increases of this commodity be avoided.

The board has directed that milk and milk products shall continue free of control. However, it intends to watch prices of milk and milk products, it has arranged to receive additional reports on price developments since June 30, 1946, and it will reconsider its present determination if evidence appears that price increases since June 30 are unreasonable.

Issued this 20th day of August, 1946.

ROY L. THOMPSON, Chairman.
GEORGE H. MEAD
DANIEL W. BELL.

Footnotes

Footnote 1:

Emergency Price Control Act of 1942, as amended. Sections 1a (e) (8) & 9:

8 (A) No maximum prices and no regulation or order under this act or the Stabilization Act of 1942, as amended shall be applicable prior to Aug. 21, 1946, with respect to livestock, milk, or food or feed products processed or manufactured in whole or substantial part from livestock or milk; with respect to cottonseed or soybeans, or food or feed products processed or manufactured in whole or substantial part from cottonseed or soy beans; with respect to grains for which standards have been established under the United States Grain Standards Act, as amended, or any livestock or poultry feed processed or manufactured in whole or substantial part therefrom.

(B) The Price Decontrol Board shall proceed forthwith to consider whether the commodities listed in subparagraph (a) shall continue, after Aug. 20, 1946, to be free from regulation under this act and the Stabilization Act of 1942, as amended. Such board, after due notice of a public hearing and full opportunity for representatives of affected industries and consumers to present their views orally or in writing, shall have power to determine whether or not any commodity listed in subparagraph (a) shall be regulated after Aug. 20, 1946, under this act and the Stabilization Act of 1942, as amended. Such board shall direct that any such commodity shall not be so regulated unless it finds:

(I) That the price of such commodity has risen unreasonably above a price equal to the lawful maximum price in effect on June 30, 1946, plus the amount per unit of any subsidy payable with respect thereto as of June 29, 1946 and

(II) That such commodity is in short supply and that its regulation is practicable and enforceable, and

(III) That the public interest will be served by such regulation.

If in the case of any commodity listed in subparagraph (a) such board fails to direct, on or before Aug. 20, 1946, that such commodity shall not be regulated under this act and the Stabilization Act of 1942, as amended, maximum prices and regulations and orders under act shall be applicable with respect to such commodity without regard to this paragraph (8).

(C) If in the case of any commodity listed in subparagraph (a) such board, on or before Aug. 20, 1946, does direct that such commodity shall not be regulated under such acts, the board may at any subsequent time direct that such commodity shall be so regulated if it finds:

(I) That the price of such commodity has risen unreasonably above a price equal to the lawful maximum price in effect on June 30, 1946, plus the amount per unit of any subsidy payable with respect thereto as of June 29, 1946, and

(II) That such commodity is in short supply and that its regulation is practicable and enforceable: and

(III) That the public interest will be served by such regulations.

Thereafter, the provisions of such acts and regulations and orders thereunder snall be applicable with respect to such commodity without regard to this paragraph (8).

(D) In the case of milk, the board may consider and determine decontrol or recontrol on a regional basis.

(9) The Price Decontrol Board shall also have the power to determine, when maximum prices are in effect with respect to any commodity listed in paragraph (8) (a), whether any subsidy or any part thereof in effect prior to June 30, 1946, shall be re-established in whole or in part; and the powers of the Administrator, the Commodity Credit Corporation, and the Reconstruction Finance Corporation to pay subsidies in connection with such commodity shall be limited in accordance with any order of the board.

Footnote 2:

Paragraph (1) of Subsection 1A (C) of the Emergency Price Control Act of 1942 reads:

Agricultural Commodities — (1) On the first day of the first calendar month, which begins more than 30 days after the date of enactment of this section, Secretary of Agriculture shall cer- Secretary of Agriculutre shall certify to the Price Administrator each agricultural commodity which such Secretary determines to be in short suply. Thereafter, on the first day of each succeeding calendar month the Secretary shall certify modifications of such certification by adding other agricultural commodities which have become in short supply and by removing from such certification such commodities which he determines are no longer in short supply. No maximum price shall be applicable with respect to any agricultural commodity during any calendar month which begins more than 30 days after date of enactment of this section, unless such commodity is certified to the Price Administrator under this paragraph as being in short supply.

Price Declines and Stock Prices: Babson

(Continued from first page)

tions in which every reader of this column should be interested.

What Happened After World War I

Following World War I, commodity prices in general climbed from an index average of 260 at the time of the Armistice in 1919 to a high of 337 in the summer of 1920. From that date, they began to fall constantly each month for a year, so that in August, 1921, they had gone off 183 and were down to 154. This was less than half their price in August, 1920. From this low, they slowly recovered to 215 in the spring of 1923, after which they again slowly declined with seasonal and other fluctuations to a low of 94 in February, 1933.

From this low they cimbed to 166 in April, 1937; again fell throughout 1938 and 1939. From this point, they gradually cimbed upward until they again reached 166 in May, 1941. By government controls, the price index level was kept down to about 200 until peace came in 1945. In a general way, fish followed the same cycle with certain variations depending upon how much labor was needed for processing, canning or freezing the fish after it left the boat. Let me now return to my first statement that an important event has happened here at Gloucester, namely, there has been a big break in the boat price of fish.

Fish As a Barometer

Here are the facts — Before World War I, the best barometers of the fish market were cod— both fresh and salt cod. These sold at around $2.50 and $5.00 respectively at that time. During World War I, the prices strengthened and reached a high of $3.75 and $7.75 respectively in 1918. Then came a break and the prices fell to $2.75 and $5.00 respectively in 1919. They rose again with general prices and then fell off, with ups-and-downs, to a low of $1.50 and $3.50 in 1922, although they did not reach their lowest prices until 1932. From then on fish gradually increased until last month.

About 10 years ago, a new fish became the bellwether. In Gloucester, it is known as "red fish"; but after it is filleted and frozen and reaches the city where this column is published it is known by various names, such as "sea perch," "rose fish" or "white fillets." In 1935, this red fish sold for one cent a pound at the wharf. When World War II broke, it was selling at about two cents. From this figure, it climbed to nearly seven and one-half cents. **The price has now suddenly broken** to three and one-half cents — a decline of about 50%.

What About Cattle and Cotton?

But here is the important point which every reader should note: Following World War I, fish was one of the first important commodities to break in price. It was followed by cattle, hogs, cotton, etc. Shoes, shirts and other manufactured goods fell a year later. As fish led the procession upward before World Wars I and II, and led the procession downward following World War I, the question is whether other commodities are to follow fish again now? If so, this event which is happening in Gloucester should be watched by wholesale buyers of all commodities. If fish is again to be a leader, then cattle and cotton will tumble within a year; while shoes and textiles will tumble within two years.

Because commodity prices begin to decline there is no reason for now being bearish on the stock market. Commodity prices declined almost continuously from 1923 through 1932 while the stock market went up almost continuously from 1923 to 1929. Hence, I am still bullish on well-selected stocks.

Blames Hide Shortage on OPA

(Continued from page 1010)

an average of around 5¢ a pound over the old OPA ceiling. It is estimated in the industry that during this free market only 900,000 hides were sold, or less than one half month's need of hides, which would indicate that the present shortage is due almost entirely to lack of supplies of hides in this country.

"This shortage could be corrected with a few months by importation but hides in the world's market are selling at 10¢ to 15¢ a pound over the OPA ceiling. Therefore, for the next few months the industry has only two choices—a very low production of shoes and leather at the present OPA ceiling price or adequate production at a price high enough to get a sufficient supply of hides from foreign countries.

"There is some expectation of a heavy kill of cattle between now and Oct. 1, but even though this happens it will not correct the shortage existing at the present time, as these hides will not be cured, shipped, and available for use by the tanners until about 60 days after the animal has been killed.

"Practically every one in the shoe and leather industry has for four years been in favor of price control in hides and leather. The only thing that has brought about a change in this opinion is that while rapidly rising hide prices are distasteful to the industry, it would be still more distasteful to go through several months of greatly reduced production, bringing about a shortage of shoes and lack of employment in all branches of the industry."

