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The COMMERCIAL and FINANCIAL CHRONICLE

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Looking Ahead Ten Years

By ROGER W. BABSON

Mr. Babson sees now as time to buy securities. Looks for two or three years of good business and then a slump unless Republicans victorious in 1948 with prognostication predicated "on reliability of old market rules." Holds if catastrophic fears of another war brings a "people's world government" carrying with it elimination of present tremendous military expenditures and unnecessary national barriers, whole complexion of things would change and a better standard of living would ensue with ten or twenty years of great prosperity.

Roger W. Babson

BABSON PARK, MASS.—The usual Business Forecasts are as follows: Two or three years of good business, carrying us to about 1950, after which there will

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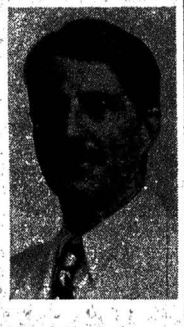
Picketing Versus the Rights of Management and the Public

By PAUL E. ANDERSON

Noting how management's rights under the Fourteenth Amendment have admittedly been abridged, and labor's picketing is designedly coercing government's legislative branch, the author, an industrial relations expert, declares State Courts have become our last defense against "the New Despotism." States as crux the conclusion that picketing as incidental to strike for unlawful aims, is itself unlawful. Attacks New Deal theory that "human rights are above property rights" as an excuse for undermining our constitutional system; contending courts are still correctly upholding the principle that protection of property rights is indispensable to enjoyment of individual rights.

Retiring from the National Labor Relations Board after five years as a member, Mr. Gerard D. Reilly recently declared, "I think an employer should have the right to speak pretty fully to employees about the long-term effects of unionization of his plant, corelative with the right of the union to say anything it pleases." The Supreme Court *(Senn v. Tile Layers Protective Union)* associated picketing and freedom of speech; Mr. Reilly's statement an admission that one bureaucracy has denied equal constitutional rights to employers. Indeed, Mr. Reilly confirms Mr. Tom Clark's recent statement:



Paul E. Anderson

"We know there is a national and international conspiracy to divide our people, to discredit our institutions, and to bring about disrespect for our government." . . . "No one but a complete crack-pot can be deluded by what we see going on today."

It is indeed a change for govern-

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A Free Gold Market Essential To Economic Stabilization

By JAMES D. MOONEY

President and Chairman of the Board of Willys-Overland Motors, Inc.

Industrialist, holding that all conditions for dangerous inflation are with us, recounts progress of inflation in U. S. since 1933 and outlines efforts made to combat it. Says these efforts have done little more than to advertise fact inflation danger signals are flying. Proposes reestablishment of a free gold market as a fundamental stabilization factor and recommends as means of bringing a balance between demand and supply of consumers goods (1) greater capital investment; (2) refunding of short-term government debt into long-term bonds; (3) restoration of competition without restraints on production; and (4) return to sound money policies.

One of the most disturbing elements to economic and price stabilization is currency and credit inflation. Every country in the world has had more or less inflation as a result of world war II. In some of the neutral countries, such as Switzerland, the money and credit system has been well managed, and inflation has been kept under control. In some of the belligerent countries such as Hungary and Greece, inflation has erased currency and credit wealth. There is no uniformity in the inflations in the different countries. In the countries of the British Commonwealth of Nations inflation seems well under control and a definite trend toward stability has been established. In the United States

James D. Mooney

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The Revaluation Outlook

By J. van GALEN

Financial Editor, "Agemeen Handelsblad," Amsterdam

Dutch publicist holds revaluation now is not intended as an instrument of trade policy, but is motivated by desire to influence business trends and cyclical fluctuations by monetary policy, and by political aim of maintaining independence from other countries. Doubts whether Bretton Woods agreements will end discriminatory practices of 1930's, asserting American domestic economic stability is indispensable for free trade and exchange.

On June 30 price control was abolished in the United States. On July 3 Canada raised its rate of exchange. The revaluation of the Canadian dollar by almost 10% compared with that of the U. S. A. was followed a few days later by Sweden, which lowered the rates of exchange by 14.3%, and consequently revalued the Krona by 16.3% to the old parity with the dollar. This last step created great surprise and it was generally expected that Switzerland would soon follow suit, while revaluation rumors were circulated even in South America, Argentina said to be raising the value of the Peso. In Britain there was also some talk of a rise in the German Mark in the near future as a means to aid German economy to cheaper raw materials. It is not probable that Canada acted without Britain's advice; at least, Britain is the country which perhaps seems to be promoting revaluation, i.e., revaluation by others, so that it will itself be able to get into a more favorable condition for competition.

Those who remember the psychological influence of the fascination raised by the return

(Continued on page 1288)

Inflation, Price Control and Taxation

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

Dr. Lutz, though maintaining inflationary situation is not hopeless and that by wise and efficient fiscal action, together with more incentives to production and lower unit costs, trend may be changed, points out serious factors which are allowing the dollar "to crumble in the dust." Analyzes various lines of action to be followed, and contends only sound proposal is to effect a revaluation of dollar in relation to goods by producing more goods at lower unit costs. Decries use of taxation for other than fiscal purposes and concludes it cannot succeed in curtailing inflation.

The people have done a lot of worrying about inflation and the future of prices. The popular concern has not been with the real inflation, but rather with its end results in the form of price changes. The purpose of this paper is to show that our situation is not hopeless. Its solution involves correct understanding of the real difficulty and application of the proper remedy.

Dr. Harley Lutz

As a first step, we begin with the root of the trouble, which is the great increase of purchasing power. The growth of bank deposits and currency may be taken as a measure of this increase. The rapid expansion of these items really began during the 1930's, but by 1940 it was only a good running start. In Table I the changes since the end of December, 1940 are shown.

Here we have a measure of the increase of purchasing power in its most liquid forms. The situation at the end of August 1945 is significant because it shows that

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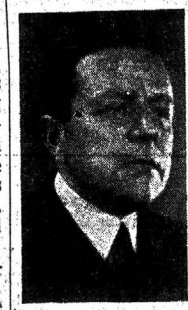
*Reprinted with permission from the August 1946 issue of "The Tax Review" issued by the Tax Foundation.

British Seek Funding of Sterling Balances on Interest Free Basis

By PAUL EINZIG

London observer states British Government rejects Argentine proposal for funding blocked sterling balances on a $2\frac{1}{2}\%$ basis on grounds it would set dangerous precedent. British aim at funding balances on interest free basis. Sees U. K. and Argentine commercial and financial negotiations failing, barring eleventh hour compromise.

LONDON, ENG.—The negotiations between the United Kingdom and the Argentine for the settlement of their financial and commercial relations do not appear to make any progress. Indeed it appears at the time of writing that the British delegation headed by Sir Wilfrid Eadie will have to return from Buenos Aires empty-handed. Of course it often happens in such situations that a compromise is patched up somehow in the 11th hour in order to avoid having to admit a deadlock. But at the moment there seems to be no indication of such compromise.



Paul Einzig

The main difference between the two Governments is two-fold. Regarding the general line of approach, the British Government wants to treat all the outstanding questions as part of the same problem, and wants to negotiate an agreement embracing the funding of blocked sterling balances, the treatment of British investments in the Argentine railroads and other British capital in the country, and the question of trade between the two countries. The Argentine Government, on the other hand, wants to negotiate each question separately and independently of the other questions. As no agreement has been reached on this point, it was not possible to make any progress in any direction. The other disagreement is on the funding of sterling balances. The Argentine Government submitted to Sir Wilfrid Eadie a proposal suggesting that these balances should be converted into a $2\frac{1}{2}\%$ loan. The British Government rejected this proposal out of hand.

The reason why London insists on treating all financial and commercial problems as part of the same problem lies largely in the desire to secure fair treatment for British capital and enterprise in the Argentine. During his brief term of office, Colonel Peron has shown himself even more hostile towards foreign interests in general and British interests in particular than most Latin American dictators—which is saying a great deal. The British Labor Government has no love for the British capitalist or industrialist, whether his capital is invested at home or abroad. But Chancellor of the Exchequer Dalton fully realizes the importance of safeguarding what is left over from the once formidable British investments abroad. He knows that in the changed situation Britain could ill afford to lose the invisible exports represented by interest and dividend on foreign investments. And, although he is a Socialist and seldom misses an opportunity for having a crack at the bondholders, he mobilized the support of the Foreign Office in an effort to secure fair treatment to British investors in the Argentine. This is more than any of his Conservative predecessors has done; as a rule the Foreign Office keeps aloof from financial matters and the bondholders have to fend for themselves.

The British Government rejected the proposal of funding the blocked sterling balances on a $2\frac{1}{2}\%$ basis, on the ground that it would create a dangerous precedent. It aims at funding the balances on an interest-free basis, and is afraid that if it should depart from this principle in the case of the Argentine then other holders would also demand inter-

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Banks at New Threshold

By WILLIAM HURD HILLYER

Mr. Hillyer analyzes recent trends in commercial banking, notably declines in excess reserves, government deposits and government bond holdings. Sees an unduly large volume of money in circulation compared to aggregate of bank deposits and suggests banks endeavor to draw circulating currency into their deposit accounts. Holds service charges and other costs levied on depositors discourage increase in bank deposits and retard opening of new accounts. Avers banks can employ additional deposits profitably and concludes "the depositor is the banker's best friend."

Commercial banks in the United States are facing decision. They must elect to continue their present role of Government paymasters or to fully resume their proper functions of deposit and discount. The latter choice brings with it an opportunity to regain prestige, safeguard profits and assist in neutralizing the effects of inflation.

William H. Hillyer

Despite record earnings and swollen deposits, the banks as now situated are peculiarly susceptible to fiscal and economic shifts. It is common knowledge that their plight had its origin in the prewar inflationary policies of 1934-40, with accompanying emergence of artificially low interest rates. When war financing sextupled the national debt, low-interest plans were the more rigidly carried out. Banks were thereupon loaded up with Government securities; return on loans was lessened, both as to rate and volume; Federal agencies poached on the banks' preserves; the depositor dwindled in importance and became a payer of charges rather than a receiver of interest. These circumstances be-

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Governors of NYSE To Consider Permissive Incorporation Today

Judged from all available evidence, case for permissive incorporation seems lost even before the Board of Governors takes it up. Proposition before Board is whether to submit question to general membership for a vote and it would surprise no one if Board should decide to turn it down or at least to table it indefinitely.

Judged from all the available evidence, the case for permissive incorporation is lost even before the Board of Governors of the New York Stock Exchange takes the question up for consideration this afternoon. Hardly any member of the Exchange, it seems, wants incorporation. Most of the comment which the "Chronicle" has received from the members of the various Stock Exchange firms, for instance, has been against incorporation. A partner in one very large firm which favors incorporation has admitted that incorporation hasn't the slightest chance of being adopted.

The proponents of incorporation shot their bolt, as it were, at the start of the campaign for incorporation and apparently have run out of arguments. Only a small minority, it is evident, favor incorporation. The proposition before the Board of Governors of the Stock Exchange today is whether to submit the question to the general membership for a vote and it would surprise no one if the Board should decide to turn down the question or at least to table it indefinitely. Comment on the question received by the "Chronicle" during the last week follows:

BROKER No. 21

When permissive incorporation was first suggested some years ago, I was for it. I thought then that admitting large corporations to membership in the New York Stock Exchange would both bring

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The Market Outlook

By G. Y. BILLARD, Partner, J. R. Williston & Co.

Market analyst says if present earnings prospects materialize stocks are in buying and not selling range.

Fears

The stock market experienced its widest break during the past week since May 1940.

Sizable offerings thrown on the market came mainly from professional sources and were traceable to apprehension over the international situation, the possibility of growing labor disputes, further price distortions arising from price control, expanding manufacturers' inventories, and consumer resistance to rising costs, as well as fears pertaining to the technical position of the market itself.

Gordon Y. Billard

To what extent such fears are justified we shall outline below in a brief survey of the various factors, in so far as they seem to have a bearing upon the stock market.

Fundamental Question

Considering the present position of the market with respect to the domestic business situation, the principal question is simply this—Will the promising earnings prospects for the third and fourth quarters materialize? If so, the obvious conclusion is that the market, at present, is probably near the lows, but if prospective earnings turn into another mirage, such lows are probably some distance away.

To illustrate the point, one manufacturing concern we have in mind, supplying equipment for the automobile industry, earned about 76c in the first six months. Earnings for July and August, however, were about equal to earnings reported for the first six months. On estimated September results, based on the existing outlook, earnings for the third quarter will probably be better than $1 per

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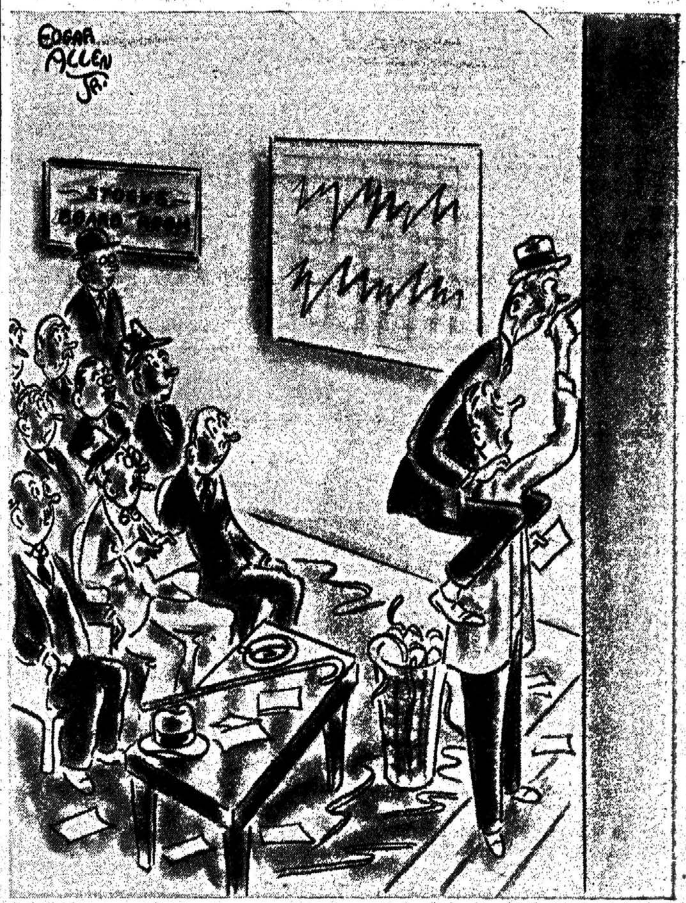
BUSINESS BUZZ



"I Do Wish You'd Be a Trifle More Patient, Mr. Jones."

The Thinness of the Market

Investment Research Organization sees over-regulation making for thin markets which work to detriment of investors. Hopeful that reforms responsible for lack of broad markets will be eliminated or at least modified.

The sharp break in the stock market on Tuesday, Aug. 27, (the Dow-Jones Industrial Stock Average declining almost 6 points) following those of Aug. 22 and July 23 exemplified the market's present thinness and vulnerability.

Leslie H. Bradshaw
Editor
"Investment Timing"

This condition is the result of a number of restrictions put into effect in recent years, by the SEC, the Federal Reserve Board, the Internal Revenue Department, and by the Stock Exchange itself (probably to avert more drastic outside regulation), but all reflecting the philosophy of the present Administration which, while well-intentioned, has impaired a hitherto free market and brought about undesirable by-products of reform to such an extent that to many people the cure is worse than the disease.

Margins

The restriction with which the public is perhaps most familiar is that on margin trading. Under the Securities Exchange Act of 1934, control of the use of credit for the purchase or carrying of securities was delegated to the Federal Reserve Board, which issued detailed requirements known as Regulation T, effective Oct. 1, 1934 and initially providing for 40% margin. Regulation T has been amended several times. On Oct. 15, 1934 the margin require-

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Keynesian Economics

Reader takes issue with theory that government should resort to deficit spending to promote employment.

Editor, Commercial and Financial Chronicle:

In view of the articles recently appearing in the "Commercial and Financial Chronicle" on John Maynard Keynes, I believe that you will be interested in publishing the following:

Our capitalist economic system has two phases, its mechanics and its principles. By the mechanics of the system are meant the way it operates, the effect on profits, prices, and production resulting from the amount of money going into circulation from all sources, the uses of this money, and the rates of operation of industry, the money-lending and land-owning classes. These factors are mathematical variables.

By the principles of the system are meant the functions of its parts (working, investing, money-lending, and consuming classes, profits, land, monetary system, taxes, government, and self-interest) and the rights and obligations of the members of its economic classes as derived from their functions.

Mr. Keynes' saving-investment statement is simply an expression of one of the manifestations of the system's mechanics and not an explanation of its mechanics. We have been able to explain these mechanics by deriving an equation containing every price factor entering into the functioning of our economic system (see *Economics Is An Exact Science*). By transposing all the factors representing saving to one member of the equation and all the other factors to the other, we arrive at Keynes' saving-investment expression. Using the same procedure we can obtain the values of profits, selling prices, etc., in terms of the other members of the equation.

Keynesian economists derive their proposal that the government should resort to deficit spending to promote employment only from the saving-investment formula. The principles of the system are ignored completely. By deficit spending is meant government expenditures for consumers' goods and services originating in credit or fiat money. Such expenditures will promote employment. However, a knowledge of the mechanics of our system would show that there are other measures which will promote employment. It is not enough, however, that the measures proposed should satisfy the mechanics of the system. To be correct and useful they must also be in accord with the principles of the system, the functions of its vari-

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Public Debt Controls Prices

Norman Leonard, Jr. of Yale University stresses opportunity of individual to reduce bank-held debt and prevent higher prices. Also calls on local governments to forego postponable spending.

The crucial importance of the bank-held public debt was stressed by Norman Leonard, Jr., economics instructor at Yale University, in a "Yale Interprets the News" program over radio station WTIC August 18. Citing the wartime rises of 700% in the demand deposits to the credit of the U. S. Treasury and of 100% in member bank deposits, Mr. Leonard pointed out necessity for the individuals as well as state and local governments to curtail their spending, to minimize the resulting upward pressure on prices.

N. H. Leonard, Jr.

The text of Mr. Leonard's interview follows:

Mullins: Mr. Leonard, the fact that federal expenditures continue to exceed revenue makes that headline sound a bit paradoxical. If the government's expenses are still greater than its income, how have we been able to reduce the federal debt?

Leonard: Well, Mr. Mullins, the recent debt reductions have been made possible by payments from the Treasury working balance. This Treasury balance was many times as large as was believed necessary in time of peace. During the war it reached a very high level; it is now being reduced by payments on that portion of the national debt owned by the commercial banks.

Mullins: Does that mean we can now stop purchasing Savings Bonds?

Leonard: Most emphatically — no. The wisest and most patriotic investment is still United States Savings Bonds. The obligations

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Socialized Credit Via Free Govt. Capital and Tax Exemption

By HOWARD FRIEND*

Research Director, Indiana State Chamber of Commerce

Noting that Federal Government operates a network of money lending agencies, with annual loan volume in billions, Mr. Friend maintains that this free use of capital, together with subsidy provided by taxation exemption of private lending agencies, is adding to burden of Federal budget. Says government transfers "good risk" agricultural credit business to cooperatives, while retaining the "bad risks," thus adding further to costs of existing socialized credit. Holds tax exemption of private credit agencies causes loss of $100 millions annually in taxes.

The Federal Government is the operator of and partner in a network of money lending businesses counting annual loan volumes in multi-billions of dollars and reaching their customers through some 22 parent governmental agencies having assets of nearly 19 billion dollars as of the end of the 1945 fiscal year.

Howard Friend

The size of these lending businesses is indicated by an outstanding loan volume to outside customers (other than governmental agencies) of nearly six billion dollars at the end of the fiscal year—and by a 10 billion dollar volume of credit, including loans to other governmental agencies, extended during the year.

As contributions to the "prosperity" of these lending businesses, the Federal Government:

1. Has extended in varying degrees the subsidy of free use of public funds subscribed from the United States Treasury to all of the governmental agencies and to one group of

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*Summary chapter from a factual survey of governmental credit agencies, published by the Research Department, National Tax Equality Association, Chicago, Ill. Since it is a summary, the statements made are necessarily broad in character, and do not include the explanatory, modifying and substantiating data.