Rep. Gallagher Dies

Representative William J. Gallagher, Minnesota Democratic-Farmer Labor Congressman, died on August 13. He had been seriously ill since August 11, when he was taken to the Mayo Clinic in Rochester, Minn. from Minneapolis. It was stated by Associated Press advices from Rochester on August 13, which also said:

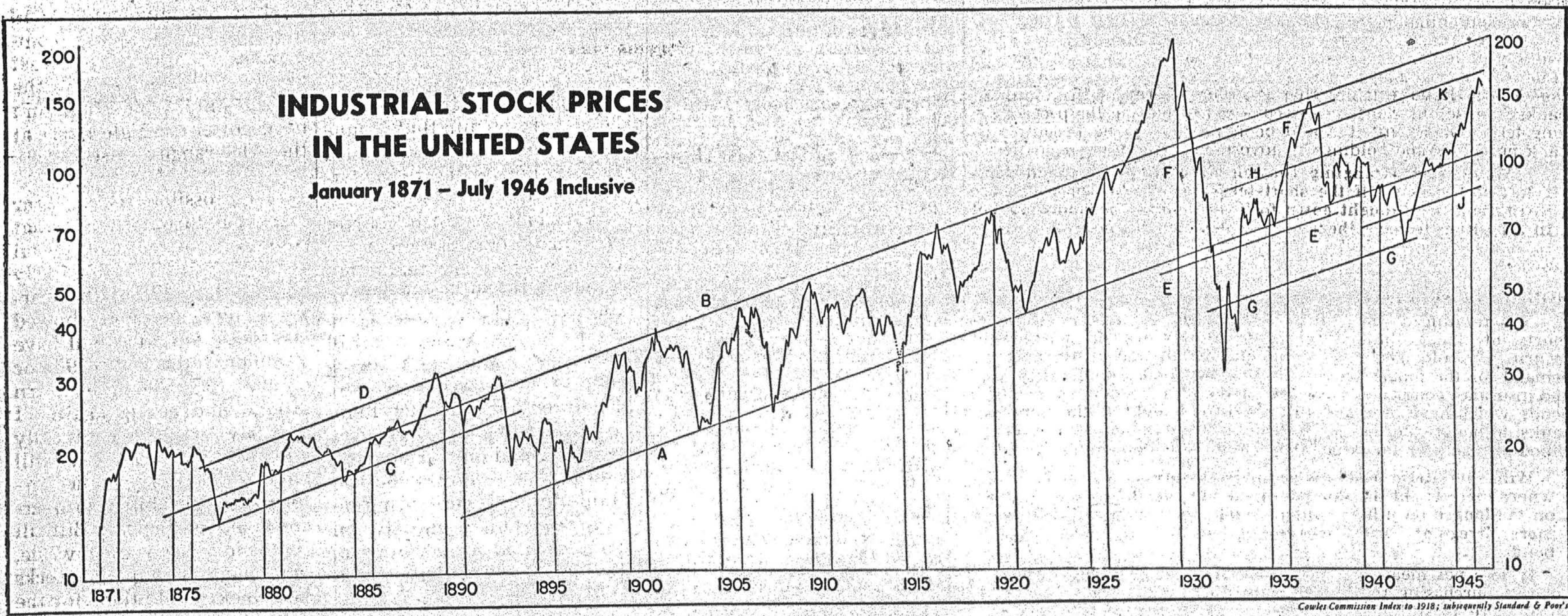
"He had been in failing health for some weeks, but had delayed having a thorough physical check-up until after Congress had adjourned.

"Mr. Gallagher, a former Minneapolis street sweeper, in retirement on a city pension of $24.48 a month, sprang into national attention in 1944 when he won election to Congress from Minnesota's Third district over Representative Richard P. Gale, Republican, who was serving his second term. In the Minnesota primary election last month, Mr. Gallagher won renomination.

Stewart Hall, Inc., in N. Y.

Stewart Hall, Inc., is engaging in the securities business from offices at 10 Mitchell Place, New York City.

Industrial Stock Price Trends Since 1870



Cowles Commission Index to 1918; subsequently Standard & Poor's.

(Continued from page 1009)

A line,[1] that the low of 1907 falls a little below that line, and the low of 1914 (so far as Stock Exchange data go) appreciably above that line. But we know from the New Street market that prices were much lower in the 1914 period of suspension than they were when the Exchange closed or when it reopened. Whether the market's low—if the index had been calculated on New Street prices—would have fallen above or below the A line I do not know. I have arbitrarily placed it—see dotted line—*on* the A line.

Two highs (1901 and 1916) fall a little above the B line, and two other highs (1906 and 1909) a little below that line. In no instance is the deviation from that line as great as 5%.

The 1927 Break-Out

Early in 1927 the index broke violently out of the band in which it had been moving since 1892. I have treated this break-out as a complete failure to follow the pattern laid down — not as data that should be considered in deciding what that pattern was. In other words, I have treated it as the physical scientists handle the problem of "the huge error." And the abnormality of the 1927-1929 movement is later confirmed on the chart by the extent of the succeeding decline.

But where shall we place the lines after 1932? The movements of other economic series extending over much longer periods than that available in this study suggest that, after each major economic collapse, such as 1873-77, 1893-96, and 1929-32, lines and bands of this type, when resumed, are resumed at lower levels. But how much lower? I answered this question tentatively after noticing that, since 1932, the market has acted as though it were going through a series of "damped vibrations." I hazarded the guess that it might be described accordingly.

Assuming that, after 1932, the tendency would be to work back into and possibly a little beyond a band of the width of the 1892-1927 A and B band, whose upper level would be (on a logarithmic scale) exactly as much below the 1929 top at the time as its lower level was above the 1932 bottom at that time, I put in the lower line E and the upper line F. The recovery from 1932 reached, in 1937, a very small percentage above the corresponding point on the upper (F) line. The line F had placed the top in 1937.

But the rise from the low of 1932 to the high of 1937 was, of course, once again much greater than would be contained within the width of an 1892-1927 A-B band. I, therefore, repeated the operation to see how closely the next low of the market would approach the lower line (G) of two lines G and H whose distance apart was the same as that of the A and B lines and of which G was as much above the low of 1932 at that time as H was below the high of 1937 at that time. The low of 1942 fell virtually on this line G.

The Recent High

But, though the vibrations were "dampening" rapidly, the decline from the high of 1937 to the low of 1942 was still appreciably greater than it would have been if it had been working between two lines with the slope and distance apart of the lines A and B. I, therefore, repeated the operation, placing the lines J and K with the A and B distance apart and with the lower line (J) as much above the 1942 low at that time as the upper line K was below the 1937 high at that time. If the market were to follow this "damped vibration" hypothesis, I should expect to see a top somewhere in the region of the K line. The industrial index has reached to within less than 3% of this K line and has shown some slight evidences of hesitation. Will it turn down here on the "damped vibrations" hypothesis as it turned down in 1937 and up in 1942, or will it break through the K line on the upside, as the market broke the B line in 1927, and stage a miniature—or a full-sized—1929?

I shall leave these questions to the reader.

1 The stocks included in the Cowles Commission Industrial Stock Price Index are, in the early years, few in number and, even as a group, hardly representative of American industry as a whole. For example, as late as January 1886—fifteen years after the first month of the Cowles index—there are only eleven stocks in that index. Of the corporations represented, four were coal companies, one was a quicksilver mining company, and the remaining six were transportation companies—Adams Express Co., American Express Co., United States Express Co., Wells Fargo and Co., Pullman Palace Car Co., and Oregon Improvement Co.

By August 1896 (a month to which I have tied one of the trend lines) the number of stocks in the industrial index is still small—only twenty-two. But these twenty-two are, as a group, much more representative of industry as a whole than were the eleven stocks of 1886. Two of the four coal company stocks of the 1886 list have been dropped from the index, but thirteen new stocks have been introduced—American Cotton Oil Trust, American Sugar Refining Co., American Tobacco Co., Colorado Coal and Iron Development Co., Colorado Fuel and Iron Corp., General Electric Co., Illinois Steel Co., Minnesota Iron Ore Co., National Lead Co., National Linseed Oil Co., Standard Rope and Twine Co., Tennessee Coal Iron and Railroad Co., and United States Leather Co.

After 1896, the number of stocks in the index increases rapidly. By January 1900, there are thirty-eight; and they are, as a group, of a still more representative character.

June Dividend Payments

Publicly reported dividend payments by corporations in the United States continued at a high level during June, totaling $497,600,000, the Department of Commerce announced on August 14. Payments during June of this year were only 1.5% below the record June total of $505,900,000 paid a year ago, the Department of Commerce said. The Department's advices further said:

"For the three-month period ending June 30, 1946, corporate dividends totaled $970,000,000, an increase of 3.8% from the same period a year ago when dividends totaled $934,600,000. Sharpest rise in dividend payments for the three-month period ending June 30, 1946, as compared with the same period a year ago, was a 19% increase by corporations engaged in trade.

"Next best showing was by the railroad group, up 17%. This increase was largely due to a dividend declaration by a large company that paid no dividends in the same period of 1945, and to an initial distribution by a company that made no declaration in 1945. Dividends paid by mining corporations during the April-May-June period of this year were 12% larger than during the same period a year ago; payments by corporations in the miscellaneous group were up 10%; finance group, up 7%, and heat, light and power and communications groups, each up about 3%."

"Our Reporter on Governments"

By JOHN T. CHIPPENDALE, JR.

The government securities markets continue dull and listless, with a somewhat declining tendency as investors and traders remain on the sidelines. . . . Although prices have given some ground, volume has been very light and the thinness of the market, together with the quoting down of prices, is largely responsible for the recession rather than the pressure of securities seeking liquidation. . . . It is the opinion of most followers of the market that a sizable order to buy or sell securities at this time would have a marked effect on prices, because of the thinness of the market. . . .

Despite the lack of interest in government securities at this time, it is not expected that prices will move too far in either direction, although a good trading market is still looked for. . . . It is believed in some quarters that the adjustments that are taking place in the corporate bond market, as prices move down to bring them more in line with governments, may be a contributing factor to the lack of action in the Treasury market. . . .

ALL MARKETS HEAVY

Likewise, the municipal bond market is under some uncertainty as it is believed that there is some liquidation yet to come in these securities, in order to clean up issues that have not moved out as readily as had been expected. . . . With the technical position of the government, corporate and municipal markets, under somewhat of a cloud of uncertainty, it is not believed that there will be any need to chase prices up in order to acquire securities, until some of the situations overhanging these markets have been cleared up. . . .

GOVERNMENT DEPOSITS DIMINISHING

The decline in government deposits, with the member banks, since the end of the Victory Loan, has been substantial and the continued redemption of bankheld securities by the Treasury indicates that these deposits will be pretty well liquidated in the not too distant future. . . . It is hoped in most quarters of the financial district that the Treasury will accelerate the retirement of bank-owned certificates so that these institutions will not be in a position to dispose of short-term issues in order to acquire longer maturities of government obligations. . . . The latest redemption of $2 billion of the September certificates indicates this is what the Treasury is going to do. . . .

It is also believed by some that the government, in order to hasten the demonetization of the public debt, may be in the market with a new issue of restricted bonds sooner than is expected. . . .

DEPOSIT CHANGES

Government deposits with the reporting member banks on Aug. 14, 1946, amounted to $6,678,000,000, compared with holdings of Treasury bills by these institutions of $760,000,000, certificates of $8,832,000,000, notes of $4,453,000,000 and bonds of $27,015,000,000. . . . It is quite generally conceded that member banks' holdings of bills, and more particularly certificates, are earmarked against government deposits. . . . The total of these two issues, $9,592,000,000 compares with government deposits of $6,678,000,000, which gives a leeway of $2,914,000,000 for these institutions in short-term issues above government deposits. . . .

This raises the question as to whether a margin of slightly less than $3 billions in short-term securities over government deposits is large enough to allow these banks still to sell certificates and use the proceeds to purchase longer-term obligations. . . .

LIQUIDITY NECESSARY

While some of the Treasury notes are short enough to be counted in with the bills and certificates, there is still a question as to whether the total of all short-term holdings of these institutions is large enough to give them a surplus of those issues that could be traded for longer maturities. . . . It is the opinion of some that the positions of the member banks in short-term securities have about reached the point where they are not likely to be cut much farther because of the need to retain these obligations for liquidity purposes. . . .

The continued redemption of certificates and later in the year the 1½% notes will further reduce the short-term positions of these institutions. . . .

EFFECT ON LONG-TERMS

If the short-term positions of the member banks have about reached or are approaching levels where it may not be advisable to have them go below, then it seems as though this is a development that will have an important effect on the longer-term Treasury issues. . . . In the past, because of the large holdings of certificates and the willingness of Federal to keep the rate for this security pretty well pegged, the commercial banks sold certificates and used the proceeds to purchase longer-term high coupon obligations. . . . This created a demand for the longer-term bank eligible bonds, which has been a very powerful factor in the market action of the longer-term government obligations. . . .

It has been the desire of the monetary authorities to have the banks in a position so that they could not be sellers of short-term issues in order to take on longer maturities. . . . It is the contention of the Federal Reserve Board that in order to prevent the commercial banks from selling short-term securities and putting the proceeds into long-term obligations, it would be imperative to have control over bank purchases and holdings of government and other securities. . . .

Would such strangling controls over bank credit and portfolios be necessary, if the short-term security holdings of these institutions are brought down to levels where the banks are not in a position to have them further depleted because of needs to maintain present positions in such issues for liquidity purposes? . . .

NON-BANK SELLING

The limiting of the ability of the member banks to shift from shorts into longs, through the continued redemption of short-term securities, would mean the elimination of an important part of the demand for the longer-term bank eligible bonds. . . . Savings banks and insurance companies have been and still are sellers of the eligible bonds, which have been and still are being bought by the commercial banks, although the deposit institutions recently have not been inclined to reach for the issues they have been acquiring. . . .

With short-term positions of the banks probably nearing levels where there is not the same desire to give up these issues to take on the longer-term high coupon bonds, then there is likely to be more irregular price movement among the bank eligible bonds. . . .

It does not mean that the commercial banks will not be interested in purchasing the longer maturities of the eligible issues, because there is still need for income as in the past. . . .

SELECTED MARKET

It probably will result in a more selective market for the bank eligible bonds, and not the same fear as in the past that the price of them will run away on the up side. . . . There will likely be a tendency to wait for period of price adjustments to acquire the issues they want. . . . Likewise it is believed there may be more switching out of the earlier maturities of the eligible bonds. . . .

Also with sizable increases in commercial loans and the outlook still favorable, the commercial banks seem to be in a position to wait for prices of government bonds to go to levels that they consider attractive before making commitments.

Broker-Dealer Personnel Items

(Special to THE FINANCIAL CHRONICLE)

BOSTON, MASS.—**Richard S. Baillie, Charles D. Burgess,** and **George C. Smith, Jr.** have been added to the staff of **Draper, Sears & Co.,** 53 State Street.

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass.—**Gerard Hawkins, Jr.** is now with **Edward E. Mathews Co.,** 53 State Street.

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — **Kenneth G. Colby** and **Robert T. Hamlin** have become affiliated with **F. S. Moseley & Co.,** 50 Congress Street. Mr. Hamlin was formerly with Arthus G. Perry & Co.

(Special to THE FINANCIAL CHRONICLE)

BOSTON, MASS. — **Ralph S. Henry** is connected with **Stone & Webster Securities Corp.,** 49 Federal Street.

(Special to THE FINANCIAL CHRONICLE)

BOSTON, MASS.—**Norman W. Austin** has joined the staff of **H. C. Wainwright & Co.,** 60 State Street.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL.—**Edward McP. Landis** has become associated with **John Nuveen & Co.,** 135 South La Salle Street, after serving in the U. S. Navy.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL. — **James A. Keating** has become connected with **Daniel F. Rice & Co.,** Board of Trade Building. He has recently been serving in the U. S. Army. Prior thereto he was with Mason, Moran & Co.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL. — **Leonard E. Eckham** is with **Slayton & Co., Inc.,** 135 South La Salle Street.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL.—**John P. Pollick** has been added to the staff of **Swift, Henke & Co.,** 135 South La Salle Street. He was formerly in the U. S. Army.

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, OHIO—**James P. McCausland** and **Bruce B. Ranney** have become connected with **Ball, Burge & Kraus,** Union Commerce Building.

(Special to THE FINANCIAL CHRONICLE)

HARTFORD, CONN. — **John Palmer, Jr.** has become affiliated with **Kennedy-Peterson, Inc.,** 75 Pearl Street.

(Special to THE FINANCIAL CHRONICLE)

DAYTON, OHIO—**G. George Becher** and **John H. Lytle, Jr.** are with **Slayton & Company, Inc,** Third National Bank Building.

(Special to THE FINANCIAL CHRONICLE)

DETROIT MICH.—**Charles L. Anderson** is with **H. Hentz & Co.,** Buhl Building.

(Special to THE FINANCIAL CHRONICLE)

DETROIT, MICH.—**Thomas F. Stebbins** is with **Paine, Webber, Jackson & Curtis,** Penobscott Building.

(Special to THE FINANCIAL CHRONICLE)

INDIANAPOLIS, IND.—**Ray M. Dumke** has been added to the staff of **Merrill Lynch, Pierce, Fenner & Beane,** Circle Tower.

(Special to THE FINANCIAL CHRONICLE)

LAKELAND, FLA.—**Linton H. Terry** is with **Cohu & Torrey,** Polk Theatre Building.

(Special to THE FINANCIAL CHRONICLE)

MINNEAPOLIS, MINN. — **Lyle F. Brownell** has become associated with **Piper, Jaffray & Hopwood,** 115 South Seventh Street. He was formerly with Herrick, Waddell & Co., in Kansas City.

(Special to THE FINANCIAL CHRONICLE)

PENSACOLA, FLA.—**Raymond H. Cartledge** is with **F. M. Blount, Inc.,** Florida National Bank Building.

Tomorrow's Markets Walter Whyte Says—

By WALTER WHYTE

Some minor reaction in prospect as market builds for nearby rally. Support somewhere around 198; with 195 an outside possibility.