Observations . . . .

By A. WILFRED MAY

UN Admission Policy Obstructing a True World Organization

The continuing absurd actions of the Security Council toward new candidacies for UN admission are akin to the obsolete membership committee log-rolling and other political shenanigans of our decadent "blue-blooded" social clubs. In lieu of exerting every effort to build up an all-inclusive world organization, some leading Powers are indiscriminately using the *blackball* technique to weld the new league into a Grand Alliance of countries subservient to them.

A. Wilfred May

Thus, of eight pending applications, last week five were turned down: Albania and Outer Mongolia on the vetoes of Great Britain and the United States; and Portugal, Ireland and Trans-Jordan by Russia. Only Sweden, Iceland and Afghanistan were deemed lily-white enough to pass the barrier. The delegate of the USSR, M. Gromyko, based his three vetoes on the bald excuse that his country has no diplomatic relations with the "blackball-ers," while his satellite countries elaborated their objections into charges that the "pariah" nations are not *"peace-loving."*

In the first place, this so-called peace-loving standard has been, and is still, fraught with absurd contradiction. On the one hand who, obviously, could be more peace-loving than the neutrals? Yet from the Charter's incubus onward, neutrals like Switzerland and Eire have nevertheless been frowned on by the Soviet. On the other hand, how does the Russian blackballer himself, with his unceasing and rampant aggressions, even qualify as a member in good standing, under this criterion? Surely the Soviet is no less selfishly war-like than nations traditionally ever have been. Secondly, on the ideological standard, which the Russian satellites are "throwing into the teeth" of applicant nations whom they deem as undesirable, the USSR itself should be barred. Witness, for example, Generalissimo Stalin's glowing telegram to Hitler at the conclusion of their joint campaign against Poland in 1939: "The friendship of Germany and the Soviet Union is based on blood which has been shed commonly, and has all the prospects of being enduring and steadfast."

In their narrow admittance tactics of furthering their own individual national policies, as in their increasing propaganda activities, the nations in the Security Council are contradicting their basic function of representing all the 51 UN member countries.

In any event neutrality during World War II (even if not conversely considered an asset) should be discarded forthwith as a reason for refusal of admittance to any peace-preserving organization. And ideological sympathy with a controlling Power must be disregarded. For without universality UN will be nothing more than an unstable, Power-politicising military Alliance—precipitating us into World War III!

* * * * *

The German Problem Coming to the Fore

Indications that Secretary Byrnes will visit Germany and deliver an important policy speech highlights the status of Germany which, while absent from the Paris "agenda" of discussion, is in the forefront of all the diplomats' minds. Whether the "inside story" going

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Harris Upham Branch In Dallas Opened

DALLAS, TEX.—Harris, Upham & Co., members of the New York Stock Exchange, have opened a branch office in the Mercantile Bank Building under the direction of Sam E. Pondrom. The firm is also establishing a second Texas office Houston under the management of Charles I. McLean partner in the firm.

Harris, Upham & Co., which is a successor to firms originally organized in 1895, has a total of 25 offices inter-connected by a private coast-to-coast wire system.

Truman Lauds Labor's Peacetime Record

President says workers deserve much of the credit for reconversion accomplishments to date. Cites necessity of safeguarding labor's gains and urges increased participation of workers in public affairs.

In a statement commemorating the observance of Labor Day Sept. 2, President Truman declared that the largest part of reconversion has been completed and asserted that much of the credit for the accomplishments belongs to the workers of the nation. Labor, the Chief Executive added, has brought production to new peacetime highs and must be assured of maintaining its previous gains and to further increase its economic status. Complete text of the President's statement, as issued by the White House under date of Aug. 31, and reported by the Associated Press, follows:

President Truman

This Labor Day is one of great importance. We can look into the future today with confidence, but not with tranquillity.

We still have a big job to do, and a long way to go, to assure the domestic prosperity and international understanding necessary to prevent depressions and war. But we can do it if we keep in our minds constantly that people are our most important asset. We must utilize them and conserve them.

The largest part of reconversion has been accomplished, and much of the credit for the job done goes to the workers of this great union of states and free people.

Labor Day is a day set aside for labor by Act of Congress; a day to review the accomplishments of working men and women, and to re-state the aims and ambitions and needs of all those who work with their hands and minds.

Record Peacetime Output

Since last Labor Day these men and women have brought production to new peace-time highs. Their work has produced a flood of goods to meet the needs of the people who did without many essentials and most comforts during the war years. These consumers have upheld price and rent controls during the difficult post-war period of inflationary pressure, and at the same time, as industrial and farm and home workers, they have supported their stand with record production.

As a nation of working people, we can maintain and increase the large production and nearly full

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Labor: Long Range View

By HON. LEWIS B. SCHWELLENBACH*
Secretary of Labor

Says Administration determined after termination of war to return to American system of free collective bargaining. Sees need for both management and labor to respect rights of each other at bargaining table and to wield power sparingly.

Tonight, on the eve of Labor Day, I appreciate the chance Columbia affords me to talk to you about some of the labor problems of the last year and to take with you a brief look into the future. Before doing that I want you to go back with me to that night in August a year when the announcement came of the Japanese surrender. In addition to the joy which naturally resulted from that event, there was a general feeling that the end of the war in its fighting phase would end the serious and difficult problems which the war produced. Looking back after a year's experience, we know how false was that impression. The unity which held us together in combatting a foreign foe all but disappeared when the foe had been vanquished. This was true not only on the international scene, but on the domestic one.

L. B. Schwellenbach

Looking back, one must be more surprised by our optimism at the war's end than by what has occurred since. It seems incomprehensible now that anyone could believe that the transition from the economy of war to an economy of peace could have been made without difficulties, distractions and disputes. Had it been otherwise, it could only have been achieved through the desertion of our American freedom and our system of democracy.

Yesterday's news services carried the story that the problem of reconversion had been completed. Actually, Americans are producing more goods and services today than we have ever produced in peacetime before. During the second quarter of this year we produced at a rate 17% in excess of that of 1941. If we continue at our present rate, the third quarter will bring us within 5% of the all-time peak which was attained during the war. There are ten million more people employed today than there were in August, 1940.

All this has been accomplished in a little more than a year. It has been accomplished during a period of let-down from the pent-up emotions of a long war. It has been accomplished despite the fact that we have had many work stoppages due to the inability of management and labor to agree. It has been accomplished in the American way—the way for the protection of which we sent our young men and women to wage battle in all parts of the world.

I want to talk to you for a while about the strikes that occurred during last fall and winter. They were more numerous and they involved more people than at any time in our history. I do not attempt to minimize the seriousness of the difficulties we confronted. I could cite you figures to show that, considering the number of people employed working under management-labor contracts, the percentage of those who went out on strike was not as high as it was at the end of the last war But little value would come from such comparison. It is important that you understand that there are in existence today in the United States over 50 thousand contracts between employers and labor unions. Most of those contracts are of a year's duration. That means that almost 1,000 of them expire every week. They have to be renegotiated just like any other contract. During the war the government itself very largely took over the task of determining the terms of such contracts. After the war had ended a decision had to be made as to whether or not the government should continue that policy or return to the American system of free collective bargaining. It was a hard decision to make. It would have been much easier to have continued compulsion during peacetime. Your government knew that there would be many disputes and many strikes. The atmosphere was ripe for them. During the war everyone worked long hours and at high speed. Everyone wanted a vacation. Much more important than that was the fear complex which invaded every segment of our population. Workers were fearful that they would lose their jobs or

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*A radio address by Secretary Schwellenbach over the Columbia Broadcasting System on the evening of Aug. 31, 1946.

AFL Head Discusses Labor During Past and Coming Year

In Labor Day message William Green tells of wage increases won that offset higher living costs. Says little progress was made on legislative front and that enemies of trade unionism are active and "seek to revive Fascism in this country." Urges labor to concentrate greater effort to win public opinion, and asserts that unless inflation tide breaks its bounds a postwar depression can be avoided.

On Labor Day, Sept. 2, William Green, President of the American Federation of Labor, addressed the following message to its members and to the public:

History will record 1946 as the year of transition. It is up to us to make 1947 the year of fulfillment.

William Green

On this Labor Day let us forget for the moment the detours and difficulties we have encountered on the rocky road back to peace and prosperity and chart the progress we have achieved.

Within a year after the fighting ended, America has almost completed the heavy and dispiriting task of reconversion. The way forward should be easier and more rapid from now on. The big reward ahead is full production and full employment, the two essentials to a sound and prosperous economy.

The troubles of the rest of the world are still too much with us, but we cannot escape them nor dodge our responsibility for contributing to their solution.

This year the American people gave generously in time of scarcity to save the people of Europe and Asia from starvation. Hundreds of thousands of American boys are still stationed abroad to keep the peace so dearly won,

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Labor's Achievements and Remaining Responsibilities

By PHILIP MURRAY*
President, CIO

CIO Chief, in Labor Day address, hails achievement of individual liberties by all classes in America. Declares labor has enriched our democratic heritage, erected bulwark against tyranny, advanced social progress, ended exploitation of women and children, reduced working hours, and advanced security for the handicapped, aged, and underprivileged. Declares labor's struggle must go on, particularly against Big Business' alleged attack on living standards.

In spite of its name, Labor Day, this day has become accepted as a holiday and a day of rejoicing for all of the people. This day to all of our people—workers, farmers, teachers, businessmen — is an important occasion, well worth celebrating.

Philip Murray

To us in the labor movement Labor Day, of course, has a particular and special significance. The observance of Labor Day itself came about as the result of the struggles and the advances of organized labor. The very struggle to set aside an official day as a tribute to labor has been part of the struggle of the American worker to exercise democratic rights, to improve his lot and the lot of all of the members of the community through labor organization.

Labor is proud that a day is now officially set aside as a tribute to labor. Labor is likewise proud that through its struggles popular liberty has been extended. There are places in these free United States where not too many years ago a trade union was regarded as a sinister threat and organization represented to workers a still unfulfilled yearning. There are places in these free United States where, within my very vivid memory, the ordinary, elementary civil rights of free Americans were ruthlessly suppressed. There are places where men had to meet in fear and terror in the still of the night, awaiting the momentary invasion of armed sheriffs and their deputies or of blood-thirsty company police.

There are many places in the United States where labor's efforts to advance were met with the lash of the injunction, the unsavory conspiracies of company spies and provocateurs and wholesale evictions. The right to speak freely, to assemble peaceably, to picket, to distribute leaflets, to

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*Labor Day speech by Mr. Murray over ABC network, Sept. 2, 1946.

The Job Ahead of Us

By IRA MOSHER*

Chairman of the Board, National Association of Manufacturers

Mr. Mosher states that industry—already paying highest wages in history—is vigorously tackling its most important job of providing steady employment. Hailing achievements in reconversion by free enterprise—"a system not destined for scrap-heap"—he declares top wages and steady work cannot be accomplished by Federal agencies. As three chief obstacles to prosperity, Mr. Mosher cites strikes, bureaucratic controls, and deficit spending.

This great university which is our gracious host, should remind all of us that education is a never-ending process. Ohio State University, by its sponsorship of this meeting, is today teaching us that neither professors nor business men can lock themselves in ivory towers and survive. When I was a youngster, they greeted my juvenile mistakes with the heartless remark, "Live and learn, Ira." As I grew older, I came to realize that they were voicing, in reverse, the everlasting creed that must dominate the life of every human being—we must all continue to *learn* in order to live.

Ira Mosher

Business management has an exacting, full-time job to handle all the phases of production and distribution. The educators, the scientists, the doctors and all the other leaders in our society likewise have their full-time exacting jobs in their respective fields. Yet they realize, more acutely I think than do most of us in the business world, that lifelong self-education and the sharing of knowledge which affects the public interest are inescapable responsibilities of every profession — teaching and business management, science and medicine alike.

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*An address by Mr. Mosher before the 10th Annual Conference of Secretaries of Trade Associations; Ohio State University, Columbus Ohio, Sept. 4, 1946.

"You and the Atom"

John M. Hancock describes in detail the United States Plan for World atom control, and our government's present position. Explains why managerial control of all atomic energy activities should be entrusted to proposed International Development Authority.

John M. Hancock, member of the United States delegation to the United Nations Atomic Energy Commission, interviewed by Lyman Bryson over the Columbia Broadcasting System Aug. 14, explained the American proposals as follows:

John M. Hancock

Mr. Bryson: Mr. Hancock, we know that a group of earnest men from 12 nations, known as the United Nations Atomic Energy Commission, are carefully and patiently exploring the pathways toward world agreement. And all of us are aware that Mr. Baruch has proposed the United States Plan for world control and development. But, many of us do not have clearly outlined in our minds the essential details of the Baruch Plan. Would you tell us the main points of this Plan?

Mr. Hancock: The essential points of the U. S. Plan were stated by Mr. Baruch at the first meeting of the Atomic Energy Commission. In the time available I can only high-light its main ideas.

We propose the creation of an International Atomic Development Authority, with responsibility to every nation for preventing the use of atomic bombs and of promoting the development and use of atomic energy for

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Officials of Fund And World Bank

(Nineteenth of a Series)

HUBERT ANSIAUX

Belgian Executive Director of Fund and Bank

As executive director of the Fund and Bank, Mr. Hubert Ansiaux fills the place vacated by Mr. Camille Gutt, when the latter became managing director of the Fund. As an advisor to the Belgian delegation at the Savannah Conference in 1946, Mr. Ansiaux came to the Fund and Bank with considerable knowledge of their structure and functions.

Hubert Ansiaux

Hubert Jacques Nicolas Ansiaux was born in Brussels in 1908. He attended the University of Brussels, graduating as a commercial engineer in 1930. Early in 1934, Mr. Ansiaux joined the Banque Nationale de Belgique, his country's central bank, in an administrative capacity. In May, 1940, the time of the German invasion, Mr. Ansiaux went to England, where he represented the bank. By decree of the Council of Ministers, he was made a director of the Banque Nationale de Belgique in December 1941, an appointment which the bank's general assembly confirmed when it met in liberated Belgium in 1944.

Mr. Ansiaux has been managing director of the Institut Belgo-Luxembourgeois du Change and Vice-President of the Office National du Ducroire.

Neb. Securities Comm. Educational Display

LINCOLN, NEB.—The Bureau of Securities of the State of Nebraska at the 1946 Nebraska State Fair will have a booth and exhibit. An experimental booth at the 1944 Fair was most successful and the Bureau is again having a display as part of its publicity and educational program.

Report Progress on Implementing Potsdam Economic Provisions

By HERBERT M. BRATTER

Economics Chief of OMGUS sees much progress during past year in organizing Germany for recovery. Says absence of French from Potsdam was a mistake and cause of much of recent difficulties. Thinks Russians would have agreed last Fall to Germany's economic unification and believes that even now their objection is not to unification, but to timing it immediately. Stresses need for building up German exports so as to relieve American taxpayers of present burden of supporting Germans in our zone and points to need for more American business executives to help the American Army with its German task and says Army is now recruiting such volunteers.

Soon after his arrival from Germany for a short visit to this country, Brig. General William H. Draper, Jr., head of the economics division of OMGUS, the United States' office of military government in Berlin, when interviewed by the "Chronicle," expressed the view that considerable progress has been made in Germany's economic affairs in the past year, although there is still a great deal to be desired, owing largely to the fact that the country is split into four zones differing in resources and with unsatisfactory intercourse with each other and with foreign countries.

Herbert M. Bratter

Wm. H. Draper, Jr.

In addition to the above-mentioned post, Gen. Draper is the U. S. member of the Economic Directorate of the Allied Control Authority. Draper's British counterpart is Sir Percy Mills, who

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Price Control Policy Crucial for Business

Analyzing government's price moves, National City Bank Letter urges consistency, and end to criticism by special interests. Predicts further advances in manufactured goods prices, whose extent will be determined by wage and efficiency factors.

The great importance to businessmen of current and future Price Decontrol policy is cited by the National City Bank of New York in its September Monthly Bank Letter. Pointing out the past elements of uncertainty, the Letter says: "Both in pricing and decontrol the Price Control Extension Act necessarily gave a good deal of leeway to the administrators, and business men were concerned to know what policies and standards would be established. Most important of the decisions to be made were those of the new Price Decontrol Board, required by Aug. 20, as to reinstatement of ceilings on farm products. A second unkown quantity was whether the Office of Price Administration would interpret liberally or severely the provisions under which manufacturers and distributors could apply for relief from price squeezes, under new formulas.

Apart from these questions, the reestablishment of ceilings after 25 days of free markets naturally caused difficulties. With the exceptions stated in the Act, prices of commodities under ceilings were automatically rolled back to June 30 levels, irrespective of any new conditions that had developed or of the new provisions in the Act. Immediate adjustments were required to let business go on—for example, price increases to offset stoppage of subsidies, to allow for advances in raw materials during the interim period, or to adjust prices on imported goods to high-

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Public Utility Securities

Recent Street Analyses of Utility Stocks

A number of Wall Street analyses of utility companies have appeared recently despite the decline in market interest in the utility group. Among these was a 19-page brochure on American Power & Light by Cohu & Torrey and a shorter analysis by Josephthal & Co. (Bear, Stearns also prepared a study some weeks ago.) The Cohu & Torrey story estimates the potential break-up value of the common stock at $40-50 (about in line with the Bear, Stearns analysis).

Josephthal & Company's analysis (by W. T. Hyde, Jr.) takes a less optimistic view. American Power & Light recently proposed to sell 15% of its equity holdings in Texas Utilities, Montana Power, Florida Power & Light, Kansas Gas & Electric and Minnesota Power & Light—the object being to establish a market value for the remaining stocks which would be offered in exchange for the parent company's preferred stocks. Mr. Hyde thinks these earnings can be capitalized at only about 13 times, and on this basis the entire amount (including the 15% sold to the public) would be required to take care of retiring the preferred stocks at par, while the company's working capital and miscellaneous investments would probably be required to meet the call premiums. This would leave only the equity in the three northwestern properties for the common stock. Capitalizing these at 13 to 14 times earnings would give a value of only 16½-17½ for AP—about the current price, following the recent market break. It is pointed out, however, that the issue has high-leverage possibilities.

Josephthal & Co. have also issued special analyses on Consolidated Edison (slightly bearish on the stock at 30), Central Illinois Electric & Gas, General Public Utilities, Long Island Lighting and Northern Indiana Public Service. With respect to the general outlook for utility stocks, Mr. Hyde feels that "pressure from stocks being sold by holding companies has created a weak market situation which is likely to become worse as additional offerings are brought on to an already glutted market."

Baker, Weeks & Harden have issued an anlysis of the proposed new American Telephone & Telegraph rights.

Eastman Dillon & Co. have issued a report on Southern Union Gas Co., calling attention to its appreciation possibilities based on above-average growth opportunities both in utility service and in developing additional gas reserves. The firm has also issued an unfavorable report on American Superpower Corporation common stock.

Eric Etherington Co. (consultants) are preparing a comprehensive series of reports on the Electric Bond and Share System, of which several have been released to clients. In analyzing the recent distribution of assets by National Power & Light, Mr. Etherington estimates the "near-term value" of Pennsylvania Power & Light at $30, Carolina Power & Light at $50 and Birmingham Electric at $17. Thus the total near-term value of the fractions distributed to the holder of each share of National would aggregate $13.78.

Mr. Etherington points out that Pennsylvania earned $1.14 for the first half of the year against 83¢ for the full year 1945, and he thinks that the calendar year 1946 might show $2.30 or better, since the last half is seasonally better.

In his analysis of Carolina Power & Light, Mr. Etherington estimates 1946 earnings at around $3.25 a share, and with the continuation of present excellent water conditions this might be exceeded. He thinks a $2 dividend rate is possible making the stock attractive at under $40 a share (it is currently quoted around 36 in the over-the-counter market).