I've just finished looking at two articles. Both said the bull market is over. The only difference between the two is that one cost a dollar and the other one was free. Actually, neither cost me anything. An acquaintance had them on his desk, so I looked through them.

Not having anything better to do, particularly with the stock tape reduced to a crawl by the walkout of Stock Exchange employes, I argued against the principles expounded in these pamphlets. Actually, had my opponent taken the bull side, I would have argued for the bear side. But with the count being three in favor of a bear market (my friend and the two articles), I took the other side.

* * *

The reason I tell you all this is that I was so impressed by my arguments that I came to believe in them. I argued that exponents of a bear market were overlooking that second half, or third quarter earnings, would be way up. I based this on the belief that many of the end products of industry which slowed up production in the beginning of the year, were now being manufactured and delivered. I pointed out that such items as car bumpers were now being turned out. Fractional motors for ice boxes and vacuum cleaners were being delivered. Other equally important small items, held up by labor difficulties, were now coming out and companies which couldn't deliver cars, ice boxes, electric stoves, etc., because of the absence of essential parts would now or shortly be in a position to make deliveries to the consumer.

* * *

Another advantage that occurred to me is that prices for these products have meanwhile gone up so the final profit would be so much greater. As I warmed to my subject I waxed more eloquent when I suddenly realized that I was neglecting market action and arguing about statistics and fundamentals. Fortunately, my friend didn't think to bring up the subject either, so I got away with it.

* * *

The point is that I can make out a case for the bull side just as easily as for the bear side. Of course the weapons will have to be statistics and the interpretation of news events. Actually, I don't know if the bear market is on us and the end of the bull market has been seen. All I know is what the market tells me.

* * *

Last week it told me that there was a n o t h e r rally ahead. How far it will go and how long it will last, I don't know. The fact that stocks didn't go up in the past week is not important. Had they gone up, all the recommendations given here last week would have been for the record only. You couldn't have gotten a single stock at the price range advised.

* * *

It is possible that a bear market is forming. But that belongs in the realm of crystal gazing. And I'll let somebody else do that. What the market shows me, and showed last week, is that it will have a minor setback to 198, or maybe 195, and then turn around and go up again. I will say that the next rally will be significant. It will have to show a specific performance; an ability to overcome old obstacles. But all that is to be seen. Meanwhile, you bought a couple of stocks last week. Hold them for the time being. Maybe before this week is over you'll get the others. The ones you bought are as follows: New York Shipbuilding between 18 and 19 and Republic Steel between 35 and 37. The former got down (Monday) to 18½, the latter to 36½.

* * *

Other stocks are still a few points away from the buying levels. I repeat them. Bethlehem Steel, between 106 and 108; Standard Oil of N. J., between 75 and 77; International Paper between 45 and 47 and Jones and Laughlin, between 46 and 48.

* * *

The market is still in dead center but leaning to the bull side.

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.*]

Our Reporter's Report

(Continued from page 1018)

No Backing Up Here

Underwriters and dealers may have been bewailing the touch of indigestion which overtook the new issue market these last few weeks, but bankers who underwrote the Northern States Power Company's new preferred stock offering to shareholder found no cause for complaint.

Rather, this deal proved a decidedly gratifying piece of business so far as the underwriters and their dealers were concerned. Expiration of subscription rights disclosed the shareholders had exercised their rights to the extent of better than 80% of the 275,000 shares of new 3.60% preferred involved.

This left the bankers with only about 45,000 to 50,000 shares untaken and the balance was placed directly with investors without resort to the open market.

Cincinnati Gas & Electric

To the extent that Columbia Gas & Electric Corporation's stockholders forego their subscription rights, the public, early next month, should receive the opportunity of subscribing for common stock of the Cincinnati Gas & Electric Co.

Bankers who are underwriting the distribution of the securities, undertaken by Columbia Gas in compliance with the Death Sentence Clause of the Public Utility Holding Company Act, and the company, arrived at a price of 26 for the shares in their deliberations toward the end of last week.

Columbia Gas common shareholders of record Aug. 22 have the right until the close of business Sept. 9 next, to subscribe for the shares in the ratio of one Cincinnati Gas for each six Columbia common held.

Soon thereafter, the bankers, if the occasion requires, will proceed with public offering of that proportion of the total of 2,040,000 shares which remains unsubscribed. The operating company's voting stock has been held exclusively by the big holding company and this accordingly will represent the first opportunity which the general investing public has had of becoming stockholders.

Securities Now in Registration

• INDICATES ADDITIONS SINCE PREVIOUS ISSUE

Acme Electric Corp., Cuba, N. Y.
June 26 filed 132,740 shares ($1 par) common stock. **Underwriters**—Herrick, Waddell & Co., Inc., and First Colony Corp. **Offering**—To be offered publicly at $5 a share. **Proceeds**—Company will receive proceeds from the sale of 68,880 shares and four selling stockholders the proceeds from the sale of 63,860 shares. Company also will receive proceeds from the sale of 20,000 warrants for common stock to underwriters at an aggregate price of $200. Of the net proceeds ($292,940) $50,000 will be used to pay current bank loans; about $20,000 will be used for machinery and equipment, and the remainder for working capital.

• Adirondack Foundries & Steel, Inc., Watervliet, N. Y.
August 19 (letter of notification) 5,745 shares of common stock (no par). Shares are being offered by the company to stockholders of record Sept. 5 at $10 per share, in ratio of one new share for each share held. Rights expire Sept. 30. Proceeds for expansion of buildings and facilities.

• Aero-Flight Aircraft Corp., Buffalo, N. Y.
Aug. 15 (letter of notification) 2,500 shares (no par) preferred on behalf of the company and 2,500 shares ($1 par) common on behalf of James K. Nagamatsu, President and Treasurer, and Henry T. Nagamatsu, Vice-President and Secretary. **Offering**—Price $110 a unit consisting of one preferred and one common share. No underwriting. The company will use its proceeds for purchase or lease of a factory for the production of personal airplane which it has developed, and for general corporate purposes.

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 (9/9)
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 pre- —Preferred stock is being offered for subscription to common stockholders of record Aug. 26 at the rate of one preferred share for each seven common shares held. Rights expire Sept. 12. Unsubscribed shares will be sold publicly. Debentures will probably be placed privately. Price by amendment. **Proceeds**—For plant expansion and to increase working capital.

• All Metal Products Co., Wyandotte, Mich.
Aug. 14 (letter of notification) 13,000 shares of class B common on behalf of Mary E. Reberdy. Offering price, $5.50 a share. **Underwriter**—Andrew C. Reid & Co., Detroit, Mich. **Proceeds**—To go to the selling stockholder.

• American Brake Shoe Co., New York (9/4)
Aug. 16 filed 199,101 shares (no par) common. **Underwriting**—No underwriting. **Offering**—Shares will be offered for subscription to common stockholders in the ratio of one addition share for each four shares held. Unsubscribed shares will be sold to other persons including officers and employees. Price, $35 a share. **Proceeds**—Net proceeds, estimated at $6,915,285, will be used to defray part of the cost of its plant expansion and improvement program. **Business**—Manufacture of Brake Shoes.

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**—To prepay notes payable to acquire radio station WXYZ, to construct broadcast transmitter for station KGO at San Francisco and for working capital.

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.

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 Time Corp., Springfield, Mass.
August 19 (letter of notification) 60,000 share (1¢ par) common. Offering price, $2 a share. **Underwriters** — Kobbe Gearhart & Co., Inc., New York. For additional inventory, manufacturing facilities and machinery and tooling.

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.

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.

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.

• Artloom Corp., Philadelphia
August 16 filed 151,367 shares (no par) common. **Underwriters**—No underwriting. **Offering**—Of the total, 148,633 shares will be offered for subscription to common stockholders in ratio of one share for each two shares held. The remaining 2,734 shares and any shares not subscribed for by common stockholders will be offered to employees of company. **Price**—$10 a share. **Proceeds**—The company estimates it will use $300,000 of the proceeds to purchase additional space and equipment, and $350,000 for manufacturing facilities. The balance will be added to working capital. **Business**—Manufacture of wool and worsted Wilton rugs and carpets.

• Associated Cooperative Grocers Co. of Southeastern Massachusetts, New Bedford, Mass.
Aug. 16 (letter of notification) 1500 shares ($100 par) common. **Offering**—Price $100 a share. No underwriting. For purchase of merchandise and for conduct of business.

Australia, Commonwealth of (8/27/28)
Aug. 13 filed $20,000,000 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 (9/9)
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—$263,500 5% debentures offered in exchange for like amount of 5% convertible debentures at 100 with premium of 5% on or before Sept. 3 unexchanged plus balance of issue to public through underwriters at 100. 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 (8/26-30)
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.

• **Bowen Industries, Inc., Chicago**
August 13. (letter of notification) $15,000 of 6% notes maturing in 6 months; $45,000 of 6% notes maturing in 9 months; $34,000 of 6% notes maturing in one year; and $6,000 of 5% notes maturing in 15 months. Offering prise, at face amount. A portion of the notes will be issued to key employees in satisfaction of claims for salary earned but not paid to them. No underwriting. For retirement of indebtedness and working capital.

Briggs & Stratton Corp., Milwaukee (8/29-30)
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.

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. Indefinitely postponed.

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.

• **Brush Beryllium Co., Cleveland, O.**
August 9 (letter of notification) 5,246½ shares (no par) common. Offering price, $40 a share. No underwriting. To reduce indebtedness and increase working capital.

California Oregon Power Co.
May 24 filed 312,000 shares of common stock (no par). Stock will be sold through competitive bidding. Underwriters—Names by amendment. Probable bidders include Blyth & Co., Inc.; The First Boston Corp.; Harriman Ripley & Co. Offering—Stock is being sold by Standard Gas and Electric Co., parent, of California. Bids Rejected—Standard Gas & Electric Co. rejected June 25 two bids for the purchase of the stock as unsatisfactory. Blyth & Co., Inc., and First Boston Corp. bid of $28.33 a share, and Harriman Ripley & Co. bid of $24.031 a share. Stock will again be put up for sale when market conditions improve.

Camfield Mfg. Co., Grand Haven, Mich. (9/3-6)
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 (9/16/18)
July 8 filed 150,000 shares ($1 par) common stock. Underwriter—Dempsey & Co. Offering—Stock initially will be offered to common stockholders of Admiral Corp. 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.

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.

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.

• **Central Soya Co., Inc., Fort Wayne, Ind.**
August 21 filed $4,000,000 3% sinking fund debentures. Due 1966, and 90,000 shares (no par) common. Underwriters — Glore Forgan & Co., Chicago. Offering — Debentures will be offered publicly. Common shares initially will be offered for subscription to common stockholders at rate of one share for each 7⅓ shares held. Unsubscribed shares will be sold to underwriters. Price by amendment. Proceeds—Of net proceeds company will use $2,132,000 exclusive of accrued interest, for redemption of outstanding 3¼% sinking fund debentures, Due 1951. And $858,500 exclusive of accrued interest, for payment of bank loans. Balance will be added to working capital. Business—Processing of soy beans and manufacturing of derivative products.

• **Central Steel & Wire Co., Chicago**
August 19 (letter of notification) common stock (par $5) not to exceed a total price to the public of $100,000; 3,846 shares at an estimated price on behalf of Mandel Lowensteine, President of the company, of $26 a share. Offering price at market. Underwriter—Paul H. Davis & Co. will act as broker in distribution of the stock from time to time. Proceeds go to the selling stockholder.

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—Blyth & Co., Inc., and The First Boston Corp. Offering—Shares are 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 $26 per share. Proceeds—Columbia Gas & Electric Corp. will receive proceeds.

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.

• **Colonial Sand & Stone Co., Inc., N. Y. (9/3)**
August 15 filed 300,000 shares ($1 par) common stock. Underwriters—Emanuel, Deetjen & Co., New York. Price by amendment. Proceeds—Company will receive proceeds from the sale of 150,000 shares and Generoso Pope, President of company, who is selling the remaining 150,000 shares will receive proceeds from these shares. The company will use its proceeds for payment of mortgage notes, open account indebtedness and for purchase of additional equipment. Any balance will be added to working capital. Business — Production of sand, gravel and grit and ready mixed concrete.

• **Colorado Milling & Elevator Co., Denver, Colo. (9/9)**
Aug. 20 filed 70,000 shares ($50 par) cumulative convertible preferred stock. Underwriter—Union Securities Corp., New York. Price by amendment. Proceeds—Prior to the proposed issue of preferred stock, the company plans to call its $3 cumulative convertible preferred stock for redemption at $55 a share plus accrued dividends. Funds for the redemption will be supplied by a short term bank loan. Proceeds from the sale of preferred, together with other funds, will be used to repay the bank loan. Business—Manufacture of flour and feed and buying and selling wheat, other grains and commodities.

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

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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.

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 of preferred and all of the common are being sold by Ben Weingart, President and director. Company will add the proceeds to working capital.

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.

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.

● **Copco Steel & Engineering Co., Detroit (9/9)**
Aug. 19 filed 115,000 shares ($1 par) common. **Underwriter**—E. H. Rollins & Son, Inc., New York. Price by amendment. **Proceeds**—Of the shares being offered company is selling 100,000 shares and 15,000 shares are being sold by a stockholder. The company will use its proceeds to provide additional factory space and purchase machinery and equipment and to construct a new office building. The balance will be added to working capital. **Business**—Fabrication of steel building and industrial products and warehousing of unfabricated steel. Also conducts steel pickling business.

● **Copper State Life Insurance Co., Tucson, Ariz.**
August 9 (letter of notification) 2,000 shares ($100 par) class B preferred. Offering price, $150 a share. Underwriter not named. For setting up legal reserve for operation of life insurance business.

Crawford Clothes, Inc., L. I. City, N. Y. (9/3-6)
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.

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.**
August 12 (letter of notification) 2,450 shares ($100 par) preferred on behalf of Alonzo Petteys, a director. Offering price, $40.50 a share. **Underwriters** — Headed by Boettcher and Co., Denver. Proceeds go to the selling stockholder.

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. (9/9-13)
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. Temporarily postponed.

Drayer-Hanson, Inc., Los Angeles (9/23-27)
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.

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.

● **Elkhorn Mining Co., Boulder, Mont.**
Aug. 14 (letter of notification) 100,000 shares of common. Offering price, 20¢ a share. No underwriting. **Proceeds**—For repayment of cash, mine development and operation and other expenses.

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.

Fashion Frocks, Inc. (9/5-6)
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.

● **Fidelity System, Inc., Newark, N. J.**
Aug. 15 (letter of notification) 1,250 shares of 6% cumulative preferred ($100 par). Offering price, $100 a share. **Underwriters**—Maurice Welch, Belleville, N. J., and M. H. Secor, East Orange, N. J. **Proceeds**—For the purchase of real property, chemical equipment, salaries, advertising and sales promotion of the products Fiedel-X Termite Kill, Fidel-X Mothproofing Compound and others to be developed under the trade name Fidel-X.

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.

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.

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. (9/9)
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.

● **F-R Publishing Corp., New York**
Aug. 16 (letter of notification) 564 shares of common on behalf of Harold W. Ross and Jules Englander, as trustees for Ariane Ross. **Offering**—Price $57 a share. **Underwriter**—Silberberg & Co., New York. Procceds go to the selling stockholder.

Frontier Refining Co., Denver, Colo. (8/22)
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 (9/16-20)
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. (9/19-20)
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.

● **Gordon Mail Order Co., Inc., Baltimore, Md.**
Aug. 12 (letter of notification) 22,500 shares of common and 3,000 shares of preferred. **Offering**—Price $2 a common share and $5 a preferred share. No underwriting. For continued sale and distribution of general merchandise.

● **Gray Manufacturing Co.**
August 15 (letter of notification) 2,000 shares of capital stock (par $5). Securities are to be sold to Walter E. Ditmars through a private offering at a price of $17,500 or $8.75 per share, who has indicated he will sell the stock on the New York Curb Exchange through registered brokers. Sale of stock to Mr. Ditmars is in accordance with stock option provisions of employment agreement with the company.

Greens Ready Built Homes Inc., Rockford, Ill. (9/3-13)
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 (8/26-30)
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
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.

New Issue Calendar

(Showing probable date of offering)

August 22, 1946

Frontier Refining Co.	Bonds, Pref. and Common
Hudson Pulp & Paper Corp.	Debentures
Montreal, City of (11 a.m. EDST)	Bonds

August 26, 1946

Blum (Philip) & Co.	Common
Grolier Society, Inc.	Preference and Common
Newburgh Steel Co., Inc.	Pref. and Common
Nugent's National Stores, Inc.	Common
Pebble Springs Distilling Co.	Common
Reporter Publications Inc.	Common

August 27, 1946

Otter Tail Power Co.	Preferred and Common
Union RR. (Pa.) (noon EDST)	Equip. Trust Ctfs.