John B. Miller With Naess & Cummings

Naess & Cummings, New York, Boston and Baltimore investment counselors, announce that John B. Miller, formerly head of research in the investment advisory department of the Philadelphia office of Smith, Barney & Co. and recently Lieutenant Commander, U. S. N. R., has joined the staff in the New York office and that Edgar S. Jacob, formerly Captain A. U. S., has resumed his duties in the Baltimore office.

Place of Public Works in The National Economy

By WALTER F. STETTNER*
Division of Research and Statistics
Board of Governors of the Federal Reserve System

Federal Reserve economist avers public works have a two-fold economic importance in that they supply certain public needs that cannot be obtained otherwise and that they may be used to ameliorate fluctuations in employment. Sees no clear-cut division between exclusive spheres of public and private activity and, although maintaining public works programs contribute to employment and national income, holds this should not be their primary motive. Holds public works are not principally an instrument of fiscal policy or a substitute for other government economic policies for full employment, and contends public works programs are important to maintenance of private enterprise.

The economic importance of public works and services is twofold. They satisfy certain needs of the community which cannot be met as well in any other way and they may also be used at times to ameliorate fluctuations in the volume of employment. Until the thirties, the first of these aspects dominated public works planning.[1] During the depression the employment and income-creating aspects of public expenditures came to receive more prominent, if not always favorable, attention. Now, in the postwar economy, it will be necessary to set both the need and the employment aspects of public works in proper perspective if effective and beneficial planning is to be carried out.

Walter F. Stettner

Public Works and Services—A Reflection of Changing Needs

The conservation and development of our human and natural resources for the benefit of the community as a whole is an accepted goal of economic and social policy and establishes the framework and the limits within which

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1 Both in this country and in Europe the possibility of using public works as a stabilizing factor in the economy has been recognized by the early part of this century, but the lack of properly planned public works in sufficient amounts made it impossible to carry out this principle.

*Part of an article by Dr. Stettner published in "Postwar Economic Studies, No. 6," issued by the Board of Governors of the Federal Reserve System, Washington, D. C.

Transition Accomplishments No Cause for Pride, Says Guaranty Trust Co.

Bank's publication holds period shows record of lost opportunities. Blames rigid price regulations and other attempts at centralized control of economic activities. Forecasts unbalanced budget.

"The record of the first year of postwar transition in the United States, viewed as a whole, gives little cause for pride," states the Guaranty Trust Co. of New York in its current "Guaranty Survey," monthly review of business and financial conditions.

"It is a record of opportunities lost through ill-advised efforts to prevent, by arbitrary decision, natural and necessary economic readjustments," according to "The Survey," "and it illustrates the dangers inherent in all attempts at centralized control and the imperative need for escaping from such control as fully and as quickly as possible.

"Price regulation was desirable as a temporary device for smoothing price readjustments that might otherwise have been too violent. But it was not used for that purpose. It was used instead as an instrument for holding prices rigidly at an arbitrary level without sufficient recognition of the need for adequate business earnings as an incentive to production. The result was that reconversion was impeded rather than hastened, and inflationary pressures were strenghened rather than allayed.

"The damage that has been done is serious but not irreparable. Despite shortages, high costs and other problems, most divisions of industry are in a position to go forward rapidly in supplying pent-up demand, hastening the day when the last of the wartime controls can be relinquished, and laying a firm foundation for postwar prosperity. There is ground for the hope that this will come to pass with wise and temperate control and decontrol policies, broad-minded and tolerant attitudes on the part of labor and management, and sound fiscal practices.

Employment Well Sustained

"In some respects the postwar transition process has proved less difficult than it was expected to be; in other respects, more so. Undoubtedly the most favorable feature of the record has been the avoidance of large-scale unemployment. Total output and total income have been rather well maintained, despite the sharp drop in Government expenditures. In some vitally important industries, however, the transition has been badly impeded by wage disputes and by governmental regulatory policies that have prevented the prompt and orderly settlement of those disputes. The resulting delays and shortages seem likely to continue to give trouble for some time to come. Fortunately, there are indication that price and wage control policies in the future may be based on a more realistic recognition of practical business

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Green Light for Development Loans

WASHINGTON, D. C.—An issue which has been dividing different members of the National Advisory Council, especially on the staff level, was decided in August in favor of the Export-Import Bank's viewpoint. This issue was whether the Bank should be making commitments for large development loans in Latin America at this time. Those in the Federal Reserve Board and Treasury Department who said it should not, argued that Latin America was "well-heeled" as a result of the war, and that the big need abroad at present is for reconstruction credits. Another objection was that the embarking on certain pending projects before Ex-Imp would increase scarcities of goods in this country.

The decision hinged on a large-scale Brazilian project for transport and communications construction, for which large amounts of American capital goods would be needed. Various Ex-Imp Bank officers and State Department officials, including Under-Secretary Will Clayton, favored accommodating the Brazilians. NAC gave the necessary approval, which naturally sets a precedent for application elsewhere in Latin America.

Ex-Imp's next semi-annual report is now in the Government Printing Office and will be out soon. Officers of the Bank would like to see the World Bank operating on a scale sufficient to take over the emergency financing task which in recent months has rested almost exclusively on the Export-Import Bank—the UK loan excepted. These officers would like the Ex-Imp Bank to play the role which was envisaged for it at the outset of an institution to promote American foreign trade. The main reason they favored the Brazilian project mentioned above is that it would make a market for capital goods, of which the end of the war left this country with surplus productive capacity. They prefer Ex-Imp to be more a commercial tool of government and less a political tool than it now is. But they are not too optimistic about achieving their purpose soon.

What disturbs the prospect is the impression gleaned from reports coming to Washington that investors are not going to fall over themselves to get World Bank securities. There seems to be a growing attitude of cautiousness about international organizations, of which the World Bank is one. Investors are discouraged by the daily reports from Paris and other international gathering places, where discord is being aired. Every time Isvestia comes out with a blast at us "gangsters" the stock market shivers and shrinks again. As seen from one U. S. Government vantagepoint, "nobody seems to want World Bank bonds."

So, while we are waiting for the World Bank to get started, Ex-Imp is continuing to receive applications for help from one place or another. Recently, for example, a Macedonian cry from Vienna was heard in the Ex-Imp's offices.

What is wanted is American money. Any amount will do, so long as it is dollars. The impression grows that applicant countries are not giving much thought to repayment possibilities. They seem not infrequently to regard economic and financial assistance incorrectly as a sort of cure-all for their national ailments. On the other hand, some of the officials who must pass upon such loan applications wonder whether too generous application of American credits may not actually cripple, rather than permanently benefit, the loan applicants. Recovery, as these officials see it, is at least as much a matter of human resources within the borrowing country as it is of American credits.

Some readers of this may think that such realization comes at a pretty late date in the schedule of American investments and grants abroad. But the demands from the outside have not subsided.

Only last month (Aug. 17) the Chicago "Tribune" London correspondent reported that Chancellor of the Exchequer Hugh Dalton, Britain's Governor of Fund and Bank, when he comes to Washington late in September may seek additional dollar credits to make up for the reduced purchasing power of the American loan in view of the rise in commodity prices here. The newspaper also cited an article in a London financial journal, "City Observer," to the effect that the UK is likely to seek a loan either from the World Bank or from the Export-Import Bank.

Dealer-Broker Investment Recommendations and Literature

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

Aircraft Manufacturing Industry—Present and Future Prospects—By Lt. Col. George Bryant Woods—White, Weld & Co., 40 Wall Street, New York 5, N. Y.—cloth—$5 per copy.

Bull Market—How Long?—Mid-Year issue of bulletin, "Geared to the News," discusses this question and reviews the stocks of a number of interesting companies—Strauss Bros., 32 Broadway, New York 4, N. Y.

Holding Company Integration Plans—Developments in Several Situations—H. Hentz & Co., 60 Beaver Street, New York 4, N. Y.

1946 Bank Earnings—Comparative Analysis—Kugel, Stone & Co., Inc., 20 Broad Street, New York 5, N. Y.

Pennsylvania Legal Bonds—Compilation—Stroud & Co., Inc., 123 South Broad Street, Philadelphia, Pa.

Also available is a valuation and appraisal of **Railroad Equipment Certificates** and **City of Philadelphia Bonds.**

Railroad Equipment Industry—Analysis of Interesting Outlook—Ira Haupt & Co., 111 Broadway, New York 6, N. Y.

"Timber Returns"—Brief resume of the lumber and timber industry with data on **Long Bell Lumber Co., Richmond Cedar Works, Southwest Lumber Co.,** and **Weyerhauser Timber Co.**—Ask for Booklet C—William L. Burton & Co., 25 Broad Street, New York 4, N. Y.

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

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

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

Also available are circulars on **Tennessee Products** 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.**

Carolina Power & Light Co.—Analysis—Ira Haupt & Co., 111 Broadway, New York 6, N. Y. Also available is an appraisal of values of **New England Public Service. Co.**

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

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

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

Also available are memoranda on the **Muter Co.** and **Consolidated Gas Utilities Corp.**

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

Cook Paint & Varnish Co. — Analysis—J. R. Williston & Co., 115 Broadway, New York 6, N. Y.

Decker Manufacturing Co.—Detailed Analysis—Comstock & Co., 231 South La Salle Street, Chicago 4, Ill.

Also available are analyses of **Hydraulic Press Manufacturing Co.; Long Bell Lumber Co.,** and **Miller Manufacturing Co.**

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.

General Public Utilities Corp.—Analysis—Hettleman & Co., 1 Wall Street, New York 5, 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.

Lipe Rollway—Analysis — Raymond & Co., 148 State Street, Boston 9, Mass.

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.

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

National Iron Works—Postwar Analysis—Nelson Douglass & Co., 510 South Spring Street, Los Angeles 13, Calif.

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

New Bedford Rayon—Discussion of Interesting Situation for Income—F. K. Koller & Co., Inc., 111 Broadway, New York 6, N. Y.

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

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

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.

Parke, Davis & Co. — Survey containing tables and descriptions of earnings and sales, operating record and current operations as well as of plant and properties, research, foreign business, management, advertising and sales policies and financial position—First of Michigan Corporation, Buhl Building, Detroit 26, Mich., and 2 Wall Street, New York 5, N. Y.

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

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

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

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.

Hemphill, Noyes Co. Promotes Stevenson

Hemphill, Noyes & Co., 15 Broad Street, New York City, investment bankers and members of the New York and other Stock Exchanges, announce the appointment of Walker W. Stevenson, Jr., as General Sales Manager. Mr. Stevenson has been a member of the Hemphill, Noyes organization since 1935 and since December, 1945, has been supervising the seven Hemphill, Noyes branch offices—Albany, Chicago, Indianapolis, Philadelphia, Pittsburgh, Trenton and Washington. Prior to his war service, Mr. Stevenson, for several years, was assistant general sales manager.


W. W. Stevenson

During the war, while on leave of absence from the Hemphill, Noyes organization, Mr. Stevenson was a Lieutenant j.g. in the United States Navy and served in active combat in the Pacific area on a destroyer. He is a graduate of Princeton University and The Lawrenceville School. He resides at Griggstown, N. J., is a member of the Princeton Graduate Council, and is Secretary of The Lawrenceville School Alumni Association. He is Reunion Chairman of his Princeton Class of 1935, a member of the Broad Street Club and of the Young Men's Board of Trade of New York.

Seaboard Air Line — Current Situation—Vilas & Hickey, 49 Wall Street, New York 5, 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.

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.

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

Western Light & Telephone—Memorandum—Buckley Brothers, 420 Walnut Street, Philadelphia 2, Pa.

Also available are memoranda on **Gruen Watch Co.** and **Eastern Corporation.**

NSTA Notes

BOND TRADERS CLUB OF SEATTLE

The Bond Traders Club of Seattle is distributing a brochure illustrated in color on the scenic beauty of Washington State. The annual convention of the National Security Traders Association is this year being held in Seattle and in a reservation leaflet accompanying the booklet the Club states:

"For those having wardrobe trouble, the Weather Man reports: 'For Sept. 17—average 53 year temperature is 70 degrees high and 54 degrees low. During the same period, it has rained 14 times.'"

NSTA PAST OFFICERS' CLUB

The Past Officers' Club of the National Security Traders Association, Inc. will hold its first annual breakfast on Tuesday morning, Sept. 17, at 8 o'clock at the Associations Convention headquarters in Seattle. Edward E. Parsons, Jr., Wm. J. Mericka & Co., President of the NSTA during 1944-45, will preside.

At the breakfast gold and silver badges will be presented to all past officers. A brief report will be heard from all officers for the current year, and the proposed changes in the NSTA Constitution will be discussed.

INVESTMENT TRADERS ASSOCIATION OF PHILADELPHIA

The annual meeting and election of officers and governors of the Investment Traders Association of Philadelphia will be held Friday, Sept. 6, at the Benjamin Franklin Hotel, Philadelphia. The meeting, which is for members only, will be called to order at 5:30 p.m. and will be followed by dinner at 8 o'clock.

The nominating committee, headed by Robert A. Torrens, Harriman, Ripley & Co., will present the following officer candidates:

President, Alfred W. Tryder, W. H. Newbold's Sons & Co.
1st Vice-President, Frederick S. Fischer, H. N. Nash & Co.
2nd Vice-President, John M. Hudson, Thayer, Baker & Co.
Secretary, Wallace H. Runyan, Graham, Parsons & Co.
Treasurer, Paul C. Fredericks, Jr., Warren W. York & Co.

From 20 nominees, nine governors are to be elected, six for three years, one for two years and two for a one-year term. Also to be chosen are three trustees to administer the newly established Gratuity Fund.

With pleasurable anticipation the membership awaits the highly embellished remarks of the retiring President, Edmund J. Davis, Rambo, Close & Kerner.

NSTA CONSTITUTIONAL AMENDMENTS

The following Amendments to the Constitution of the National Security Traders Association will be officially presented for vote of the National Committee in September, according to a letter to the membership from Thomas Graham, Bankers Bond Co., President:

1. Increase Executive Council NSTA members from nine to 11, 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 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	Advertising	Educational
Corporate	Publicity	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 presidents 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.
14. The Bond Traders Club of Chicago have offered an amendment providing for the creation of the office of Executive Secretary with specific allowance for expenses and traveling.

An executive session of National Committee has been called for 4 p.m., Tuesday, Sept. 17, 1946, in Seattle, to consider constitutional changes. Mr. Graham, as suggested by certain of the NSTA affiliates, has asked counsel, Arthur Grafton of Grafton & Grafton, Louisville, Kentucky, to check the present Constitution and recommend any changes or corrections as to form only.

The Constitution Committee, composed of Henry Arnold—Chairman, Perry Brown, Stanley Roggenburg, Jerry Tegeler, and Hon. Fred Busbey, has been asked to have a report ready for this meeting.

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, in addition for advisory purposes, are (1) Presidents of Affiliates, (2) All Past Officers, (3) Chairmen of all Committees, (4) All Officers and National Committee members signing the present Constitution in 1936 at Los Angeles Convention, where same was adopted.

Forecasts Revival of Price Support for Farm Commodities

Northern Trust Company of Chicago holds high farm output may change trend toward price support rather than price restraint. Says policy of maintaining parity prices of farm products could involve a tremendous burden to Federal Treasury and points out that once level of farm production has increased, it tends to remain high.

The September issue of "Business Comment" published by the Northern Trust Company of Chicago, contains some interesting statements concerning the future level of prices of agricultural commodities and a tentative forecast that instead of imposing price restraints, as at present, it may be found necessaryto restore prewar price supports of important farm products. According to the article:

The prospects for record wheat and corn crops this year and the concurrent partial recovery of production in foreign countries have brought about a fundamental change in the market action of these commodities, particularly corn. Whereas earlier in the year grains were bumping against ceiling prices, with reports of substantially higher than ceiling prices in black market transactions, recently futures trading in major grains has been at less than former ceiling prices. Though the turning point may not yet actually have come, the preponderance of official as well as private forecasts is that sooner or later the problem may be one of price support rather than restraint of price rises for numerous farm commodities.

This view of the outlook does not rely solely on the excellent crop prospects for the current season. The Department of Agriculture has estimated that probably not more than one-fourth of the wartime increase in farm production can be attributed to better than average weather. Shifts from animal to tractor power, increased use of fertilizer and lime, improved crop varieties, the increased use of cover crops and other conservation practices, pest and disease control, and better feeding of livestock have all contributed to heavy farm production. The Department has said that even with just average weather, production of marketable farm products after the war will be from 25% to 30% greater than it was before the war. Once the level of farm production has increased it tends to remain high.

(Continued on page 1295)

Ludlam & McGahan With E. H. Rollins

E. H. Rollins & Sons Incorporated, 40 Wall Street, New York City, announces that Paul Ludlam, formerly with J. Arthur Warner & Co., Inc., and Thomas J. McGahan, formerly with Merrill Lynch, Pierce, Fenner & Beane, have become associated with the firm in its trading department.

Mr. McGahan's association with the firm was previously reported in the "Chronicle" of Aug. 22.

Pennsylvania Brevities

Pennsylvania Power & Light Co.

Soon to become a completely independent operating company as a result of distribution of its common stock by National Power & Light Co., Pennsylvania Power & Light Co. is receiving increasingly widespread investor interest.

The common stock, actively traded on the New York and Philadelphia Stock Exchanges, lends itself readily to comparison with long popular Philadelphia Electric Co. common stock as follows:

	Earnings 1st Half 1946	Earnings (est.) 1946	Current Dividend	Approx. Price	Present Yield
Penna. P. & L.	$1.14	$2.28	$1.20	24	5.00%
Philadelphia Elec.	.95	1.90	1.20	29	4.10

Pennsylvania Power & Light Co. charted a course designed to build up its common stock equity to at least 25% of capitalization by or before 1959, and further to increase the efficiency of its operations and earning power over the next few years. The program is being aided by the rapid growth in new business, by tax savings resulting from the repeal of excess profits taxes and by the sharp reduction in interest and preferred dividend requirements arising from last year's refunding operation.

On the basis of fair value rate base and the 6% rate of return fixed by the Pennsylvania Public Utilities Commission in 1945, allowable earnings are computed to be about $2.68 per share on the common stock. As the company proceeds with its large expansion program over the next few years, resulting economies should be translated into increased actual earnings without exceeding the level of allowable earnings.

In connection with National Power & Light Co.'s distribution of Pennsylvania Power & Light common last month, the public obtained 682,013 of the 716,159 shares formerly held by National. Electric Bond & Share Co., subject to SEC and court approval, plans soon to offer 1,050,072 shares Pennsylvania Power & Light common to its own stockholders on a one-for-five ratio at a price equal to $3.50 per share less than the closing market price on the date specified. Assuming the exercise of these rights, Pennsylvania's 2,500,752 shares will then be owned 95% by the public, 4.6% by Electric Bond & Share and 1.4% by National Power & Light.

The Company's Business

Net operating revenues are derived preponderantly from sales of electric service. For the 12 months ended June 30, 1946, only 4.6% of operating revenues was obtained from gas service and 1.8% from steam-heating business, compared with 93.6% from electric sales.

Territory served, embracing 28 counties in east central Pennsylvania, is considered to be highly desirable from the standpoint of public utility operation. Total population of the service area is approximately 1,735,000, and one-third of the national population lies within a 200-mile radius. Included in the company's territory are the cities of Allentown, Bethlehem, Wilkes-Barre, Harrisburg and Lancaster. The area supports rich agricultural sections and contains important manufacturing and mining industries.

It is estimated that about 83% of the total anthracite reserves in Pennsylvania are in territory served by the company. In respect to power sales to coal mines, a stabilizing influence arises from the fact that about 40% of the load is for pumping, which goes on regardless of the rate of mining.

Other important basic industries served are steel, cement and textiles. It is noteworthy, however, that all industrial power sales account for only 38% of electric revenues compared with 55% derived from residential and commercial consumers.

Over 90% of the company's electric energy is steam-generated in 17 plants having a rated capacity of 408,462 kilowatts. The company also owns a 40,000-kilowatt hydroelectric plant and several smaller internal combustion-engine plants, bringing the total rated capacity of all generating units to 453,339 kilowatts.