August 28, 1946

Australia, Commonwealth of	Bonds
Consolidated Hotels Inc.	Pref. and Common

August 29, 1946

Briggs & Stratton Corp.	Capital Stock
Forest City Manufacturing Co.	Common

September 3, 1946

Brown & Bigelow	Preference and Common
Camfield Manufacturing Co.	Common
Colonial Sand & Gravel Co., Inc.	Common
Crawford Stores, Inc.	Common
Fidelity & Guaranty Fire Corp.	Capital Stock
Green Ready Built Homes Inc.	Common
N. Y. School of Theatrical Arts	Common
Pep Boys—Manny, Moe & Jack	Common
Pittston Co.	Debentures
Rodd (Marcel), Inc.	Common
Rowe Corp.	Common
Sardik Foods Products Corp.	Capital Stock
Scovill Manufacturing Co.	Pref. and Common
Weetamoe Corp.	Pref. and Common
Westinghouse Electric Corp.	Debs. and Common

September 4, 1946

American Brake Shoe Co.	Common
American Colortype Co.	Preferred
Palmetto Fibre Corp.	Preference
Red Rock Bottling Co. of Youngstown	Common
Southern Ry. 12 Noon (EDST)	Eqp. Trust Ctfs.
Western Tin Mining Corp.	Common

September 5, 1946

Fashion Frocks, Inc.	Common
Michigan Steel Casting Co.	Common
O'Okiep Copper Mining Co. Ltd.	American Shares
Taylor-Graves, Inc.	Preference and Common

September 9, 1946

Airline Foods Corp. of N. Y.	Debs. and Preferred
Ben-Hur Products, Inc.	Debentures
Colorado Milling & Elevator Co.	Preferred
Copco Steel & Engineering Co.	Common
Derby Oil Co.	Common
Food Fair Stores, Inc.	Preferred
Fownes Brothers & Co., Inc.	Capital Stock
Solar Manufacturing Co.	Preferred

September 10, 1946

Cincinnati Gas & Electric Co.	Common
Jensen Manufacturing Co.	Common
Metal Forming Corp.	Common

September 12, 1946

San-Nap-Pak Mfg. Co.	Common

September 16, 1946

American Locomotive Co.	Preferred
Canadian Admiral Corp. Ltd.	Common
Foreman Fabrics Corp.	Common
General Bronz Corp.	Preferred
Rheem Manufacturing Co.	Common

September 19, 1946

Glen Industries Inc.	Preference and Common

September 20, 1946

Films, Inc.	Class A and Common

September 23, 1946

Continental-United Industries Co.	Pref. and Com.
Drayer-Hanson, Inc.	Class A Stock

September 27, 1946

Lonergan Manufacturing Co.	Class B Stock

● **Harlands, Inc., Los Angeles, Calif.**
Aug. 15 (letter of notification) 250 shares of $100 par stock, (whether common or preferred not stated). **Offering**—Price $100 a unit. No underwriter. For investment in merchandise to be resold to department stores, drug stores and users.

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
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 185,000 shares of common stock ($2 par). Shares are being sold by certain stockholders. Stock acquired by selling stockholders in exchange for 432,000 shares of common stock (par $3) of American Engineering Co. **Underwriter**—Laird, Bissell & Meeds. **Offering**—Price by amendment.

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. (9/22)
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.

● **Idaho Gold & Silver Mining Co., Spokane, Wash.**
Aug. 13 (letter of notification) 300,000 shares of common. **Offering**—Price 35 cents a share. No underwriting. For development of mining property.

● **Iowa Fiber Box Co., Keokuk, Ia.**
Aug. 16 (letter of notification) 1,000 shares ($100 par) class A 5% preferred. **Offering**—Price $100 a share. No underwriting. For additional capital to complete expansion and rehabilitation program.

Illinois Power Co., Decatur, Ill.
June 17, filed 200,000 shares ($50 par) cumulative preferred stock and 966,870 shares (no par) common stock. **Underwriters**—By competitive bidding. Probable bidders include Blyth & Co., Inc. and Mellon Securities Corp. (jointly) and Morgan Stanley & Co. and W. E. Hutton & Co. (jointly). **Proceeds**—Net proceeds from the sale of preferred will be used to reimburse the company's treasury for construction expenditures. Net proceeds from the sale of common will be applied for redemption of 5% cumulative convertible preferred stock not converted into common prior to the redemption date. The balance will be added to treasury funds.

Jensen Manufacturing Co., Chicago (9/10)
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

(Continued on page 1054)

(Continued from page 1053)

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.

● **Lake Erie Pulp and Paper Co., Monroe, Mich.**

Aug. 12 (letter of notification) 500 shares ($100 par) 6% cumulative preferred and 125,000 shares ($1 par) common. Offering price, $100 a preferred share and $1 a common share. No underwriting. **Proceeds**—For purchase of machinery, factory space, transformer station and for working capital. The present notification cancels a previous notification covering 500 shares of the preferred and 50,000 shares of the common.

Lime Cola Co., Inc., Montgomery

June 28, 1946 filed 225,000 shares (10 cent par) common stock. **Underwriters**—Newburger and Hano, Philadelphia, and Kobbe Gearhart & Co., Inc., New York. **Price**—$5.50 a share. **Proceeds**—Working capital.

Liquid Conditioning Corp. of New York

July 3 filed 70,600 shares ($10 par) class A common stock. **Underwriters**—No underwriting. **Offering**—Price, $10 a share. **Proceeds**—Proceeds will be used to pay for its temporary quarters in New York, for furniture and fixtures, equipment and other corporate purposes.

Livingston Mines, Inc., of Seattle

July 3 (letter of notification) 250,000 shares of non-assessable common stock (par 5 cents) to be offered to the public at 20 cents a share. **Underwriters**—Lobe and Moore, Inc., and Alfred Lind, both of Seattle. **Proceeds**—For mine acquisition and development.

Lonergan Manufacturing Co., Albion, Mich. (9/27)

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. (9/3-13)

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.

Metal Forming Corp., Elkhart, Ind. (9/10)

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. Probable bidders include Blyth & Co., Inc.; Kidder, Peabody & Co.; The First Boston Corp.; Harris, Hall & Co. (Inc.); Merrill Lynch, Pierce, Fenner & Beane, and Ira Haupt & Co. **Offering**—New preferred will be offered on a share for share exchange basis to holders of its outstanding 7% prior lien, $6 no-par prior lien, 6% preferred and $6 (no par) preferred. Of the common stock being registered, company is selling 40,000 shares, Middle West is selling 57,226 shares and Halsey, Stuart & Co. Inc., New York, is selling 22,774 shares. **Proceeds**—Michigan will use net proceeds from bonds to redeem $3,500,000 3¾% series A first mortgage bonds, due 1972, at 106.75 and interest. Net proceeds from sale of common and from shares of new preferred not issued in exchange will be used to redeem $375,000 3½% serial debentures, due 1951, at 101.2 and interest. It also will redeem at 105 and accrued dividends all unexchanged shares of prior lien and preferred stocks.

Michigan Steel Casting Co., Detroit (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.

● **Mississippi Fire, Casualty & Surety Corp.**

August 19 (letter of notification) 14,000 shares ($10 par) common stock, offering price $20 a share. **Underwriter**—Clany M. Seay, Jackson, Miss. will undertake to obtain signatures authorizing subscriptions for the stock to create capital and surplus for operation of business. Company is to be organized in Mississippi.

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); Lehman Brothers and Glore, Forgan & Co. (jointly). Indications were at press time that the banking groups may not bid for the issue due to conditions laid down by the City.

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.

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.

Newburgh Steel Co., Inc., Detroit (8/26-30)

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.

● **N. Y. School of Theatrical Arts, Inc., N.Y. (9/3)**

August 19 (letter of notification) 2,450 shares of common stock (par $20). No underwriters. To be offered at $20 per share. To finance and further interest of corporation in teaching the dramatic arts.

Northwestern Public Service Co., Huron, S. D.

June 28 filed $5,275,000 first mortgage bonds, due 1976; 26,000 shares ($100 par) cumulative preferred stock, and 110,000 shares of $3 par common. **Underwriters**—To be determined by competitive bidding. Probable bidders include Halsey, Stuart & Co. Inc. (bonds); Harriman Ripley & Co., Inc.; Lee Higginson Corp.; A. G. Becker & Co., Inc., and Harris, Hall & Co. (Inc.). **Offering**—Securities will be sold at competitive bidding. **Proceeds**—Refunding.

Nugent's National Stores, Inc., N. Y. (8/26-30)

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. (8/27)

July 18 filed 60,000 shares (no par) $3.60 cumul. preferred stock, and 51,216 shares ($10 par) common stock. **Underwriters**—Glore, Forgan & Co. and Kalman & Co. **Offering**—Preferred stock is offered in exchange, on a share for share basis, for outstanding $4.50 and $4.25 dividend preferred stocks. Shares of new preferred not issued in exchange will be sold to underwriters. The common stock is offered for subscription to common stockholders at the rate of two additional shares for each five held. Unsubscribed shares will be sold to underwriters. Both offers expire Aug. 26. The public offering price of the preferred will be $99.25 a share and the common $51.25 per share. **Proceeds**—To redeem unexchanged shares of old preferred and $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.