Pennsylvania Power & Light Co. is an operating member of a "power pool" comprised principally of its own facilities and those of Public Service Electric & Gas Co. and Philadelphia Electric Co. The systems of the "pool" are interconnected by high-voltage lines and serve central and eastern Pennsylvania, New Jersey, Delaware and the Baltimore-Washington area. Total peak capacity is about 4,250,000 kilowatts.

Dividends

The company declared and paid dividends at the rate of 20 cents per share on April 1 and July 1, 1946, the amount of such dividends having been determined last February in the light of the then existing conditions. The increase in the dividend payable Oct. 1, 1946, to 30 cents per share is construed to establish a new annual rate of $1.20. This amount represents only about 60% of current available earnings, is well within the limit of dividend restrictions and at least this rate is expected to be maintained.

Having settled its financial, regulatory and accounting problems satisfactorily, this large, independent Pennsylvania utility now has a greatly strengthened and improved capital structure, well suited to future growth requirements. Stockholders may look forward to a progressively increasing equity and to the elimination of all debt except first mortgage bonds. They may also anticipate further growth in earnings as the full benefits of tax savings, refundings and reductions in operating costs from new equipment are realized.

* * *

Philco Corporation

John Ballantyne, President of Philco Corp., reported to stockholders that the company's operations "took a decided turn for the better in the second quarter of 1946."

An operating profit of $164,787 was reported for the June quarter despite the fact that the radio manufacturing division was forced to close down in the latter part of April and early May in order to accumulate parts for production purposes. In the first quarter, operating loss was reported as $2,569,471.

Mr. Ballantyne stated that he believed the company will show satisfactory earnings for the last six months of the year.

* * *

The Budd Co.

Edward G. Budd, President of The Budd Co., has reported that unfilled orders now exceed $159,000,000 of which something over $100,000,000 represents business for the automobile industry and the balance comprises orders for more than 600 stainless steel railway passenger cars. Warren H. Farr, Vice-President of the former Budd Wheel Co., has been appointed Vice-President in charge of manufacturing of The Budd Co.

* * *

The End of the Line?

Those balky, recalcitrant underliers of the Pittsburgh Railways Co. system, who have successfully defended their rights as corporate entities for almost 50 years, and in so doing have blocked attempts at reorganization which did not fully recognize those rights, may, in the near future, find themselves at the end of the line.

On May 7, 1946, the U. S. Circuit Court of Appeals for the Third District reversed a lower court decision and ruled that "in the public interest" the underliers could and should be brought under court jurisdiction for the purposes of reorganization. Moreover, the court admonished the Pittsburgh Railways Co., which has operated under 77-B since 1938, that it could not expect to conduct its business perpetually under the protection and shelter of the court. It was told to set its affairs in order without delay, "or else."

An appeal has been taken before the U. S. Supreme Court and all briefs were filed on or before Aug. 5. Upon convening Oct. 1, the Supreme Court will decide whether it will entertain the appeal. Since the decision of the Circuit Court was unanimous, there is a strong feeling that the appeal will be dismissed and that the Circuit Court ruling will prevail. This, it is thought, may result in relatively swift developments which long-patient security holders have awaited. Total outstanding bonds of the system held by the public aggregate about $12,000,000 and, it is pointed out, that the trustees are in possession of cash, or equivalent, in the neighborhood of $23,000,000. In the event of distribution, settlement or reorganization, claims of the parent company, Philadelphia Company, and of other creditors, would have to be judicially determined, but public holders are confident of satisfactory and perhaps preferential treatment at prices, or equivalent, well above current quotations.

Philadelphia Receiver of Taxes, W. Frank Marshall, has announced that city tax collections were $6,505,493 greater during the first seven months of 1946 than in the corresponding period last year. The total for this year to date was $70,917,311 against $64,311,818 at the end of July, 1945.

* * *

Merger of the Broad Street Trust Co. and Mid-City Bank & Trust Co., both of Philadelphia, into a $50,000,000 banking institution, is expected within the next three months.

* * *

R. W. Brown, President, Reading Company, announced that the road had placed orders with American Car & Foundry Co. and General Electric Co. for 16 additional electric passenger coaches, to be operated as two-car units, at a cost of $1,753,500. They will be used to supplement present equipment in Reading's electrified suburban territory.

* * *

The month of August lies "stone-cold dead in the market," and Pennsylvania dealers and traders are shedding no tears over the demise of a barren month that brought the Dow, Jones industrial average down 12.37 for the period, 8.56 of which decline took place in the last week. Uncertainties at home and abroad, including labor difficulties, production lags, rise in inventories and consumer resistance to higher prices more than offset good earnings reports and increased dividend announcements.

Optimistic traders, however, consoled themselves with the thought that the reaction was technically healthful and would provide a broader and firmer base for a hoped-for resumption of investment interest.

Present and Future Prospects of Aircraft Manufacturing Industry

"The Aircraft Manufacturing Industry—Present and Future Prospects," by Col. George Bryant Woods, is perhaps the most comprehensive study of its kind that has yet appeared. Published by the New York Stock Exchange house of White, Weld & Co., 40 Wall Street, New York City, it appraises the prospects of the industry as a whole and of aircraft manufacturing stocks in general, analyzes the individual positions of over 30 companies engaged in the production of aircraft or aircraft parts and also furnishes some rather startling information on the development of "push-button" aerial warfare.

Col. Woods traces the remarkable expansion in the industry which occurred during the war years, when production rose from a total volume of $250,000,000 in 1939 to $16,000,000,000 five years later. The significance of this growth is emphasized by the fact that aircraft manufacture ranked forty-first among American industries in 1939 to become the greatest industry the world has ever known. Now, with the estimated production total down to $900,000,000 for 1946, the industry is still nearly four times its prewar size and greatly strengthened financially from wartime earnings without a comparable increase in capitalization.

Approximately 350 transport planes, with about 6,600 seats, were in service prior to the war. Col. Woods estimates that approximately 1,000 American planes, with a capacity of at least 35,000 seats, will be in scheduled domestic and international service by late 1948 and that with a load factor of only 66% an operating total of 20 billion passenger miles will be attained by that time.

A heavy postwar demand for private planes, reflected in 50,000 orders for such aircraft already placed with manufacutrers, exceeds all expectations, according to the author, who regards the general overcrowded airport situation as the most serious deterrent to the future expansion of private flying. The program recently announced by the Civil Aeronautics Administration, calling for Federal expenditures of $500,000,000 for airport projects over the next seven years is, however, expected to relieve this situation, as presumably about 3,000 new airports and airparks will result from the program.

The outlook for military planes and winged missiles is the subject of a searching analysis and the conclusion is reached that "practically every type of combat airplane under development for the Army Air Forces from large bombers down through fighters will be powered by gas turbines or jets." German scientists were well ahead of those of all other countries at the close of the war in jet and rocket applications to very fast aircraft and winged missiles, Col. Woods pointed out adding that their knowledge is now available to all of the Allied nations, who are about to carry on in these developments where the Germans left off.

Warning that Congress cannot afford to neglect adequate appropriations for maintaining air power in all its modern phases, he makes the point that even if strict economy should become the controlling factor in future Congressional policy, national security can be bought at a cheaper price through modernized air power than by any other means. At present and over the next several years, Col. Woods declares, the production of Army and Navy planes and winged missiles should constitute dollar-wise and in tonnage from two-thirds to three-fourths of total aircraft production.

World War II demonstrated that from four to six years are required to develop a new airplane obtain mass production and build an air force "in being." The B-29 was on the drawing boards in 1939, but even under the stress and urgency of war could not be made ready for actual combat until June, 1944.

In the chapter on "push-button" warfare, Col. Woods emphasizes the enormous potentialities of the German V-2, the A-9, a winged adaptation of the former, now in the hands of Russia, and the various other jet-propelled rockets and similar missiles developed by physicists and chemists during the war years. Many of the former German scientists responsible for these developments are known to be carrying on their work in the Allied countries. "Adequate defense against such weapons as the V-2 and the A-9 will require highly ingenious and supersonic weapons, and no country can afford to forego the necessary expense for basic and applied research to that end," the author declares.

As to the atomic bomb, he expresses the view that "long-range aircraft, either manned or unmanned, are likely to be the mos practical carriers of any future atomic bombs, and likewise defense against future use of atomic bombs would seem to rest primarily on aircraft and guided missiles."

A feature of the volume, which is available to the public at $5 a copy, is a series of page-size photographic reproductions of the latest type of light and heavy planes, helicopters and rockets.

F. S. Smithers Admits Hamilton Schwarz

Hamilton D. Schwarz has joined F. S. Smithers & Co., 115 Broadway, New York City, members of the New York Stock Exchange, as a general partner. Mr. Schwarz has been long identified with the investment banking field, having started with the old Guaranty Company in 1927 after leaving the University of Notre Dame. After six years with the Guaranty Company, which had been the securities affiliate of Guaranty Trust Company, Mr. Schwarz joined Estabrook & Co., remaining with that firm until 1939 when he became associated with Lazard Freres & Co. He terminated this connection to enter F. S. Smithers & Co.


Hamilton D. Schwarz

Postwar Demand for Capital Surprisingly Large

New York Federal Reserve Bank states reconversion demands for capital far exceed government's previous estimates. Commercial bank loans have risen $2,800,000,000 in year.

Although the financial position of business in general was strengthened during the war, its demand for funds during the reconversion period has been very substantial. According to the September issue of the New York Federal Reserve Bank's review of business and credit conditions, such demand for new capital has far exceeded a previous prognostication made by the Department of Commerce. The Bank ascribes this unanticipated demand to management's desire to maintain a very strong cash position in the face of unbalanced inventories and labor disputes.

The major purposes for which new capital financing was undertaken in the 12 months ended June, 1946, is weighted as follows: reconversion and additions in war industries, one-third; postponed additions to and replacements of productive facilities in other manufacturing industries, one-fourth; capital needs of rapidly growing industries, as the air lines, 15%; newly-organized companies, 5%; and expansion of all other industries, the remaining 22%. In this period corporate security flotations for new money purposes, at 1.4 billion, reached the greatest volume since the late '20s or early '30s.

The following table, compiled by the Research Department of Bank, shows by industries the raising of new capital through security flotations, as well as "the gathering momentum of new money security flotations during the postwar period:

New Capital Issues of Domestic Corporations by Industry*
(Dollar amounts in millions)

Industry	1945 First half	1945 Second half	1946 First half	Per cent of total 1945 First half	Per cent of total 1945 Second half	Per cent of total 1946 First half
Total	292	622	781	100	100	100
Finance, Insurance, and real estate	1	37	36	†	6	5
Nonfinancial	291	585	745	99	94	95
Manufacturing	205	342	561	70	55	72
"War" industries	*127*	*134*	*397*	*43*	*22*	*51*
Iron, steel, non-ferrous metals and products	19	20	22	7	3	3
Machinery, including electrical	42	28	99	14	5	13
Transportation equipment including automobiles	19	40	117	7	6	15
Chemicals and allied products	30	29	56	10	5	7
Petroleum products	7	17	55	2	3	7
Rubber products	10	†	48	3	†	6
"Non-war" industries	*78*	*208*	*164*	*27*	*33*	*21*
Food, beverages, tobacco	48	123	59	16	20	8
Textile mill products, apparel, leather and leather products	5	28	41	2	5	5
Paper and allied products, printing and publishing	1	27	35	†	4	4
Stone, clay, and glass products and lumber and products	18	24	25	6	4	3
Miscellaneous	6	7	4	2	1	1
Nonmanufacturing	86	243	185	29	39	24
Mining	2	1	2	1	†	†
Construction	†	2	2	†	†	†
Railroads	37	75	19	13	12	2
Electric and gas utilities	3	22	15	1	4	2
Air transportation	6	87	112	2	14	14
Communication, other transportation, and public utilities	13	17	4	5	3	1
Wholesale and retail trade and services	25	39	31	9	6	4

*Items do not necessarily add to totals because of rounding.
†Less than one-half million dollars of ½ of 1%.

Silverware Ceilings Suspended

One of the features of the silver "compromise" worked out in the Senate Appropriations Committee earlier this summer, as reported in the "Chronicle," was the removal of ceilings on the prices of silverware. The House refused to accept the compromise containing that and other provisions. Now the OPA has removed the ceilings on silverware. Following is the text of its announcement:

Sterling silver flatware, including knives, forks and spoons made of sterling silver, has been **indefinitely suspended from price control**, the Office of Price Administration announced Aug. 30. Sterling silver holloware, such as sugar bowls, cream pitchers and gravy boats, has been exempted from price control since December, 1945.

Today's action, effective Aug. 30, 1946, has been taken on two bases:

(1) As the vast majority of silverware sold is silverplated, sterling silver flatware is insignificant in the cost of living. Silverplated flatware remains under ceilings.

(2) The Aug. 1, 1946, increase in the ceiling price of silver from 71.11 cents to 90.5 cents per ounce substantially increases the cost of manufacturing this silver. OPA would be required to grant increased ceiling to individual manufacturers in addition to permitting an industry-wide increase.

(Amendment No. 50 to Supplementary Order 126—Exemption and Suspension of Certain Articles of Consumer Goods from Price Control—effective Aug. 30, 1946.)

Peter McDermott Co. Admits J. J. McDonald

John J. McDonald has been admitted to general partnership in the New York Stock Exchange firm of Peter P. McDermott & Co., 65 Broadway, New York City. Mr. McDonald, who has been associated with the firm for the past 17 years, is President of the Cashiers' Section, Association of Stock Exchange Firms, and Secretary of the Wall Street Gold Association.

John J. McDonald

Mr. McDonald's admission to the firm was previously reported in the "Chronicle" of Aug. 22nd.

R. McRee Davis VP Texas Bank & Trust

DALLAS, TEX.—R. McRee Davis was elected Vice-President and Manager of the bond department of the Texas Bank & Trust Company, according to an announcement by P. B. Garrett, President of the bank. For eight years Mr. Davis was a member of James, Stayart & Davis, withdrawing from the investment business in 1942 to conduct a flying school in connection with the war effort.

Raymond Young Trading Mgr. for Remer Mitchell

CHICAGO, ILL.—Remer, Mitchell & Reitzel, Inc., 208 South La Salle Street, announce that Raymond W. Young has been appointed manager of the firm's trading department.

"Our Reporter on Governments"

By JOHN T. CHIPPENDALE, JR.

The substantial decline in bank-eligible bonds in the last month, which carried many of these issues, and some of the restricted bonds, to new lows for the current move, has raised the question as to whether these securities and the rest of the market have about completed their adjustment. . . . The market is still very confused and its psychological condition is poor, largely because it is in the process of transition from wartime to peacetime financing. . . . This has created unstable conditions, which in the past have generally carried prices too far in both directions. . . . It was only about five months ago that prices made all-time highs, and the opinion was quite prevalent then that there were very good possibilities of government securities continuing the advance. . . .

It is evident now that the market was over-optimistic at that time, because prices have declined more than four points from the year's highs made the early part of April. . . . This is a sizable price recession for government bonds, which are supposed to be relatively stable securities. . . .

To be sure, there was speculation in these securities, which may have been responsible in some measure for the sharp price rise at that time. . . . Nevertheless, there had to be others than speculators in the market at that time to carry these obligations to the levels that were attained. . . .

STILL LOWER?

In the short space of time since the all-time highs were registered, the market has moved down to levels where some still believe they are not yet deflated enough to warrant purchases in sizable volume. . . . The feeling is still quite prevalent that further price declines, ranging from one-half to a point in some issues will have to take place before there will be a wide-spread buying interest in these obligations. . . .

Why should there be this great bearish feeling in the financial district about long-term government obligations? . . . It probably can be attributed to any one of a dozen different reasons, many of which may never materialize. . . .

The demands for higher interest rates on the part of large financial interests is probably one of the main factors, because this is supposed to be the great cure-all for inflation. . . . This has created a feeling among investors, that it would be well to wait and see whether the Treasury will adopt a program of higher interest rates to combat inflation. . . . The market has continued to drift lower, and the Treasury has shown no concern up to now about it, because it has not affected their ability to borrow at rates as low as during the war period. . . . The market decline has not increased the cost of financing and it won't as long as rates ranging from 7/8% to 2½% are still the pattern. . . .

However, debt cost of the government has been rising since June 1945, when the over-all interest rate was 1.936%, compared with 1.996% on June 30, 1946. . . . This is due to special Treasury issues bearing higher rates that are being sold to government social security and retirement funds, and the fact that the rate payable on savings bonds rises the longer they are outstanding. . . .

INTEREST RATES AND INFLATION

Also it is reported that the Treasury is not so sure now that higher interest rates would be as anti-inflationary as many have been predicting. . . . It is believed that the monetary authorities now hold the opinion that a "tight money policy" might stimulate inflation. . . . The reasoning back of this view is that a policy of tight money would interfere with the stability of the government bond market, a stability which, since the end of the war, has eased the financial problems of reconversion, both for the government and business. . . . Likewise, it was pointed out that stability of the bond market adds to business confidence and is an important factor in aiding production. . . .

Another argument against higher interest rates is the possibility that, in the short run, they might increase rather than decrease the volume of currency and deposits. . . . This would result if investors reacted to higher rates by expecting that they might rise still more and thus withhold putting funds to work. . . .

It seems as though the money managers may be changing somewhat their attitude toward the money markets, now that the government securities markets have had such a sizable reaction and because the over-all cost of carrying the debt has risen. . . .

STRONG MARKET ESSENTIAL

Certainly a dropping and reactionary government bond market is not conducive to confidence for either business or individual holders of Treasury issues. . . . It is believed in some quarters that the monetary authorities, who put the speculator into the government bond market, and now have him pretty well shaken out of it, may now be showing some concern over the current trend of government bond prices. . . . There appears to be a definite desire to put the market on an investment basis, which would be beneficial to all concerned. . . . Nevertheless this cannot be accomplished until some of the existing uncertainties have been eliminated. . . . There seems to be a feeling now developing that the conferences that will be held in Washington this month will do much to clear the air of many of these factors of doubt. . . .

TREND FACTORS

The future trend of the Government securities markets will no doubt be largely governed by (1) the action of non-bank investors, who will be guided in their purchases by the possibilities of a new issue and the kind of new offering that will be made, (2) the trend of bank loans, (3) the amount of short-term holdings by the banks, (4) the trend of excess reserves of the banks (5) and use of credit controls by the monetary authorities. . . .

It is the opinion of some money market experts that quantitative credit controls will not be as important as in the past, since it would not be feasible to use these devices at this time because of the large amount of money in the hands of the public. . . .

Quantitative credit controls which will be carried out principally by the Treasury will have to do with new issues, restrictive provisions for these securities and the debt retirement program. . . . Qualitative controls will be used within limits by the Federal Reserve authorities to curb inflationary tendencies. . . . This was evidenced recently by the changes made in Regulation W, which reduced the borrowing time for instalment loans. . . .

"ELIGIBILITY" PAINS

The 2¼% due 1956/59, which become bank eligible the middle of this month, has been under some minor selling pressure by non-bank investors, who are not so sure now that there will be as much demand for this issue from the banks as had been expected not so long ago. . . . Because of the declining trend for the bank eligible obligations, holders of the soon-to-be-eligible 2¼s of 1956/59, have been taking advantage of present prices for this security and reinvesting the proceeds largely in the 2¼s of 1959/62. . . .

BANK BUYING

New York City member banks and the Chicago member institutions have been buyers of government bonds in fairly sizable amounts in the last three weeks, during the period of declining prices. . . . It is reported that these commitments were confined largely to the shorter and intermediate term maturities. . . .

Real Estate Securities

In the past year sell-offs in corporate stock issues left high grade real estate bonds undisturbed with markets almost completely on the bid side. However, the precipitous decline in the market on Tuesday resulted in a corresponding shrinkage in bond prices, raising yields to what might appear to be ridiculously high levels.

The following tabulation consists solely of first mortgage fee bonds and indicates the current bid price and interest payments over the past year.

	Approx. Bid	Interest Paid
Broadway-New	*81	3%
Broadway-Trinity	*70—	3.25%
Film Center	75	4.70%
Fuller Bldg.	*75	6.75%
Industrial O. B.	94	6%
Industrial R. E. Trust	75	4%
Gov. Clinton	*80	4%
London Terrace	*82	4%
79 Realty	*79	3.75%
60 East 65th Street	74	6.68%
Sherneth	*80	5.75%
Textile Realty	*112	6%
320 E. 57th Street	70	4%
2 Park 1st	90	5%
261 Fifth Ave.	*93	6%
Wall and Beaver	*84	6.50%

*Bonds trade with equity stock.

Kuhn Loeb & Co. Offers Westinghouse Debs.

A group of 54 underwriters, headed by Kuhn, Loeb & Co., is offering today (Sept. 5) to the public a new issue of $30,000,000 Westinghouse Electric Corp. 2⅝% debentures, due Sept. 1, 1971. The debentures are priced at 100½.

This offering constitutes the first step in a comprehensive contemplated financial program to provide funds for plant expansion and re-arrangement, and for increased working capital requirements to meet anticipated peace time production loads. Proceeds from the sale of the debentures will be added to the corporation's general funds and used to finance expenditures in connection with this program.

Subject to market conditions, the corporation expects to offer in the near future 1,647,037 shares of common stock for subscription to its present preferred and common stockholders. The proceeds from that sale will be used to reduce outstanding bank loans. As a final step in the financing, the corporation proposes to issue and offer to the public at a future date an issue of approximately $50,000,000 of new preferred stock. This phase of the program is subject to approval by stockholders. With the proceeds from the preferred stock the company plans to retire the balance of bank loans, currently outstanding in the amount of $80,000,000.

Westinghouse's outstanding program, begun in 1945, involves a total estimated expenditure of approximately $132,000,000 of which about $95,000,000 represents the cost of new facilities and equipment, and the balance, the cost of re-arrangement and related expenses. Up to May 1, 1946, approximately $35,000,000 had been expended in this connection and it is expected that approximately $46,000,000 additional will be expended before the end of this year, and about $51,000,000 thereafter.

The new debentures will have the benefit of a sinking fund, to begin Sept. 1, 1952, designed to retire $750,000, principal amount of the issue annually thereafter.

Broker-Dealer Personnel Items

(Special to THE FINANCIAL CHRONICLE)
DETROIT, MICH. — **Lawrence A. Wright** has been added to the staff of **Charles E. Bailey & Co.,** Penobscot Building.

(Special to THE FINANCIAL CHRONICLE)
DETROIT, MICH. — **Robert A. DeClercq** has become associated with **Keane & Company,** Penobscot Building, after serving in the U. S. Navy. In the past he was with S. R. Livingstone & Co.

(Special to THE FINANCIAL CHRONICLE)
DETROIT, MICH. — **Rollin J. Furbeck** has become connected with **Marxer & Co.,** Penobscot Building. In the past he was with Van Grant & Co.

(Special to THE FINANCIAL CHRONICLE)
FT. LAUDERDALE, FLA. — **Claude M. Ewing** has joined the staff of **Thomson & McKinnon,** 333 South East First Avenue.

(Special to THE FINANCIAL CHRONICLE)
FRESNO, CALIF. — **Alexander Brown** has become associated with **G. H. Chance & Co.,** Helm Building. Mr. Brown was formerly connected with Andrew W. Quinn and prior thereto for a number of years was with H. R. Baker & Co.

(Special to THE FINANCIAL CHRONICLE)
LEWISTON, MAINE — **Carl F. Getchell, Jr.** has become affiliated with **Morton, Hall & Rounds, Inc.,** 226 Main Street, after serving in the U. S. Navy.

(Special to THE FINANCIAL CHRONICLE)
LOS ANGELES, CALIF.—**Laurence K. Reynolds** has been added to the staff of **Conrad, Bruce & Co.,** 530 West Sixth Street.

(Special to THE FINANCIAL CHRONICLE)
LOS ANGELES, CALIF. — **George L. Carey** is now connected with **Crowell, Weedon & Co.,** 650 South Spring Street.

(Special to THE FINANCIAL CHRONICLE)
LOS ANGELES, CALIF.—**Fred W. Reeve** is associated with **First California Company,** 650 South Spring Street.

(Special to THE FINANCIAL CHRONICLE)
LOS ANGELES, CALIF.—**Frank H. de Breaulieu** is with **Flynn & Levitt,** 411 West Seventh Street.

(Special to THE FINANCIAL CHRONICLE)
LOS ANGELES, CALIF.—**Hans Klehmet II** has become affiliated with **Gross, Van Court & Co.,** 639 South Spring Street.

(Special to THE FINANCIAL CHRONICLE)
LOS ANGELES, CALIF.—**Raymond P. Hartney** is with **Hill Richards & Co.,** 621 South Spring Street. He was previously with Franklin Wulff & Co.

(Special to THE FINANCIAL CHRONICLE)
LOS ANGELES, CALIF. — **Aleyne C. Grubb** and **Robert DeW. Tucker** have become connected **E. F. Hutton & Co.,** 623 South Spring Street.

(Special to THE FINANCIAL CHRONICLE)
LOS ANGELES, CALIF. — **Ira W. Byrnes, Jr.** is now with **Merrill Lynch, Pierce, Fenner & Beane,** 523 West Sixth Street.

LOS ANGELES, CALIF. — **Albert C. Katz** is now with **A. W. Morris & Co.,** 325 West Eighth Street.

(Special to THE FINANCIAL CHRONICLE)
LOS ANGELES, CALIF.—**William J. Smith** has been added to the staff of **Francis V. Nixon & Co.,** 607 South Hill Street.

(Special to THE FINANCIAL CHRONICLE)
LOS ANGELES, CALIF.—**Sydney W. Bell** is with **Paul D. Speer & Co.,** 458 South Spring Street.

(Special to THE FINANCIAL CHRONICLE)
LOS ANGELES, CALIF. — **Philip M. Seifert** has joined the staff of **William Walters Securities Company,** 3923 West Sixth Street.

(Special to THE FINANCIAL CHRONICLE)
LOS ANGELES, CALIF. — **Edward B. Forester** is with **Weeden & Co.,** 650 South Spring Street.

LOS ANGELES, CALIF.—**William Hart** is with **Bateman, Eichler & Co.,** 453 South Spring Street.

(Special to THE FINANCIAL CHRONICLE)
LOS ANGELES, CALIF.—**Robert M. Belden** and **Roy Loomis** have become associated with **Blyth & Co., Inc.,** 215 West Sixth Street. Mr. Loomis was previously with E. F. Hutton & Company.

(Special to THE FINANCIAL CHRONICLE)
LOS ANGELES, CALIF.—**John MacConaty** has become connected with **Bogardus, Frost & Banning,** 618 South Spring Street. In the past he was with Battson, Barnes & Lester.

(Special to THE FINANCIAL CHRONICLE)
LOS ANGELES, CALIF.—**Grafton A. Beall** is affiliated with **Buckley Brothers,** 530 West Sixth Street.

(Special to THE FINANCIAL CHRONICLE)
LOS ANGELES, CALIF. — **Gordon J. Young** has become connected with **Fairman & Co.,** 210 West Seventh Street. In the past he was with Fox, Castera & Co., and Schramm, Eddels & Co.

(Special to THE FINANCIAL CHRONICLE)
MIAMI BEACH, FLA. — **Henry M. Fishman** has been added to the staff of **Atwill & Co.,** 605 Lincoln Road. He was formerly with Blair F. Claybaugh & Co.

(Special to THE FINANCIAL CHRONICLE)
MILWAUKEE, WIS. — **Frederick J. Jeppesen** is with **The Milwaukee Company,** 207 East Michigan Street. He was formerly with the Wisconsin Company.

(Special to THE FINANCIAL CHRONICLE)
MINNEAPOLIS, MINN. — **Edward J. Miller** has become associated with **J. W. Goldsbury & Co.,** 807 Marquette Avenue.

(Special to THE FINANCIAL CHRONICLE)
MINNEAPOLIS, MINN. — **John H. Rothgeb** is with **Johnson, McKendrick & Co.,** 111 Loeb Arcade.

(Special to THE FINANCIAL CHRONICLE)
MINNEAPOLIS, MINN. — **Don R. Kirby** is connected with **Thomson & McKinnon,** 231 South La Salle Street, Chicago, Ill.

(Special to THE FINANCIAL CHRONICLE)
MINNEAPOLIS, MINN.—**Ruben I. Reiersgord** is now with **J. W. Goldsbury & Co.,** 807 Marquette Avenue.

(Special to THE FINANCIAL CHRONICLE)
NEW ULM, MINN.—**R. L. Carlson** is with **State Bond & Mortgage Co.,** 26½ North Minnesota Street.

(Special to THE FINANCIAL CHRONICLE)
OAKLAND, CALIF. — **William N. Barlow** is with **Wilson, Johnson & Higgins,** Central Bank Building.

(Continued on page 1296)

Henry Crosby Company Resumes Activity

GREENVILLE, MISS. — Henry T. Crosby is resuming the securities business from offices at 115 South Poplar Street. Mr. Crosby is president of the firm, Henry T. Crosby Company, which will act as dealers in local stocks, mortgage loans, land and real estate. Associated with Mr. Crosby as sales manager is Rhodes Wasson.

Railroad Securities

Among the poorer performances being turned in so far this year has been that of Erie, and it has caused considerable surprise among many of the rail analysts. Gross revenues have not been off too spectacularly. The decline for the first half of the year was less than that experienced by Baltimore & Ohio and Nickel Plate, just about on a par with the showing of Pennsylvania, and somewhat wider than that of New York Central. The operating performance, however, has been outstandingly poor and at least through June was showing no signs of improvement.

The most discouraging aspect of the road's operations this year has been the inability of the management to get transportation costs under control. For the half year the transportation ratio was 50.9% compared with 39.4% during the like period a year earlier. Even before the war boom got under way, in 1939-1941, the transportation ratio had been averaging only slightly above 37%. Moreover, in June when many of the other railroads were beginning to show some evidence of a greater degree of control over their transportation costs, Erie's transportation ratio jumped to 56.7%. This was more than 20 points above their ratio achieved in June 1945. It is obvious that no road can hope to show profits under such a burden of transportation costs.

For the first half of the year Erie's adjusted income available for charges showed a deficit of $1,890,306 contrasting sharply with available income of $10,263,826. Adjusted income available for charges as used in this instance is before Federal income taxes and after eliminating credits for deferred maintenance and debits for amortization of defense projects. The full details of July earnings are not as yet available so it is impossible to say just what accounting distortions there may have been. Nevertheless, the decline in net operating income for the month to $147,194 from $1,329,372 reported a year earlier is obviously no basis for any optimism.

On the whole it seems reasonable to expect that railroad earnings before amortization and Federal income taxes for the last half of the year may hold to around the levels of a year ago even though many of the roads, including Erie, got off to a very poor start in July. Unless Erie manages to boost its earnings before amortization and Federal income taxes, substantially above the level of the last half of 1945 it faces a most discouraging earnings picture. Pre-income tax earnings averaging at the level of last year for the full second half of 1946 would leave the company with a deficit of close to $2,000,000 in income available for charges before any maintenance credits and before Federal income taxes for the full year.

Any earnings that might be shown by virtue of maintenance credits would be purely illusory, merely representing a bookkeeping entry and not even improving the company's balance sheet position. At least any earnings that might be reported through tax credits would have the one advantage of adding to the company's finances even though as an earnings prop they would be admittedly purely temporary and would certainly not in any way influence investment feeling towards the road's basic earning power.

In view of the exceptionally poor results reported by the road in 1946 to date there is little wonder that its junior securities, from the common stock right through to the income bonds, were subject to considerable market uneasiness even before the recent sharp decline in all sections of the list. Many people have begun to have some apprehension as to the ability of the road even to cover its income bond interest this year, particularly as estimates as to possible maximum tax carrybacks are not very high. As for the stocks it becomes increasingly difficult to visualize any earnings at all at least for the current year. With this outlook there are many rail men who consider these securities still unattractive even at their current wide discounts from the year's highs.

Picketing Versus the Rights of Management and the Public

(Continued from first page)

ment officials to admit—long after the damage to our liberties has been done — that bureaucrats, among others, abridge the rights of management under the Fourteenth Amendment. What is missing is the failure of Mr. Reilly and others to note the dangerous and even subversive abuses of picketing which the Board has encouraged to develop. The State Supreme Courts have noted the existence of picketing for "illegal aims" or "purposes." Even our Supreme Court in *Dorchy v. Kansas* observed that strikes may be illegal. "But," noted Justice Brandeis, speaking for the court, "a strike may be illegal because of its purpose, however orderly the manner in which it is conducted." The Dorchy case has never been overruled. Indeed, it has been cited with approval in two of the free speech decisions, namely, in *Thornhill v. Alabama* (310 U. S. 88); and *Carpenters & Joiners Union v. Ritter's Cafe* (315 U. S. 722). Over the recent years, for obvious reasons, state courts and courts of chancery have ruled extensively and creditably on issues of illegal picketing. **In fact, these courts have been our great shield and buckler against the undermining of our constitutional rights through abuses of picketing.**

Recent Picketing Abuses

Many of the recent big strikes have been characterized by mass picketing, obstructing of the entrance gates to the struck plants, and similar practices. In one or two, pickets have walked in front of the homes of individual officials in an attempt to inconvenience and discredit them. Picketing in violation of the contractural agreement between union and employers has been fairly common also. The local courts have held that picketing a man's home is a violation of his personal and property rights. It is illegal. An arbitrator has held that picketing in violation of the contract merits the discharge of the employees who were guilty, particularly if they happen to be union officials with responsibility for the fellow-workers. In a recent strike against the Westinghouse Electric at Jersey City, members of the United Electrical, Radio and Machine Workers of America and others formed two solid lines in front of the plant main gates every morning. The two lines patrolled in opposite directions. Sometimes a hundred or more of the 1,100 employees of the plant would collect before the main gate. Often stationary pickets standing shoulder to shoulder, forming "a wall of human bodies" prevented supervisory and non-striking employees from entering. Violence naturally resulted. Consequently the company feeling its rights of property endangered sought an injunction against the union. Obviously, too, the practice of mass picketing and interposing a wall of human bodies menaced the public as well, for the company could not maintain its plant adequately and in a safe manner if it could not have certain employees in the plant.

Court Scores Unlawful Picketing

During the case which was heard in the New Jersey Court of Chancery before Vice Chancellor Kays, the union made an effort to show that the company had not complied with specific requirements of the National Labor Relations Act and rulings of the National War Labor Board. Both these attempts failed. The Vice Chancellor held that even if threats of violence did not result in acts of bodily injury, "the manner of picketing here conducted by the defendants was not peaceful but was unlawful."

He observed, too, "substantial and irreparable injury to the complainant's property will follow unless the relief here sought is granted." He pointed out that the "complainant has a property right in its buildings and equipment, the preservation of which requires that it be permitted to bring into the plant such persons as it may determine necessary for that purpose." Thus it is an "unlawful act" to dictate the number of non-striking employees permitted to enter the company's premises during a strike. Mass picketing in furtherance of a strike is not an inherent right of employees and unions.

During recent months there has been considerable discussion of the practice of picketing to uphold or support secondary boycotts, no matter if the picketing itself be peaceful. The dangers in the secondary boycott and picketing in aid of it is that once started, no man can say where it will end. It becomes not merely a publicizing of a grievance or a dispute, but also an endless chain of dictations to management in other incidental industries, such as suppliers and customers and transportation companies, and other employes in no wise concerned.

The State of California in 1941 enacted a so-called Hot Cargo and Secondary Boycott Act, which outlawed the sympathetic strike, the secondary boycott and picketing conducted in aid of the sympathetic strike. The governor vetoed the bill, and it was submitted therefore under refereumdum to the people in the general election of 1942 and approved by them.

In January 1946, the Upholstery Supply Company of Los Angeles was approached by two business agents of Local 389 of the Furniture Drivers, Packers and Helpers Union. There was no labor dispute or controversy at the time. They demanded a closed shop agreement. Management pointed out that the union did not have a majority of its 75 employees. In February, the agents acting for the same local made the same demand, threatening to picket the plant. Again they were refused. Finally on March 13, the unions threw a mass picket line around the plant, attempting to prevent employees from entering the plant. There was some violence.

Thereafter, without rehearsing all the details, there were attempts to prevent the company's goods from being loaded and shipped from the docks in Los Angeles. Other carriers and transportation companies were threatened by the union with picket lines if they shipped or handled any of the furniture and finished products of the Upholstery Supply Company, either in interstate or intra-state commerce. Customers of the company and suppliers were likewise intimidated. The company sought injunctive relief under the State's Hot Cargo Act.

Findings of the Los Angeles Court

Judge Willis of the Superior Court of Los Angeles wrote a very erudite and illuminating opinion on the legality of the Act and picketing in connection with secondary boycotts. Speaking of strikes and picketing, he noted:

"The sympathetic or secondary strike and the secondary boycott have long been recognized in California as allowable activities for labor organizations in applying economic pressure in legitimate labor controversies. But our Supreme Court has repeatedly held that such rights stemmed from the common law and that they were proper subjects of legislative action within the constitutional limits. Herein the Legislature has spoken outright, declaring a public policy by outlawing both the secondary strike and the secondary boycott together with their incidents. Of these incidents the chief one is the picket line.". . . .

He cited with approval the decision which Chief Justice Gibson, representing the entire court, wrote in another case, the *James v. Marinship Corp.* (25 Cal 2nd 721). The opinion of the learned Chief Justice of California was called "a comprehensive and illuminating opinion covering the subject of unions and their activities in which the entire court concurred" . . . And indeed, these words are just since the case may be studied with great care. Some of the decision may be quoted for the light they throw on picketing.

"It should be recognized from the outset that a union may use various forms of concerted action such as strike, picketing, or boycott, to enforce an objective that is reasonably related to any legitimate interest of organized labor (citing authorities). . . .

"It is equally well settled that the object of concerted labor activity must be proper and that it must be sought by lawful means, otherwise the persons injured by such activity may obtain damages or injunctive relief. (Citing familiar cases). . . .

"In two recent cases, the court upheld the state's power to limit peaceful picketing both as to place and as to economic relationship of the industry picketed. *Allen Bradely Local No. 1111 v. Wisconsin E. R. Board*, (315 U. S. 740); and *Carpenters & Joiners Union v. Ritter's Cafe*, (315 U. S. 722.)

"Thus a state may impose limitations upon picketing or other concerted action if the 'end sought' is not permissible under state law and public policy, though any such limitations are subject to review by the United States Supreme Court, and will be annulled if they unreasonably interfere with labor's right to publicize the facts of a labor dispute.". . .

The court upheld the Hot Cargo Act and declared that picketing incidental thereto was in aid of unlawful purposes. In the decision, the case of *Senn v. Tile Layers Protective Union* decided May 1937 by the Supreme Court, was cited with approval. This case is not only interesting because it associates free speech with picketing but also because of the dissenting opinion of Justice Butler. It appears that Senn was a self-taught tile layer and worked on contract jobs he himself secured himself. The union wanted him to join the union, but he refused because he would be prevented from working on his own jobs because the union rules stated that only journeymen could lay tiles.

Justice Brandeis noted, "whether it was wise for the State to permit the unions to do so is a question of its public policy—not our concern. The Fourteenth Amendment does not prohibit it," that is Senn's working with his own hands.

The dissenting opinion was broader in scope. In part, the opinion reads:

"Our decisions have made it everywhere known that these provisions (14th Amendment) forbid state action which would take from the individual the right to engage in common occupations of life, and that they assure equality of opportunity to all under like circumstances. Lest the importance or wisdom of these great declarations be forgotten or neglected, there should be frequent recurrence to decisions of this court that expound and apply them. . . .

"The term has received much consideration and some of it included things that have been definitely stated. Without doubt, it denotes not merely freedom from bodily restraint but also the right of the individual to contract, to engage in any of the common occupations of life, to acquire useful knowledge, to marry, establish a home and bring up children, to worship God according to the dictates of his own conscience, and generally to enjoy those privileges long recognized at common law as essential to the orderly pursuit of happiness by free men. *Meyer v. Nebraska,* (262 U. S. 390, 399). . . .