● **Palmetto Fibre Corp., Washington, D. C. (9/4)**

August 16 filed 4,000,000 shares (10¢ par) preference stock. **Underwriting**—Tellier & Co., New York. Price 50 cents a share. **Proceeds**—The company will use estimated net proceeds of $1,473,000 for purchase of a new factory near Punta Gorda, Florida, at a cost of about $951,928. It will set aside $150,000 for research and development purposes and the balance will be used as operating capital. **Business**—The company originally was incorporated last January but an amendment to its charter was filed last June 21. Its business will consist of the processing of saw palmetto stems and the processing of the fibres from the stems into upholstery fibres, yarn, fabrics, sacks, rope, cables and other uses. The company stated that if it is successful it will have created a new industry.

Paquenamco, Inc., Friendship, N. Y.

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.

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 (9/3-6)

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.

● **Red Rock Bottling Co. of Youngstown, Warren, O. (9/4-13)**

Aug. 16 (letter of notification) 199,000 shares (50c par) common and warrants for purchase of 125,000 additional common. **Offering**—Price $1.50 a common share and one cent a warrant. **Underwriters**—Frank C. Moore & Co., New York; and Hall, Tattersall & Co., Philadelphia. For payment of plant mortgage, purchase of additional equipment and for working capital.

Reporter Publications, Inc., N. Y. (8/26-27)

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. **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.

Rowe Corp., New York (9/3-13)

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 (9/12-18)

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. (9/3-6)

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 $14 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.

● **Scovill Manufacturing Co., Waterbury, Conn. (9/3)**

August 15 filed 100,000 shares ($100 par) cumulative preferred stock and 149,548 shares ($25 par) common stock. **Underwriters**—Morgan Stanley & Co., New York. **Offering**—Preferred will be offered publicly. Common initially will be offered for subscription to stockholders at the rate of one share for each seven shares held. Unsubscribed shares will be sold to underwriters. **Price**—By amendment. **Proceeds**—Company will use net proceeds to pay bank loan and to finance the purchase of additional machinery, equipment and buildings. **Business**—Melting, casting and processing of brass and other nonferrous metals and manufacture of diversification products.

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.

Solar Manufacturing Corp. (9/9)

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

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.

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. (9/5)

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.

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.

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 $10 per share. **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.

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 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.

● **Western Tin Mining Corp., Washington, D. C. (9/4)**

August 16 filed 315,185 shares (one cent par) common stock. **Underwriter**—No underwriting. **Offering**—To the public. **Price**—$1 a share. **Proceeds**—To do geographical work on tract of land for exploration of tin ore. **Business**—Development of tin mine.

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 ⅛ share for each share of common or preferred

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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.

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.

• Wheatley Mayonnaise Co., Louisville, Ky.
Aug. 16 (letter of notification) 10,000 shares ($5 par) common, to be offered for subscription to stockholders at $10 a share in the ratio of one share for every five shares held. No underwriting. For retirement of bank loans and expansion program.

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

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.

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.

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 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.

• American Telephone & Telegraph Co.
Oct. 16 stockholders will vote on creating a new issue of convertible debentures not to exceed $351,000,000, and on increasing the authorized common shares from 25 million to 35 million. Debentures would be offered to shareholders in proportion of $100 debentures for each six shares held. Up to 2,800,000 shares of stock may be issued and sold to employees.

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. Probable underwriters E. H. Rollins & Sons.

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.

• Atlantic Refining Co.
Nov. 1. stockholders will vote on authorizing 650,000 shares of new preference stock (par $100), of which an undetermined amount will be sold when market conditions are favorable. Probable underwriter, Smith, Barney & Co.

Baltimore & Ohio RR.
June 22 it was reported that one effect of the railroad freight rate adjustment is expected to be a stimulation of bond refundings. Among the roads whose refinancing programs may then crystallize, the Baltimore & Ohio is named as a leading prospect, now that all barriers to the consummation of its $500,000,000 debt adjustment plan have been eliminated. Other portions of the debt now thought to be attractive possibilities for a refinancing operation besides the $76,900,000 of first mortgage 4s and the $67,800,000 first mortgage 5s. There are $37,200,000 of Southwestern Division 5% bonds, $36,800,000 Pittsburgh, Lake Erie & Western 4s, and $10,000,000 Toledo-Cincinnati Division mortgage series A 4s. Probable bidders, if refunding operations crystallize, are Kuhn, Loeb & Co., and Halsey, Stuart & Co. Inc.

Bangor & Aroostook RR., Bangor, Me.
April 16 stockholders authorized new mortgage. Company contemplates refinancing one-third of outstanding funded debt (Dec. 31, 1945, $12,665,000) through sale of equal amount of bonds under new mortgage, through competitive bidding. Probable bidders include Harriman, Ripley & Co., Inc.; Lee Higginson Corp., and Halsey, Stuart & Co. Inc.

"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.

• Blauner's, Philadelphia
Oct. 8 stockholders will vote (1) on authorized refunding of $3 cumulative preferred stock with new issue of 150,000 shares of convertible preferred, to be issued in series; (2) on changing par of common from no par to $3 par; (3) on splitting common on a two-for-one basis. An initial series of 30,000 shares of preferred will be offered publicly to refund $3 preferred and working capital. Probable underwriter, Van Alstyne, Noel & Co.

• Blumenthal (Sidney) & Co., Inc.
Sept. 19 stockholders will vote on increasing authorized common stock from 250,000 shares to 500,000 shares (no par). Approximated 119,706 new shares would be offered for subscription to stockholders at $10 per share in the ratio of one new for each two shares held. Offering will not be underwritten.

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 voted to increase authorized common from 250,000 to 300,000 shares (par $2). The additional 50,000 shares will 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).

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.

● **Culver Corp., Chicago**
Aug. 16 an underwriting is contemplated at a future date of probably $200,000 debentures and 156,000 shares of common stock (par $5).

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.

● **Eastern Stainless Steel Corp., Baltimore**
Aug. 20—The management contemplates filing in the near future a registration statement covering an additional 64,000 shares of stock, to be offered to present stockholders in the ratio of one share for five. Negotiations are proceeding with a group of underwriters headed by Kidder, Peabody & Co., for the purchase of shares not subscribed by stockholders.

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.
Aug. 23 hearing on application proposing merger of four New Mexico subsidiaries of Federal will be held by 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.

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.

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 Mobile & Ohio RR.**
Reported company planning issuance of approximately $9,000,000 equipment trust certificates before end of this year. First three installments would aggregate $3,000,000, to be offered competitively on Aug. 30.

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.

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.

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.

● **La France Industries**
Oct. 15 stockholders will vote on approving (among others) the creation of 71,273 shares of 4% cumulative convertible preferred stock (par $20), which company proposes to exchange for the 6% preferred stock (par $100) on the basis of six new for each share of old.

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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, Allen & 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.

● **May, McEwen, Kaiser & Co.**
Aug. 19 reported certain stockholders planning sale of common stock through Goldman, Sachs & Co. and Hemphill, Noyes & Co.

● **Michigan-Wisconsin Pipeline Co.**
Edward Hopkinson, Jr., Drexel & Co. attorney, expressed the opinion at a hearing before the Federal Power Commission that Michigan-Wisconsin Pipeline Co. can market its securities to finance construction of a natural-gas pipe line. The company completed direct testimony Aug. 19 before a Commission examiner on its application to build a $48,000,000 line from the Hugoton Field of Texas and Oklahoma. Mr. Hopkinson said it might be possible to reduce from 3¼% to 3% interest on $30,000,000 in 20-year first mortgage bonds which the company plans. Initial financing as outlined by the company also would include $17,000,000 of common stock. Fourth year financing would call for issuance of $14,000,000 of 5% preferred stock to be retired through a sinking fund over 20 years and $12,000,000 in 3.14%, first mortgage bonds.

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.

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.

● **Neptune Meter Co.**
Sept. 16 stockholders will vote on changing 250,000 shares common (no par) to 250,000 shares common (par $5) and on increasing authorized amount to 350,000 shares. It is proposed to offer for sale 67,454 common shares and 9,723 unissued $2.40 dividend preferred stock to provide additional capital funds.

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.

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.

● **Pharis Tire & Rubber Co.**
Sept. 16 stockholders will vote on a split-up of the common stock on the basis of an exchange of two new shares for each old share, and on authorizing 100,000 shares ($20 par) preferred stock.

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.

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.

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 Railroad (Va.) (8/27)**
Company will receive bids up to noon (EDST) Aug. 27 at office of Treasurer, Union Trust Bldg., Pittsburgh, for the sale of $1,500,000 equipment trust certificates, the bidder to specify the dividend rate.

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.

N. Y. State Bankers School of Agriculture

An intensive, grass-roots training program on agriculture and farm management designed to better equip bankers of New York State with a knowledge of the problems of their farmer customers was brought under way at Ithaca, N. Y., on Aug. 10 when 54 bank officials assembled on the campus of Cornell University to attend the Bankers School of Agriculture sponsored by the New York State Bankers Association in cooperation with the New York State College of Agriculture.

The school, the first of its kind in America, was in session for five days, and combined classroom lectures with field trips and laboratory work. Six courses were given. They were: farm management, agronomy, dairy husbandry, pomology, poultry husbandry, and vegetable growing. The courses on farm management and agronomy were obligatory for all student bankers. Two of the remaining four courses were elective. The faculty staff included Professors Stanley W. Warren (farm management), Richard Bradfield (agronomy), K. L. Turk (dairy husbandry), M. B. Hoffman (pomology), J. H. Bruckner (poultry husbandry), and H. C. Thompson (vegetable growing.)

The 54 banker-students represented financial institutions in 23 counties of New York State, as well as Massachusetts, New Jersey, Pennsylvania, and Canada, according to Albert L. Muench, who is Director of the School and also Secretary of the Bankers Association. Dr. Van B. Hart, Extension Professor in Farm Management at the State College of Agriculture, is Associate Director, and Donald A. Moore, Assistant Secretary of the Bankers Association, is Assistant Director and Registrar.

In discussion the School's purposes and events leading up to its organization, Chester R. Dewey, President of the New York State Bankers Association and President of the Grace National Bank, New York City, said:

"The School is the outgrowth of a series of farm credit sessions sponsored by our organization annually with the help of the New York State College of Agriculture. These sessions proved to be so helpful that rural bankers suggested we develop a real training program which would give them an opportunity to study modern farming methods. Almost 500 of our 709 commercial banks are farm-lending institutions and, naturally, place heavy emphasis on service to farmers."

An administrative committee in charge of arrangements for the School includes the following: Otis A. Thompson, President of the National Bank and Trust Company, Norwich, Charles H. Norton, President, Erie County Trust Company, East Aurora, W. Randolph Burgess, Vice Chairman of the Board, National City Bank of New York, A. W. Gibson, Director of Resident Instruction, New York State College of Agriculture, Dr. Van Hart, Mr. Muench, and Mr. Moore.

Statement on Release of Captured Hungarian Gold

State Department at Washington made public on Aug. 8, the following statement issued to the press on Aug. 7, in Budapest by H. F. Arthur Schoenfeld, the American Minister of Hungary:

"It was most gratifying to the members of the American Legation to be present last night on the occasion of the arrival in Budapest of the special train which brought to Hungary the monetary gold to the National Bank. This gold which had been removed from Hungary by the Germans and their Hungarian accomplices was captured by the Armed Forces of the United States and held under their protection in the American zone of occupation.

"The United States Secretary of State acting on behalf of the American Government was asked by the Hungarian Government to release the monetary gold in question during the visit of the Hungarian Prime Minister and members of the Hungarian Government to Washington last June. Secretary Byrnes acceded to the request of the Hungarian Government for the release of the gold with special reference to the plan of the Hungarian Government then being considered for the stabilization of Hungarian finances. The stabilization and rehabilitation of the Hungarian economy have been a matter of special interest to the Government of the United States. The American Government, therefore, took the initiative in harmony with the declaration made by the heads of the Allied Governments at the Crimea Conference to bring about concerted action among the Allied Governments with a view to the improvement and stabilization of the Hungarian economic position. These efforts were marked as recently as July 23 of this year by a note to the Government of the Soviet Union urging as had been done before such cooperation of the Allied Powers to assist Hungary in rehabilitating its national economy.

"The arrival in Budapest of the gold of the National Bank is a source of special satisfaction as marking an important contribution to the goal desired by the people and Government of the United States that Hungarian economy may be promptly restored so that it may take its place in the economy of Europe and the world."

Economists for Free Markets

National Association of Commodity Exchanges and Allied Trades, Inc. holds strong sentiment exists against government controls. Says 96% of economists, with special interest in marketing, express belief exchanges play important role in marketing basic commodities.

Strong sentiment against Government controls on marketing of commodities in peacetime and for an early return to free markets exists among economists, educators, heads of farm and commodity trade associations, chambers of commerce and editors of farm and commodity trade publications throughout the nation, according to a survey made public by the National Association of Commodity Exchanges and Allied Trades.

The survey, made by the Institute of Public Relations, Inc., New York City, showed that commodity exchanges, whose operations have been considerably curtailed over a long period of government control, reaching an apex during the war years, are regarded by an overwhelming majority of authorities on commodity marketing and leaders in collateral fields as necessary to the peacetime marketing of basic commodities in a free economy.

"The opinions in the survey are most heartening to those who are fighting for free prices and free markets," J. A. Higgons, Jr., Executive Vice-President of the National Association of Commodity Exchanges, declared in making public the results. "They are of particular significance at this time, when our whole economy is at stake as a result of the efforts of those who are attempting — through the projection of wartime controls into permanent controls — to force a planned economy upon this country."

Constituent members of the Association, which was organized to develop understanding of our commodity markets and to promote their use, are: Board of Trade of the City of Chicago, Board of Trade of Kansas City, Chamber of Commerce of Minneapolis, Chicago Mercantile Exchange, Commodity Exchange, Inc., New York Cocoa Exchange, New York Coffee and Sugar Exchange, Inc., New York Produce Exchange. Trade members of the Association total about 200.

Commodities represented include grains, sugar, coffee, cocoa, butter, eggs, vegetable oils, hides, raw silk, rubber, silver, copper, zinc, lead and tin, through producers, processors, brokers, commission merchants, warehousemen and others interested in production and marketing.

A majority of those in the groups covered by the survey believe that the exchanges reduce distribution costs to the benefit of consumers and producers alike. It would be bad for the nation's economy if all commodity exchanges were to be permanently closed, they say.

To obtain a cross section of the attitude of persons of authoritative opinion, approximately 1,800 leaders were asked in the survey to express their views. Detailed tabulation of responses provides an interesting reflection of the thinking of men qualified as authorities on this subject.

For example, 96% of all the economists with a special interest in marketing who responded to survey questionnaires express the belief that commodity exchanges play an important role in marketing basic commodities. 84% credit the exchanges with reducing distribution costs; 88% oppose the closing of all commodity exchanges; 96% express opposition to floors or loans to support commodity prices in peacetime; 94% believe that, except in wartime, the government should not fix prices on commodities in general, and the same percentage believe that, in peacetime, Federal control of commodity prices should be eliminated as soon as possible.

The belief that commodity exchanges are important in marketing basic commodities is also subscribed to by 76% of the heads of farm and commodity trade associations; 96% of the editors of farm and commodity trade publications and 86% of the heads of chambers of commerce in 30 states.

Commodity exchanges reduce distribution costs and benefit producers and consumers — in the opinion of 84% of the economists, 72% of the farm and commodity trade association heads, 76% of the editors of farm and commodity trade publications and 73% of the chamber of commerce directors.

Responses agreeing that it would be bad to close all the commodity exchanges were as follows: economists, 88%; farm and commodity trade associations, 87%; editors, farm and commodity trade publications, 93%; chambers of commerce, 94%. Replies to this question range from "disastrous," "blow to free enterprise," "loss to the nation," "absurd," "a tragedy," "hell, no," "injury to American economy," to "yes (good to close exchanges), by all means" and "no, but should be supervised."

Favoring an early return to free commodity trading were 81% of the farm and commodity trade association heads; 89% of farm and commodity trade paper editors; and 91% of the chambers of commerce.

The only subject covered in the survey which reveals a sharp divergence of opinion is the maintenance of farm price guarantees. On this point, 54% of the heads of farm and commodity trade associations favor maintaining price guarantees, while 40% do not believe farm price guarantees must be maintained, the other responses being doubtful or unclassifiable. On the other hand, among the editors of farm and commodity trade publications, removal of farm price guarantees is advocated by 57% and maintenance of guarantees by 35%; 73% of the chamber of commerce executives favor removal of farm price guarantees, and 24% believe farm price guarantees must be maintained.

A separate study in the survey, conducted among heads of colleges and college agricultural and business departments, shows, by colleges, the varying degrees of attention given to commodity exchanges in their courses of instruction and the attitude of the individual colleges toward broadening their instruction in this field.

Gold Dollar Equivalent Of New Hungarian Money

The State Department at Washington, announced under date of Aug. 2, that it has been informed by the American Minister in Budapest, Arthur Schoenfeld, that the Hungarian Government has announced the gold and dollar exchange equivalents of the new Hungarian monetary unit called "forint." The advices add:

One kilogram of fine gold equals 13,210 florint which corresponds to 0.0757 grams of fine gold per forint. The official dollar exchange rate is 11.7393 forint to one U. S. dollar. The conversion rate for old pengo currency is 200 million tax pengo to one forint."

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