"Included in the right of personal liberty and the right of private property—partaking of the nature of each—is the right to make contracts for the acquisition of property. Chief among such contracts is that of personal employment by which labor and other services are exchanged for money or other forms of property. If this right be struck down or arbitrarily interfered with, there is a substantial impairment of liberty in the long-established constitutional sense. The right is as essential to the laborer as to the capitalist, to the poor as to the rich; for the vast majority of persons have no other honest way to begin to acquire property, save by working for money." *Coppage v. Kansas*, (236 U. S. 1, 14.)

"Human Rights Above Property Rights" Issue Is Excuse for Attack on Constitution

It is evident that here the notion of "human rights being above property rights," the implied doctrine of the New Deal labor legislation and the Wagner Act, is shown to be false and indeed contrary to the long-established constitutional sense. The theory that "human rights are above property rights" is indeed a veiled attack on our constitutional system. Madison who noted that property was one of the rights Americans fought their Revolutionary War to establish, recognized the right of private property to be essential if men are to have liberty and to enjoy their other natural rights.

It is significant to realize that dictators, Lenin and Stalin, abolish the right of individual private property; other dictators like Mussolini and Hitler abridged the right and held the authoritarian view that property is bestowed by the state and held on its sufferance. It is fundamental to understand this distinction. Thus, in agreement with Madison in the Papers, property rights are not in conflict with what are called by the New Dealers 'human rights.' On the contrary, the court made it clear that there can be no human rights, no enjoyment of liberty, without the possession and enjoyment of private property in the fullest sense as an individual right. While only a few outstanding state Supreme Court decisions have been cited here, there appears to be a line of important decisions stemming from *Senn vs. Tile Layers*. The states have labored to uphold the view. Can it be that the state Courts have become our line of defense against tyranny? Are they our defense of the Bill of Rights?

Picketing As a Coercion on Government

In the view of these courts, it would appear that picketing is a right conferred under the Fourteenth Amendment. It is the right to publicize in a peaceful and orderly manner a strike and its causes. Picketing as incident to a strike for unlawful aims is itself unlawful and an abuse. If it attempts to further a strike which aims to coerce government, picketing is dangerous and should be outlawed.

This is an important aspect of the matter. Recently we have been treated by Messrs. Reuther and Curran and others to a series of threats designed to coerce certain bureaucratic agencies to act in a manner contrary to the congressional determination. Such a use of picketing is something that every American must resist. They must oppose it and strikes based on the same premise just as the English people opposed the general strike of 1926. Such strikes and incidental picketing aim at the substitution of authoritarian government for constitutional government, tyranny for liberty, rule by bureaucracy for rule by law and constitution.

Firm Attitude by State Courts

The state Supreme Courts have stated plainly that state legislature—and by implication, our congress, too — must adopt more than a passive attitude towards the facts of strikes and picketing. Legislators, say the courts, must recognize the distinction between picketing for publicizing a cause and picketing for other purposes. Legislatures should outlaw illegal picketing and strikes. In these days of pressure groups led by overseeing and ambitious men, in these days of foreign and internal conspiracies, this is a wholesome sign. The state Supreme Courts stand firmly on the revolutionary doctrine of the rights of man and against authoritarian government.

Finally, the courts have intimated that if the legislatures will outlaw illegal picketing and strikes to coerce or intimidate the legislative branch of government, they will support the legislatures. So saying, they assume a new and great importance. The fact that so many of them stand for the independence of the judiciary against the executive tyranny is vital. They, too, oppose what Lord Chief Justice Hewart of England once decried as the "New Despotism." This is the despotism of the bureaucrat acting as and for the executive without check or limitation, writing his own laws and reviewing the laws of the legislative agency for the executive and advising him to sign or not to sign. Against this overwhelming tyranny, the state courts stand upholding the constitutional forms of government and the Bill of Rights.

Truly, in the parlous days of the great confusion of the great conspiracy mentioned by Mr. Tom Clark, the state courts seem to emerge as defenders of the people and their three-fold frame of government and its derived powers. They stand as the upholders of the foundations of the federal commonwealth against the tyranny and degradation of the individual man.

Bank and Insurance Stocks

By E. A. VAN DEUSEN

This Week — Bank Stocks

New York City's commercial banks have exhibited vigorous growth during the three and a half years since Dec. 31, 1942. The average book values of 15 leading institutions had increased by 21.3% on June 30, 1946; average expansion in loans and discounts has been 64.9% and in total earning assets 34.4%. Using aggregate totals for the 15 banks, instead of averages, loans and discounts increased from $3,807,000,000 on Dec. 31, 1942 to $6,087,000,000 on June 30, 1946 (64.9%), while earning assets expanded from $16,902,000,000 to $21,762,000,000, (34.4%). Furthermore, net operating earnings per share averaged 37.9% greater in 1945 than in 1942, and the average market appreciation of the 15 stocks, from Dec. 31, 1942 to Aug. 28, 1946, was 59.8%.

While each bank in the group achieved a substantial increase in each of the five categories considered (with few exceptions), including the market price of its shares, comparative gains were by no means uniform. For example, Public National tops the list in loans and discounts and also in earning assets, with increases of 142.4% and 126.0%, respectively. Guaranty Trust, on the other hand, shows the smallest expansion in loans and discounts of 30.8%, and is fourth from the bottom in growth of earning assets with an 18.9% increase. Public's book value, penalized by increased capitalization, increased 19.0% (below the 21.3% average), but its net operating prpofits per share increased 47.0% and the market price of its stock appreciated 75.0%. By way of comparison, Guaranty's book value per share, with no handicap of increased capital shares, gained only 12.4%; net operating profits increased 17.1% and market value appreciated 46.6%.

The accompanying tabulation gives the comparative percent increase achieved by each of the 15 banks:

	Dec.31, '42 to June 30, '46 % Increase			1945 over 1942 % Increase	Dec. 31, '42 to Aug. 28, '46
	Loans and Discounts	Earning Assets	Book Value	Net Oper. Profit per Share	% Appreciation Asked Price
	%	%	%	%	%
Bank of Manhattan	62.5	30.1	27.5	72.4	103.7
Bank of New York	54.2	8.8	26.7	60.9	46.0
Bankers Trust	52.1	20.3	†26.0	†20.1	†53.6
Central Hanover	95.3	17.3	18.5	52.6	49.8
Chase National	48.4	20.8	26.0	30.4	48.3
Chemical Bank & Tr.	78.9	19.8	‡27.1	‡43.3	‡55.3
Corn Exchange	79.6	60.8	13.7	64.5	61.7
First National	62.7	—10.8	10.6	—7.3	62.4
Guaranty Trust	30.8	18.9	12.4	17.1	46.6
Irving Trust	31.7	25.9	6.8	57.1	68.4
Manufacturers Trust	63.1	83.6	42.9	32.0	64.9
National City	87.1	40.1	38.5	30.3	61.0
New York Trust	45.2	22.7	22.6	31.0	45.9
Public National	142.4	126.0	§19.0	§47.0	§75.0
U. S. Trust	40.2	31.6	2.2	17.8	54.3
Average of 15	64.9	34.4	21.3	37.9	59.8
Totals	59.9	28.8			

†Adjusted for 20% stock dividend of December, 1944.
‡Adjusted for 25% stock dividend of November, 1945.
§Adjusted for 10% stock dividend of February, 1945.

So far as expansion of loans and discounts is concerned, Bank of Manhattan, Central Hanover, Chemical, Corn Exchange, First National, Manufacturers, National Cty and Public are in the upper half of the list; but as regards expansion of total earning assets, only five banks, viz: Bank of Manhattan, Corn, Manufacturers. National City and Public, record a percent gain better than that of the group as a whole. It is interesting to note that the growth registered by National City has been substantially greater than that of Chase, and that this difference has been reflected in the market action of their shares.

First National's total earning assets, it will be observed, are lower than they were on Dec. 31, 1942; furthermore, First's increase in book value is disappointingly low, while net operating profits, exclusive of security profits, show a decline. However, on the basis of net earnings from all sources, First's 1945 figure was $122.92 compared with $97.94 in 1942, which amount includes security loses of $8.76 in that year.

Best market performance was turned in by Bank of Manhattan with 103.7% appreciation; the lowest was New York Trust with 45.9%.

Total earning assets of the banks, though approximately 10.0% lower than their peak registered on Dec. 31, 1945, are in such huge volume that they place the banks on an historically high plateau of potential earning capacity. Significant, in this connection, are the changes that are taking place in the make-up of their earning assets, viz: the growing importance of commercial borrowing relative to Government borrowing. Furthermore, according to the latest report of the Federal Reserve Member Banks, New York District, there has developed a tendency on the part of the banks to increase their long term Governments as maturing short terms have been eliminated from their portfolios. For example, Treasury Certificates and Notes were respectively $2,551,-000,000 and $1,412,000,000 on Aug. 28, 1946, against $2,972,000,000 and $1,460,000,000 on July 3, 1946. On the other hand, U. S. Bonds were $9,474,000,000 on Aug. 28, compared with $9,325,000,000 on July 3, 1946. Meanwhile, commercial and agricultural loans reached a new peak of $3,223,000,000 on Aug. 28, against $2,901,000,000 on July 3 and $2,830,000,000 on Jan. 2 1946.

Banks at New Threshold

(Continued from page 1263)

got problems that are now aggravated by deposit shrinkages and the fear of possible Federal Reserve "freezing" — problems of financial structure, lending power and public relations.

How can the banks re-assume their traditional but partly abdicated position? Salmon P. Chase when Secretary of the Treasury wrote to Horace Greeley following the Civil War: "The way to resume specie payment—is to resume." We who are in the midst of another reconversion period might do well to summarize what the banks face or may expect.

Most noteworthy is the heavy withdrawal of Government deposits. From an all-time top of $29,441,000,000 at the beginning of the year, these have declined roughly 50% (New York City banks' deposit loss was $2,400,-000,000) and are likely to undergo a further drastic shrinkage by reason of public debt reduction and other causes. Among the latter, British loan operations are currently active in cutting down excess reserves. The first installment of the loan depressed the excess reserves of Federal Reserve member banks by $90,000,000. The Treasury drew $300,000,000 from its balances with member banks and this sum was credited to the foreign government with Federal Reserve Banks, thus reducing the member banks' reserve balances accordingly. In order to replenish their reserves, member banks sold U. S. securities to the Federal Reserve system. In such wise, the net result of the $3,500,000,000 credit will be a proportionate reduction of Government deposits and U. S. securities holdings in member banks, with a corresponding increase of such holdings by Federal Reserve Banks—an increase, let us hope, liberally shared in by private investors.

Excess reserves have decreased in six years from $7,000,000,000 to around $800,000,000, nearly a 90% shrinkage. Meanwhile Federal Reserve Board talent is being concentrated on the alleged excessive deposits in member banks. Plans for immobilizing part of the banks' assets by one means or another—restricting loans, raising reserve requirements, making mandatory a certain percentage of Treasury obligations as secondary reserves against demand deposits —are high in the Board's permanent agenda. Likelihood that a portion of member banks' present deposits will be frozen, so far as lendability is concerned, underscores the need for tapping additional deposit sources.

Excessive Money in Circulation

Most obvious reservoir of fresh funds is money-in-circulation-outside-of-banks, amounting to more than $26,000,000,000. Of this sum, not exceeding $6,000,000,000 (pre-war basis) is needed for day-to-day trade and service. The remainder is in pocketbooks and hideaways, or financing black markets, and clearing various transactions that would ordinarily be closed by check. An official yardstick for proper currency-deposit ratios is deducible from Federal Deposit Insurance Corporation's analyses for the year ended Dec. 31, 1944. These show the currency outside of banks and Treasury, owned by individuals and businesses, as 10% of currency-plus-deposits so owned at the end of 1939 and not exceeding 11% during the defense preparation period before Pearl Harbor. The 10% ratio may therefore be regarded as conservative y normal. Applying this base to the non-bank money in circulation, we find that fully $10,000,000,000 thereof is abnormal and redundant. This tallies with the sum recently mentioned by Elliott V. Bell, New York State Superintendent of Banks, for suggested round-up by commercial banking.

These factors of change—(a) reduction of Government balances, (b) reduction of U. S. obligations carried in the banks, (c) possible corralling of loose currency—are reflected in the following pro forma table, which shows combined statements of all insured commercial banks adjusted to (a) and (b), then reinforced in accordance with (c):

INSURED COMMERCIAL BANKS OF U. S.
(In Billions of Dollars)

Item No.		1 Actual Dec. 31, 1945	2 Adjusted (1938 Base)	3 Reinforced with Currency
	ASSETS—			
1	Cash and reserves	34.3	34.3	44.3
2	Securities, U. S. Govt.	89.0	66.7	*46.5
3	Securities, other	7.0	7.0	†12.4
4	Loans and discounts	25.8	25.8	40.6
5	Miscellaneous assets	1.5	1.5	1.5
		157.6	135.3	145.3
	LIABILITIES—			
6	Demand deposits, individuals, partnerships and corporations	72.6	72.6	77.6
7	Time deposits	29.3	29.3	34.3
8	U. S. Govt. deposits	23.8	1.5	1.5
9	States, etc., deposits	5.6	5.6	5.6
10	Interbank	13.9	13.9	13.9
11	Certified checks, etc.	2.6	2.6	2.6
12	Total demand deposits	117.8	95.5	100.5
13	Total time deposits	30.1	30.1	35.1
14	Total deposits	147.9	125.6	135.6
15	Miscellaneous liabilities	1.0	1.0	1.0
16	Capital accounts	8.7	8.7	8.7
		157.6	135.3	145.3

*60% of item 6 in same column. †16% of item 6 in same column.

The primary adjustment from column 1 to column 2 in the table is the reduction of U. S. Government deposits (item 8) to approximately 50% above a pre-war (1938) basis. The other liability items, as will be noted, are left unchanged; but on the resource side, Federal securities are reduced by a like sum to meet the Government withdrawals (Item 2).

Column 3 of the table reflects the absorption into the banking system of $10,000,000,000 currency, half that sum being deposited subject check (item 6) and half as time deposits or savings (item 7) thus swelling these items by $5,-000,000,000 apiece. This currency would not be loaned or otherwise paid out as such. It would be withdrawn from circulation and go to swell the member banks' reserves with the Federal Reserve Banks (item 1), thus making possible at least a corresponding increase in loans and non-Federal investments. Allocating U. S. and other securities so that their respective ratios will be at 60% and 16% to individual deposits as in 1938 we get—by way of a remainder—loanable funds two-thirds greater than the amount in column 1 (item 4). Put out at a 3.44% annual interest return, the 1944 special ratio, these funds would yield $1,396,000,000, while the $59,000,000,000 of securities would bring in $879,000,000 (1944 basis)*. Omitting 1944's $107,000,000 of service charges on deposit accounts, we find that other operating earnings add up to $358,000,-000, making a total operating income of $2,613,000,000 as compared with $2,215,000,000 in 1944, To state it differently, the banks under an "adjusted" and "reinforced" set-up are seen as earning roundly $400,000,000 more on $12,000,000,000 less deposits.

The postulated increase of non-Federal lending is in line with current tendency. "Business" loans have shown a steady expansion upon banking balance-sheets during the past 12 months. A general 20% increase in commercial, agricultural and industrial loans is reflected in the condition statement of weekly reporting member banks; and the $159,000,000 rise for the week ended Aug. 14 evidences the movement's impetus. This item now shows a twelvemonth's increase of $2,-340,000,000 — the largest plus-change on the statement. U. S. Government deposits are contrastingly down $6,370,000,000 and there is a corresponding decrease in Federal securities held by the banks.

It appears, then, that the "adjustment" and "reinforcement" contemplated in our table are already well advanced: Government deposits and securities are about equally down on opposite sides of the ledger; individual demand deposits and time deposits

*In respect to earnings ratios, 1944 figures instead of those for 1945 are here used, because the earnings for the latter year have not been fully integrated in official reports at this writing.

have risen respectively $2 billion and $1 billion in round figures, permitting the "business" loan increase above noted. On the other hand, excess reserves are shrinking, as we have noted, and money in circulation is nearly $860,000,000 higher than twelve months ago. The next objective, namely, luring a large part of this maverick currency into the banks, would seem to be in order.

The only way by which redundant currency—i. e., the amount in excess of legitimate needs—can be practically recalled, is through the medium of the banking system. Having been deposited in banks such currency finds is way back to the issuing agency in such sums and on such occasion as proper banking functions warrant.

How Banks Can Counteract Inflation

Banks can counteract the effects of inflation, at profit to themselves and the community, by making their demand and time deposit services truly attractive, financially and otherwise; thereupon using the fresh funds so acquired to (a) speed interchange of goods and services through freer use of bank checks, (b) promote reconversion with resultant increased production, (c) aid in financing new production facilities by means of "term" or "quasi-capital" loans.

The banks will thus regain their rightful status as chief lenders of liquid and semi-liquid funds. This status has been impaired, due to several causes, of which the two most important are dependence upon Treasury policy and the perennial threat of Government competition. Federal agencies continue to encroach on banking territory. The Reconstruction Finance Corporation is pursuing its guaranty and participation plan. The Senate Banking Committee, in anticipation of the next Congressional session, has brushed the dust from the Mead bill, which aims to set up a small business finance corporation under Federal Reserve auspices for the making of long term equity loans. Secretary of the Treasury Snyder, however, is frosty to the bill and is quoted as saying, "I don't know of any need for credit that is not being met." He still sees "ample credit facilities" within the existing framework of privately owned banking. But no matter how willing the banks may be to operate liberally, even to the extent of setting up loss-absorption lay-aways, they are hedged about by a multitude of restrictions, supervisory and otherwise.

Effect of Service Charges

To expand deposits for inclusion of excess circulating money, banks will necessarily broaden their solicitation base and solidify their good-will. In so doing, they will be compelled to revise a policy they have developed during the past 10 or 15 years—that of shifting the expense burdens from borrowers and checkholders to the shoulders of their own depositors. Devices for achieving this end are tagged as "Service Charges," a patent misnomer. In many cases they are as intricate and restrictive as the official tanglement against which both banks and depositors are struggling.

"Activity Charges" has been suggested as a substitute term, yet even this is misleading. Most schedules charge a "maintenance" or "standby" fee—that is, for inactivity. Hence the unedifying spectacle of small inactive balances being ceaselessly nibbled away by monthly or quarterly charges; so that every year myriads of them perish, wiped out as a penalty for having continued to exist!

Everybody in the South has heard of the banking experiments by Negroes some years ago, in the course of which a dusky depositor was so unwise as to leave a fairly decent balance untouched for more than a year. When at length he demanded the sum of his deposit, he was blandly told: "Mistah Jones, the in-trust has done et yo' money up!"

Little did the wise neighbors who laughed at these colored people realize that soon the same reply would be given, in effect, by the most respectable white bankers to dilatory depositors in all parts of the country.

By way of refreshing contrast, the writer was pleasantly surprised the other day at receiving from an Atlanta bank (name on application) a courteous letter stating that his inactive balance of $247.61 was at his disposal, for withdrawal or continuance. He had deposited $100 in a special account 33 years ago and had forgotten about it; but the bank had faithfully added all permissible accruals of interest for a third of a century, so that the sum had more than doubled.

Increased proportion of "business and individual cash balances held in the form of currency" is quite properly attributed by the Federal Deposit Insurance Corporation (Annual Report dated Aug. 21, 1945) "to various factors, including . . . the relatively large income rises of wage earners, many of whom have not been accustomed to maintain checking accounts; the **inconvenience of cashing checks** under wartime conditions . . . the movement of population and *difficulties in establishing bank accounts* . . .; illegal transactions such as 'black market' sales." (Italics are ours.) The FDIC might have added that many check-cashing inconveniences are of the banks' own making without reference to war or peacetime conditions. To start with, under prevailing service charge regimes, the individual depositor often has to pay from three to ten cents for the privilege of cashing, in person, his own check against his own solvent balance at his own bank. If the check is drawn on another bank, he either is unable to cash it at his own bank (though his solvent balance may be far more than enough to cover it), or he is subjected to long delays while trying to get an officer's initialing (sometimes grudgingly and doubtingly bestowed), or the bank accepts it "for collection only," in which case the depositor is compelled to wait an unspecified number of days. Further obstacles, likewise unlisted by FDIC, are frequently encountered by the average person in opening a checking account, particularly in large cities. A formal application must be filled out, with personal character and business references, previous banking connections if any, and other information — all of which is checked and investigated, more as if the applicant were trying to borrow money from the bank than, in effect, lending money to the bank.

More Ease Needed in Permitting New Accounts

It is admittedly good practice not to open checking accounts for total strangers without proper identification or introduction and to fully investigate business accounts that might ask for credit. But in the laudable effort to curtail operations of crooked checksters — which are relatively negligible in volume — the banks are seemingly making it difficult and embarrassing for many honest, currency-toting individuals to become depositors. Bankers might do well to re-examine their methods of opening individual checking accounts, with a view to bettering public relations as well as increasing deposits and broadening the contacts of their respective institutions. A variant of the introduction card system already used by some banks through employers and present depositors might prove a helpful expedient.

These observations are offered in a spirit the reverse of critical. Because American banking's accomplishments are unmatched, true believers in its continued independence and growth cannot shut their eyes to what may be deemed factual hindrances. Without presuming to advise any banker upon so controversial a subject as so-called service charges on the one hand and his own cost factors on the other, one may very well question the soundness of the whole service charge theory, insofar as it seeks to recover specific costs, item for item. Certainly no other business seriously attempts to allocate its overhead in such microscopic parcels as to penalize every move that a customer makes — after the manner of the restaurant described in "Harper's" Magazine nearly a hundred years ago. This establishment rendered its guest a bill lengthily itemizing bows from the head waiter, use of crystal goblet, enjoyment of so much daylight, etc., to a total of $12.63, winding up with one cent for a glass of water.

Efforts toward such cost recovery result in paradoxes and anomalies that do not improve public relations. An example or two will suffice. The bank charges, let us say, a $1.00 "monthly maintenance" or "ready to serve" fee to John Brown, the same as that paid by the store or factory wherein he works; although the equipment and labor set-up required to handle the business account may be manifold greater. Brown suffers similar inequity as to charges for handling deposits. A Chicago bank analyst* of 40 years' experience with 4,000 banks when appealed to by a $2,000,000 bank in a farming-industrial town for "help" respecting better results from service charges replied that he did not know the answer. He cites as contrasting instances banks A and B, paying about the same scale of salaries, with respecitively $1,900,000 and $1,400,000 deposits. Yet analysis showed the "cost" of an "on-us" check to be 10.2¢ at Bank A and 5.7¢ at Bank B, while at both banks "deposit tickets were indicated as costing exactly two times as much as on-us checks," no distinction "being made between single and multiple-item deposits."

Service Charges on Savings Accounts

Service charges on savings accounts are of more recent origin, being set up to penalize the flight from checking fees. No matter how justifiable legally and ethically, savings charges do erect a barrier against the very type of deposit which banks will most need and into which our table sees half the repatriate currency channeled. Savings bond sales are increasing. July has furnished the best half-month since January, with sales running some 35% ahead of 1945. Meanwhile E-bond redemptions dropped to the lowest figure for 12 months. Yet savings in general are not faring so well, the rate of accumulation by individuals and unincorporated business having declined sharply during the first quarter of this year. Total of $2,900,000,000 for the period was only one-third of the amount saved during the previous quarter and was at the lowest rate since mid-1941. Time deposits in weekly reporting member banks, the middle of last year, were $1,700,000,000 higher than in mid-1944; but this twelve-month they rose only $1,500,000,000 reflecting a taper-off of savings in banks. The higher income yield of U. S. Savings bonds as compared with time deposits in commercial banks must be the attraction, now that wartime patriotism is no longer a motive. This tends to show that interest rate is a primary magnet in attracting savings deposits. Mutual savings banks have always advertised their dividend rates as strong inducements; so have building and loan associations. The notion that people put money in savings accounts for physical convenience just as they hoard currency in boxes, is a wartime inflation product, stemming partly from the custom of large corporations which segregate some of their funds in the form of time deposits for taxation and other purposes.

Referring once more to our table and deductions therefrom, we find that the banks can well afford to forego service charges on deposit accounts — except, perhaps in relatively few cases of gross disproportion — if such a course is of material help in building and maintaining deposits. In fact, it appears that the aggregate banking income may nonetheless be improved, to an extent approaching half a billion dollars. This figure does not take into account any recapture of income from domestic exchange, which many banks seem anxious to relinquish and to have others relinquish.

Outlets for Increased Deposits

How can profitable outlets be found for the fresh funds thus acquired by banks, particularly time deposits upon which interest is paid? Here is where the banker is expected to exercise that traditional ingenuity, without which his calling would never have risen above the money-changers' level. To cite an example of the moment: A Maine savings bank with $3,000,000 deposits has bought, in the outskirts of its 3,500-population town, a tract embracing some 150 acres, on which it will develop a modern village. As each of the 40 houses is sold, the bank will retain the mortgage, thus selectively building up its portfolios and its tributary community at the same time. In other words, without waiting for speculators or mortgage salesmen to bring the business in, this bank is inviting it—and in such manner as to control it against undue competition. At least one more country bank in the same State is planning a similar project.

Regardless of specific diligence, the portals before which the banks of this country now stand may be new in time, but the ground beyond is very old. No matter what path is chosen, none will prove firm or upward faring unless it be founded upon principles long and independently tested. Chief of these is that the depositor is the banker's best friend.

*Ray E. Bauder, President, Baker-Bauder, Inc., addressing Sixtieth Annual Convention, Michigan Bankers Association, June 26, 1946.

The Thinness of the Market

(Continued from page 1264)

ment was raised to 45%, and on Jan. 24, 1936 to 55%. On Nov. 1, 1937 it was restored to 40%, which remained until Feb. 5, 1945 when it was raised to 50%, followed by a further raise to 75% on July 5, 1945 and to 100% on Jan. 21, 1946, thus abolishing margin trading. (The Exchange itself on March 5, 1945 prohibited margin accounts for stocks selling at or under 10, and required $10 margin on stocks selling between 10 and 20).

An analysis of 40 well-known stocks including the 30 comprising the Dow-Jones Industrial Average and 10 other most actively traded issues shows that the spread between the bid and asked prices on the whole varied little following the several raises in margins, and also that the volume of trading is not appreciably smaller today with margin 100% than when it was 40%.

But while narrow spreads are still quoted, the size of the market in an individual stock is much smaller. When low margins were in effect, an active stock would be traded in 500- and 1,000-share lots at a variation of 1/8 or 1/4 point. Nowadays anything above a 500-share order in an active stock, and less in an inactive one, can result in a price change of 1, 2, 3 or more points.

The 6 Months' Holding Period

Another factor has been the effect of the capital gains tax, the provision for a maximum tax of 25% on securities held for six months or longer tending to defer selling at times when it would be desirable both in the holder's interest and as a stabilizing influence on the market. In fact, in postponing the taking of profits for six months the tax has helped to act as an inflationary lever, accelerating the price by discouraging sales, and decreasing supply without decreasing demand.

Another factor tending to reduce liquidity is the extent of restrictions on purchases and sales of officers and directors in the stocks of their own corporations. Being obliged to wait six months before taking profits, on pain of being deprived thereof if they act earlier, these "insiders" are discouraged from such activity, and hence the stability of the market in such stocks suffers.

Technical Factors

Contributing factors to the free market were the volume of short selling, the activity of floor traders, and the operations of specialists, all of which helped to keep spreads to a minimum and to stabilize the market, especially in periods of stress on either side.

Short Selling

When the market was entirely free, short selling contributed a stabilizing influence, for it helped to check runaway advances when stocks were bid up beyond their real values and — since all short sellers are potential buyers — acted as a cushion and hence as a protection in severe declines and a spur to rallies.

Today no short sale may be made at a price below the price of the last sale and less than 1/8 above the last **different** sale price, which means that the last sale price (even if duplicated several times) must itself be higher than the previous price.

On last week's break in American Telephone it was not possible to make a short sale on the way down from the high of 197¾ until around 183, because each sale had been at a lower price, and it was not until the stock had dropped close to 15 points that there was a price at which a short sale could be made.

The short interest reported by the Stock Exchange on Jan. 15, 1946 was 1,270,098 shares. By Aug. 15 it had declined to 732,649 shares, partly due to the 100% margin requirement which has curtailed the amount of margin-held stock available for borrowing.

Floor Trading

There has been a sharp contraction also in the activities of floor traders, who formerly helped to maintain close markets by trading for their own account constantly on the floor of the Exchange. Frequently a floor trader would buy and sell several hundred or thousand shares of a single stock during one market session, ending the day with a comparatively small long or short position. Today he is on the same 100% margin basis as the public and is required to be able to finance each trade separately, and, while he may take a loss at once or during the day, if he has a profit he must wait until the following day before he can take it. On Aug. 10 floor trading was only 2.42% of the total, less than half last year's volume.

The Specialist

There has been a similar dwindling in the operations of specialists. The specialist's main function as a broker is to execute for other brokers limit orders, although he is sometimes called upon to execute market orders. As a dealer he buys and sells for his own account between the highest bid and lowest offer represented by orders he is holding for execution for others, thereby creating and maintaining a closer market than would otherwise be possible and minimizing the effects of temporary disparity between supply and demand.

Today the specialist is allowed to operate on a 50% margin, but is hedged in by restrictions on his own trading. He must be able financially to buy or sell for his own account. He cannot buy or sell for himself as long as he has unexecuted orders from customers at the same price. If he accepts a market order he cannot act for himself until the market order is executed. He can buy or sell to himself on orders entrusted to him only if the floor member of the firm giving him the order accepts the transaction. He is not permitted to buy or sell for his own account at a price which will "elect" (i.e. make a market order) stop orders on his book. He is also prohibited from "stopping" stock on his book or on the book of another broker, for his own account.

Corporate Memberships

It is likely that more satisfactory markets would be seen as a result of larger volume that could be anticipated if corporations became members of the Stock Exchange. While it has been proposed that memberships be incorporated and that outside corporations be allowed to purchase seats, no action has been taken.

Conclusion

Various restrictions, applied by Governmental authorities and the Stock Exchange itself, have had the effect of turning a free and broad market, capable of absorbing a large volume of transactions on both sides, into a narrow and vulnerable market much less satisfactory and beneficial to the investor. We believe that before long these undesirable by-products of reform are likely to be eliminated or at least modified, to the public's advantage. **From Aug. 29th issue of "Investment Timing" published by the National Securities & Research Corporation.**

Socialized Credit Via Free Govt. Capital and Tax Exemption

(Continued from page 1265)

more than 500 privately managed cooperative associations which serve as outlets for governmental credit.

2. Has extended the subsidy of Federal income tax exemption to all but one of the parent governmental agencies and to two groups of privately managed cooperative credit associations — the 500 noted above and an additional group of approximately 1,700.

Also recipients of the subsidy of Federal tax exemption in the credit field—but not of the subsidy of government-provided capital—are the group of privately financed and managed mutual savings banks, savings and loan and building and loan associations, cooperative banks and credit unions, with an estimated annual gross earnings volume of more than 1 billion dollars, that have won such exemption on the theory of their being non-profit in character.

The subsidy of government-provided capital means added Federal budget costs borne by the taxpaying public and a substantial competitive advantage for those branches of socialized credit that are in competition with commercial banking and credit institutions.

The subsidy of tax exemption means lost revenues for the Federal Government and further substantial competitive advantages for the exempted governmental credit agencies and private lending institutions.

The cost to the taxpaying public of the providing of public funds without charge to credit agencies treated in this study, computed on the basis of the going cost to the Treasury of borrowed money, is shown to be some $126,500,000 per year. To this must be added losses sustained through the depletion of principal amounts of government investments in part of the agencies.

The loss in potential tax revenues for which federal income tax exemption of both governmental and private credit agencies and institutions is responsible, estimated on the basis of federal income taxes paid by commercial banks, is shown to be some 130 to 150 million dollars per year.

Implications of the effects of the socialized credit trend on the country's political, social and economic future are intangibles that cannot be measured.

Two yardsticks indicating the value of federal income tax exemption to tax exempt credit agencies are: (1) among commercial banks insured by the Federal Deposit Insurance Corporation, federal income taxes paid in 1944 amounted to 8.45% of gross earnings and 19.6% of net profits, and (2) for the same year, the income taxes paid by member banks of the federal reserve system amounted to 1.7% of their capital accounts. (The federal reserve system, member banks include part, but not all, of the FDIC insured banks.)

"Free" Capital and Tax Exemption Subsidies in Agricultural Credit Field

In one credit field — agricultural credit — the federal government has established a complete system of government credit facilities for individual farmers and their cooperative business organizations.

All told, these agencies in the agricultural credit field extended loans during the last fiscal year totaling $2,800,000,000 and had an outstanding loan volume at the end of the year of $3,155,000,000.

Numerous branches of this system are in direct competition with and in some areas threaten the very existence of the privately financed country bank system.

In the field of long-term farm mortgage indebtedness, federal governmental credit agencies have advanced to the position of holding approximately one-third of all the outstanding farm mortgage loans in the country, with the other two-thirds divided among life insurance companies, commercial banks, private lenders and miscellaneous other credit sources.

In the field of shorter term non-real estate agricultural loans, governmental agencies again hold one-third of the total commercial business and commercial banks hold the other two-thirds — although these data do not cover short-term loans extended by private lenders such as dealers, finance companies and individuals.

The only exception to the rule of federal income tax exemption is provided by the intermediate credit bank system in the Farm Credit Administration. These banks serve as a reservoir of credit for other agencies making loans to agricultural borrowers. In this instance the Congress has seen fit to recognize tax liability and to impose a franchise tax of 25% of net income after certain deductions from expenses, losses and reserves.

The value to the governmental credit agencies of the subsidies of government-provided capital and federal tax exemption in their competitive efforts to absorb the agricultural loan business is vividly illustrated by the following estimates of the annual interest rate advantages held by agencies of the Farm Credit Administration over their commercial competitors by reason of these subsidies:

	Advantage in Interest Rate Terms From		
Types of Loans—	"Free" Capital	Tax Exemption	Total of Both
Production credit	1.1%	1.0%	2.1%
Federal Land Bank	.3	.5	.8
Land Bank Commissioner	1.0	.7	1.7
Banks for Cooperatives	2.4	.9	3.3
Regional Agricultural Credit Corporation	2.6	.9	3.5
Emergency Crop and Feed	.3	.5	.8
*Average	.8%	.6%	1.4%

*Effects of Intermediate Credit Banks "free" capital subsidy is reflected in the average, but for technical reasons are not shown separately.

The Farm Credit Administration agencies, in other words, have on the average a competitive advantage in terms of annual interest charges of 1.4% from their "free" capital and tax exemption subsidies. This 1.4% is available as a margin for interest rate reduction, accumulation of capital, refund to borrowers or expenditure on administration.

The dollar value of the two subsidies to the agencies listed above is shown to be approximately $28,500,000 annually.

The national network of governmental farm credit businesses, with their cooperative outlets, include not only the parent agencies, but also some 514 production credit associations maintaining 1,460 full and part-time offices; approximately 1,736 national farm loan associations, making land bank loans; 12 land banks making their own and land bank commissioner loans; 12 district offices and their branches of the Farm Credit Administration, making emergency crop and feed loans; 12 regional and 1,952 county offices of the Farm Security Administration, and numerous branches of other agencies.

Thoroughness of the coverage of the agricultural credit system established by the federal government raises a logical question of whether it represents a trial pattern for the use of government-provided capital and tax exemption as weapons to promote widespread extension of socialized credit to other fields now served by privately-financed banking institutions.

Hidden Public Financing of Corporate Lending Operations

The federal government's credit system is replete with evidence of uses of the financing device through which much of the operating expenses of the governmental corporations and agencies are paid from the Treasury by means of advancement of capital funds without charge and the reloaning by the corporations of such funds to the Treasury through purchase of interest bearing, governmental securities.

Through this operation, the governmental agencies engaged in lending businesses, which generally hold themselves out to be self-supporting, are able to realize substantial amounts of operating income from the public Treasury without having to call on the Congress for appropriations.

To describe the practice in simple terms — it is that of acceptance by the governmental corporations of free capital from the U. S. Treasury and then their turning around and, in effect, reloaning it to the Treasury through investments in governmental securities which produce interest income for the corporations. This opportunity to realize "hidden" operating income from the public Treasury is presumed to be one of the explanations for the apparent over-capitalization of the governmental credit corporations as compared with privately-capitalized financial institutions.

One of the most tangible examples of the use of this financing device is provided by the federal government's production credit corporations which, having 53 million dollars of Treasury advanced capital and a substantial amount of accumulated surplus, have invested 64 million dollars in U. S. obligations from which there was an income in the last fiscal year of approximately $1,600,000, or more than enough to meet the total operating expenses of the corporations during the year.

Other governmental or quasi-governmental credit agencies with substantial amounts of government provided capital and of investments in U. S. interest bearing obligations include the production credit associations, federal intermediate credit banks, banks for cooperatives, federal land banks, Regional Agricultural Credit Corporation, Reconstruction Finance Corporation, federal home loan banks, Home Owners Loan Corporation, Federal Public Housing Authority and Federal Housing Administration.

Transfer of "Good Risk" Business to Cooperatives

One of the most significant trends to be observed in the governmental credit system is the apparent pattern, particularly in the agricultural credit field, by which the federal government is first establishing its "good risk" lending businesses on a substantial basis and then turning them over —together with accrued profits therefrom in some instances — to cooperative associations while it retains its "soft credit" businesses and directly foots the bill for the losses therefrom.

The federal government, in other words, is establishing "hard credit" businesses on a going basis and then retiring from ownership without claiming reimbursement for use of public funds during public ownership — but is keeping for itself the "poor risk" businesses.

This pattern is particularly apparent in the production credit, federal land bank, banks for cooperatives, and federal home loan bank systems, as contrasted with the land bank commissioner loan system, the crop and feed loan program of the Farm Credit Administration, and the activities of the Farm Security Administration.

In the federal land bank system, capital stock ownership is being taken over by national farm loan associations through a compulsory system under which borrowers must take out stock in the loan associations, which in turn purchase stock of the banks. As of June 30, 1945, 188 million dollars of governmental funds were invested in capital stock and paid-in surpluses of the banks, as against 71 million dollars of capital stock held by cooperative associations and direct borrowers. Title to the entire amount of some 153 million dollars of earned surpluses that had been accumulated out of operating earnings, however, was held by the cooperative associations and direct borrowers. All of the government-owned capital stock of nine of the 12 federal land banks had been retired as of June 30, 1945, and five of these banks also had retired all government paid-in surplus. (Since the close of the fiscal year government-owned capital stock in all but one of the banks has been retired.)

In the production credit system, there are 56 million dollars of government capital invested by the production credit corporations in the capital stock of production credit associations. An additional 31 million dollars of capital stock of the associations is privately owned. Title to 34 million dollars of earned surplus is not clear.

The federal government has 178 million dollars invested in banks for cooperatives and borrowing cooperative associations have $5,600,000 so invested. Here title to the earned surplus is divided, with 32 million dollars being credited to the government and approximately 1 million dollars to the cooperatives.

In the federal home loan bank system, the federal government has 125 million dollars invested in capital stock, while privately-financed member institutions own 69 million dollars of stock. In this case, again, the full amount of some 20 million dollars of earned surplus is credited to private stockholders.

These facts are cited not in criticism of the general policy of permitting governmental credit business to be transferred into private ownership, but they are set forth as indicative of the need for examination of the practices under which the "good" business is being transferred, while the "bad" business is being retained; under which the Treasury is not being reimbursed in full for use of public funds, and under which the new owners apparently are falling heir in some instances to earnings accumulated by the agencies during governmental ownership.

Size and Scope of Governmental Credit System

The governmental credit system includes not only the complete system in the agricultural credit field, but also the numerous lending activities for business of the Reconstruction Finance Corporation and lending activities in the housing field by the RFC Mortgage Company, the Federal National Mortgage Association, the Federal Public Housing Authority, the Federal Home Loan Banks, the Home Owners' Loan Corporation, and the Federal Housing Administration, plus lending activities by such agencies as the Export-Import Bank of Washington, the Federal Works Agencies, and the U. S. Department of Interior.

In the 22 governmental agencies treated in this report as being engaged in credit activities, the Federal government, as of mid-1945, had approximately 6½ billion dollars invested in capital stock and paid-in surplus. For the most part, this is "free" money for the agencies. Including Treasury loans, the total net investment of the government in the agencies was $9,715,000,000.

Out of this investment, the Treasury has sustained losses as represented by excesses of expenses and by the government's share of earned deficits of approximately $3,743,000,000. These losses reduce the net book value of U. S. proprietary interest in the agencies to $5,971,000,000.

In making $9,900,000,000 of loans during the 1944-45 fiscal year, including loans to other governmental agencies as well as loans to individual borrowers, the governmental credit agencies had a gross income of 339 million dollars and total operating expenses (excluding Commodity Credit Corporation subsidy losses) of 236 million dollars, or net operating earnings of 103 million dollars. Approximately two-thirds of the gross operating income came from interest on loans made by the agencies.

Federal Tax Exemption for Privately-Financed Credit Institutions

Privately financed credit institutions which are exempt from federal income taxes include federal savings and loan associations, state chartered building and loan and savings and loan associations, mutual savings banks, cooperative banks, labor banks, federal credit unions, and non-federal credit unions.

All of these institutions are exempt from federal income taxes under provisions of Section 101 of the Federal Internal Revenue Code.

Data compiled by the U. S. Treasury Department from incomplete returns filed by these institutions, as a result of the 1943 legislation requiring the filing of information returns, show a total of 11,982 such institutions reporting for 1943 a gross receipts volume of approximately 834 million dollars.

An analysis of the Treasury Department report indicates that the privately-financed tax exempt credit institutions making the returns had net earnings of approximately 394 million dollars. The federal income tax liability of commercial banks on a comparable volume of gross and net earnings would range from 70 to 77 million dollars.

Since the information returns represented in the Treasury Department report are recognized as being incomplete, it may be assumed that tax exempt privately-financed credit institutions in the United States have a business volume as measured by gross earnings of well in excess of 1 billion dollars, and that the federal income taxes which they escape by reason of their exemption privilege approaches 100 million dollars annually.

Iowa Investm't Bankers To Hold Field Day

DES MOINES, IOWA — The Iowa Investment Bankers Association will hold its field day on September 12th at the Wakonda Club in Des Moines from sun-up to sun-up. Festivities will begin with breakfast at the Hotel Fort Des Moines at 8:30 a.m. Features of the day will be golf and tennis and other forms of amusement—including the awarding of door prizes.

Registration fee is ten dollars. Further details may be had from Roy W. Leriche of Wheelock & Cummins, Inc., Equitable Building, Des Moines.

Frank Nevins Dies

Frank W. Nevins, an associate of Brown Brothers, Harriman & Co., bankers, died at his home in Port Washington, Long Island, on Sept. 3. Mr. Nevins had been with the banking house and its predecessor, Brown Brothers, for thirty-five years said the New York "Times," which stated that he retired three months ago on account of failing health. The "Times" added:

Born in Maitland, Fla., sixty-four years ago, a son of Dr. Russell H. Nevins and the former Catherine Brown, Mr. Nevins was graduated from Yale in 1902. He entered Wall Street in 1910. In the first World War he was a first lieutenant in the ordnance branch, stationed in Washington.

Blair & Co. Offers Pittston Securities

Blair & Co., Inc., on Aug. 29 offered to the public $7,250,000 collateral trust 15-year sinking fund 4% bonds, due Sept. 1, 1961, and $1,242,300 20-year 5½% cumulative income debentures, due Jan. 1, 1964, of the Pittston Co. Both the bonds and the debentures were priced at 100 and accrued interest.

Net proceeds from the sale, together with other funds of the company, will be used to pay the company's following indebtedness: a promissory note for $6,000,000 payable in five annual installments, 1946-1950, and collateral promissory notes totaling $2,000,000, payable in four annual instalments, 1947-1950.

The bonds are redeemable at prices ranging from 104 on or prior to Aug. 31, 1951, to 100, if redeemed after Aug. 31, 1958, together with unpaid interest. The debentures are redeemable at any time at their principal amount and unpaid interest. Both are also subject to redemption through operation of sinking funds at prices from par to 104.

The Pittston Co., a holding company, owns various operating subsidiaries engaged in the production of bituminous and sub-bituminous coal, in the wholesale and retail distribution of bituminous and anthracite coal and fuel oil and in trucking and warehousing. Consolidated income for the calendar year 1945 amounted to $46,342,283, and net income for the same period was $2,305,436. Total current assets of the company and its subsidiaries reported as of Dec. 31, 1945, were $14,702,625, against total current liabilities of $9,897,391.

Pittston's outstanding capitalization, giving effect to the new financing, will be as follows: Collateral trust 15-year sinking fund 4% bonds, due Sept. 1, 1961, $7,250,000; 20-year 5½% cumulative income debentures, due Jan. 1, 1964, $3,236,000, and common stock ($1 par), 586,092 shares.

Tecklin With Lewisohn

Lewisohn & Co., 61 Broadway, New York City, members of the New York Stock Exchange, announce that Joseph E. Tecklin has become associated with them. Mr. Tecklin was formerly with A. M. Kidder & Company.

Canadian Securities

By WILLIAM McKAY

While it is very easy for even the experienced analyst of Canadian business affairs today to attach undue importance to the unsettled industrial and labor conditions associated with reconversion from war to peace, no one—least of all the expert—should permit himself to be blinded to the fact that the economic skies of Canada are bright despite the dark clouds casting their shadows of uncertainty over the land.

Seen from both the long and the short range view, with due regard for all the present frictions in the economic scene, the prospects for the further and continued development of Canadian commerce can be considered nothing but good. The positive elements in the picture are more significant than the negative features as even the briefest survey of all the available facts is certain to show.

The mere fact that the United States investment in Canada increased by $735,000,000 during the last seven years is in itself a most encouraging sign that can't by the logic of things be completely brushed aside. Of more than passing moment, too, is the news that up to the end of July this year, Canada extended, that is, was able as well as willing to extend, $235,000,000 in export credit and other similar aid to British and foreign governments.

Canada materially improved her manufacturing apparatus and techniques to meet the needs of war and all reports and indications are that now the industrialization of the farms is about to take place in earnest. The demand for improved farm equipment, for instance, is said to amount to tens of thousands of tractors, combines and trucks.

Consideration should also be given to recent reports that many Canadian corporations are enlarging their facilities. The Aluminum Company of Canada has announced, for instance, that it is spending $450,000 to increase the aluminum sheet capacity at its Kingston, Ont., mill. The Packard Motor Corp. of Canada expects its new $300,000 office, showroom and warehouse at Windsor, Ont., to be completed by Jan. 1. A new $4,000,000 pulp mill is planned at Edmundston, N. B., by Fraser Companies, Ltd. Another new pulp mill, to cost $10,000,000, is being planned for Blind River, east of South St. Marie, Ont., by the Huron Forest Products Co. The Goodyear Tire & Rubber Co. of Canada is also said to be planning a $2,000,000 expansion of its plant at New Toronto.

La Salle Extension University has pointed out in its recent Business Bulletin that in Canada "the outlook is for relatively stable conditions in both agriculture and industry with an upward trend in many lines for the remaining months of the year."

Signs are visible, too, even if only feebly, that a settlement nears in the steel strike which has been the cause of much disturbance in Canadian industrial circles. C. H. Millard, National Director of the United Steel Workers' Union, went to Ottawa last week to discuss the general labor situation with government officials there and the government itself advanced new proposals, the details of which were not revealed, looking to an end of the conflict.

The Dominion Bureau of Statistics reported Saturday that carloadings for the week ended Aug. 24 reached the highest figure for any week this year, totaling 73,469 cars compared to the previous high of 70,863 and the level of 74,329 cars for the corresponding period of last year. The Dominion Bureau of Statistics also revealed that department store sales in July were 17% below the level of June but 20% higher than sales in July last year. Cumulative totals for the first seven months this year were also 19% greater than the sales for the same months last year.

The index of wholesale prices declined .4 to 109.5 (1926=100) in July as compared to June but the July level was 1.1 higher than for the same month last year, the Dominion Bureau of Statistics also reported. Lumber production in 719 sawmills east of the Rockies amounted to 211,483,000 board feet in June compared with 169,423,000 in May, the Dominion Bureau of Statistics also announced. The chartered bank statement for July, issued last week, revealed that savings on deposit in Canada's chartered banks on July 31 amounted to $3,410,865,000 against $3,363,474,000 on June 29 and $2,740,641,000 on July 31, 1945.

Labor Minister Mitchell reported last Friday that unemployment has been reduced in Canada from 267,000 on April 1 to 149,000 on Aug. 15. In the coal mines where 26,000 were employed, he said, more skilled men could be used. The combined net earnings of the Canadian National and Canadian Pacific Railways for the first seven months of this year, however, were approximately half what they were in the like period a year ago, according to information released by the railroads. The combined net during the first seven months of this year totaled $34,602,000 compared with $69,598,000 in the same part of 1945. The Dominion Bureau of Statistics has forecast a bumper crop of apples. The apple yield this season may amount to as much as 15,940,000 bushels. All provinces except Nova Scotia are expected to share in the increase.

The general tone of the stock markets was better in Canada than in New York during the last week. The industrials weakened in Canada as in New York, but the golds were firm. Both Canadian external and internal bonds in general were unchanged with volume restricted.

Potter & Cooke in N. Y. C.

Potter & Cooke, New York Stock Exchange member firm, is being formed as of Sept. 12th with offices at 120 Broadway, New York City. Partners will be Earl S. Potter and A. Brendan Cooke, who will acquire the Stock Exchange membership formerly held by Mr. Potter. Mr. Cooke in the past was a partner in Sierck & Cooke and Junkin & Cooke. Mr. Potter was a partner in Whaley & Potter, Talcott, Potter & Co., and did business as an individual Floor broker.

Looking Ahead Ten Years

(Continued from first page)

be a severe slump. Under this theory we could have a good stock market for 12 more months; but the stock market usually turns downward before business turns. Such a forecast is on the assumption that the Democrats will squeak through in 1948. If, however, 1948 should give a Republican victory this should lengthen the period of prosperity, full employment and high wages.

Perhaps Forecasters Are Wrong

The above, however, does not recognize that the whole world is in the throes of a people's revolution. It assumes that the old market rules are still reliable. This may be, or may not be, true. Perhaps Peace Conferences may upset business and stock market traditions as well as political and military. Perhaps the world is entering a new era such as occurs only once in 150 years.

The fights now going on in Paris, supplemented by fears of an "atomic - biologic - supersonic-gaseous - hemispheric - Arctic and sub-Arctic war" may bring about a people's World Government with the elimination of present tremendous military expenditures and unnecessary national barriers. If so, the resulting stimulation in foreign trade, reduction in taxation, increased production, lower world prices and better living standards for every one could give us 10 or 20 years of great prosperity.

Big Boom or Chaos

It is certain that there will be no half-way program. The old 10- and 20-year cycle theory can be discarded. The business outlook depends upon the Big Four in Paris, and not upon Wall Street or Congress or labor leaders. Secretary Wallace talks about "Boom **AND** Bust." I say that we are facing either "Boom **OR** Bust." Secretary Wallace's advisors are making a big mistake.

If so, now is a time—during this **"international scare"** of 1946—to buy securities as it was smart to buy stocks during the depression scare "of the 1930s"; and again during the "real estate collapse" of a few years ago. On the other hand, unless the Big Four get together to give the people a World Government and eliminate militarism, we are headed for World War III.

This could come within five to 10 years and would surely result in wiping out the big cities of the world. Boston, New York, Philadelphia, Baltimore, Washington, Pittsburgh, Buffalo, Cleveland, Detroit, Chicago, San Francisco and Los Angeles could be smashed in the first 24 hours of the war. Hence, I say we are headed either for Great Prosperity or else Terrible Chaos.

What Shall U. S. Investors Do?

For once the people of our small rural communities, especially in the South and Central West, away from large cities, are in an enviable position. They need now only invest in a diversified list of well-selected industries which—like certain chain store companies—have their assets distributed in several hundred interior communities. Then if World Peace comes, they should greatly profit thereby; while if Chaos comes they will have saved their lives.

People of large cities should also have their funds in such securities as above outlined. These securities should be kept in atomic bombproof safe deposit vaults or else in a vault of some safe rural bank. Photostatic copies of wills and important contracts should surely be deposited with some safe country bank. If Chaos comes, corporations having most of their assets in large cities will greatly suffer; but securities indicated above should be fairly safe.

BUY A "LITTLE HOME IN THE WEST"

Investors living in large cities, however, should buy something more than stocks and bonds. They should NOW build a small house, with land sufficient for a kitchen garden, in some small community in the Central West or South where relatives or friends now live. I believe in life and fire insurance: but the most important insurance today for city dwellers is to learn a trade and to have a safe refuge to which they can run if world conditions get too bad.

Joseph Sestric Joins Scherck-Richter Co.

ST. LOUIS, MO. — Joseph P. Sestric, Deputy Regional Director in charge of the Office of Administrative Services of the St. Louis office of War Assets Administration, has tendered his resignation to assume an executive position with Scherck-Richter Company, Landreth Building.

Mr. Sestric, prior to his appointment in May, 1945, by the Reconstruction Finance Corporation, to coordinate sales and accounting functions in the disposal of Surplus War materials, was a close associate of Postmaster General Robert E. Hannegan, when the latter served in St. Louis as Collector of Internal Revenue and later in Washington as Commissioner, had been with the Internal Revenue Bureau for seven and a half years. He was appointed head of the Income Tax Division by Hannegan in January, 1943, and when Hannegan became Commissioner he moved to a post in the planning section of the Internal Revenue Bureau in Washington.

As chief of the Income Tax Division he introduced a number of new procedures to expedite the handling of taxpayers' returns, and in 1944 conducted an income tax school, the first of its kind in St. Louis, for businessmen, taxpayers and accountants who assisted others in making returns. With the Reconstruction Finance Corporation, forerunner of War Assets Administration in the disposal of surplus properties, as well as WAA, Mr. Sestric instituted many procedures aiding purchasers of surpluses in reconverting to peace time operations sooner.

Prior to his tenure in government service, Mr. Sestric was with St. Louis financial houses for six years.

Besides his reputation as an outstanding tax expert, Mr. Sestric has been active in amateur athletics for many years and is Vice-President of the Municipal Athletics Association of St. Louis.

H. L. Lind Elected To Board of IBA

PORTLAND, ORE.—Herman L. Lind, partner in Camp & Co., has been elected a member of the Board of Governors of the Investment Bankers Association of America for a three-year term. Mr. Lind will take office at the Associations annual convention in Association's annual convention in Florida in December, succeeding Fred M. Blankenship of Blankenship, Gould & Blakely, Inc. Mr. Lind is one of two members of the board from the Pacific Northwest District, which includes Oregon, Washington, Idaho and British Columbia, the other being Lyle Wilson of Ferris & Hardgrove, Seattle.

A Free Gold Market Essential to Economic Stabilization

(Continued from first page)
we have sown all the seeds of inflation. Some stabilization efforts have been undertaken, but at present all the conditions for a dangerous inflation are with us.

Inflation in the United States

In March 1933, the United States Treasury suspended gold payments. Since 1900 all forms of money issued by the United States had been as good as gold because they were convertible into gold at the definite weight and fineness of the gold dollar established by Congress as our standard unit of monetary measure. Upon the suspension of gold payments, the United States dollar declined in value in foreign markets until January 1934, when under powers granted by Congress, the President reduced the value of the dollar officially to a little less than 60% of its pre-devaluation gold content. At the time gold payments were suspended the amount of currency in circulation was a little more than five billion dollars. The circulation has steadily increased since the devaluation and suspension of gold payments for domestic purposes until now the circulation is about $28 billions. In addition to the currency inflation the total deposits of all member banks have increased from $36 billion 900 million in June 1933, to more than $144 billion in June 1946. Bank deposits are liabilities of the banks payable in currency, just as the currency was a liability of the government payable in gold before the suspension of gold payments.

The gross direct debt of the Federal Government increased from $16.2 billion in 1930 to $279.2 billion in February 1946. The debt has been reduced to $267.2 billion dollars in July. In June, 1930 the Federal Reserve Banks held $2.6 billion government bonds, and by June, 1945, the holdings of the Federal Reserve Banks had increased to $21.8 billions. During the same period the commercial banks increased their ownership of government bonds from $15.7 billion to $84.1 billion.

The real inflation dangers in the United States lie in the great increase in currency in circulation, and the increase in bank deposits resulting from the purchase of government bonds by the banks. The propelling force in the money and credit inflation has been the government deficits. The increase in bank deposits and the increase in the supply of Federal Reserve note currency issued by the Federal Reserve Banks against government bond collateral have furnished the ample supply of money and credit to keep interest rates low and declining. In the money market as elsewhere, the excess supply drives down the price, or in this case, the rates for money.

During the war the velocity of money and credit was held in check by the scarcity of goods and the restrictions on non-war business activity and speculation. The liquid funds made available for spending far exceed the supply of goods to be purchased or investment opportunities of merit. According to the Federal Reserve Bulletin of November, 1945, government expenditures for goods and services amounted to $16 billions in 1939, and increased year by year until in 1944, these expenditures amounted to $99.4 billion. During the same period the expenditures for private gross capital formation declined from $10.9 billions per annum to $1.8 billion. These facts serve to indicate the trend of the potential inflation in the United States.

Our Stabilization Efforts

Since the end of the war the gross Federal debt has been reduced by about $10 billions. This reduction in the debt has been brought about by paying off government maturities with surplus funds accumulated in the Treasury which resulted largely from the fact that the last bond drive brought in more money than the Treasury needed.

Funds for speculation have been restricted and new commitments are on a 100% cash basis. Credit for installment sales has been tightened. The amount of down payment has been increased and the duration of the payments reduced. The Reserve banks are now proposing that they be authorized to increase the reserve requirements of the member banks and that the Reserve Banks be given increased powers to buy and sell government bonds and manipulate the holdings of government bonds by the member banks. Price regulations have been eased through the revision of the price stabilization law. Farmers have been warned against buying land at the present prices. Similar measures or suggestions have been extended in all branches of the country's economy.

None of these efforts at stabilization gets at the real causes or dangers of inflation. The inflation potentials are in the excess money and credit. Except for the reduction in the government debt, the stabilization efforts have done little more than advertise the fact that inflation danger signals are flying in all directions.

Dangers of Inflation

The pent up possibilities of further inflation lie in the excess liquid funds and their potential velocity if an excited people, either from fear or prosperity illusions, make up their minds that they had rather spend their money and get some use out of it now than take the risks of holding on to it while prices rise. It is impossible to state accurately the full extent of this potential inflation because the present liquid funds are so much larger in relation to the supply of goods to be purchased than we ever had before. However, our experience in the twenties will furnish some indication of the effects of increased spending.

The annual rate of turn over of demand deposits in New York City rose from 54.9 in 1921, to 124.4 in 1929, and this was primarily a credit inflation speculation spree in securities. After the collapse of the speculation in 1929, the turn-over of demand deposits in New York declined to 17.6 in 1940. In a hundred other cities the annual rate of turn-over increased from 32.2 in 1921 to 40.5 in 1929, and then declined to 18.8 in 1940. In 1943, the rate for New York City was 20.5 and for the one hundred other cities 17.4. During 1944, the monthly average rate for New York City varied from 22.9 in January, to 17.9 in May, 24.3 in June, and 30 in December. The record for the one hundred leading cities reporting in 1944 was 17.9 in January, 15.5 in May, 18.7 in June, and 15.2 in August, and 20.4 in December.

A glance at these records of deposit turn-over when the volume of money and credit was relatively small compared with today's vast unused liquid funds, leads readily to the conclusion that if the turn-over should again reach the velocity of the '20's, the demand for goods and services would exceed by many hundred per cent the supply of goods possible under the best production conditions. If such an inflation psychology should manifest itself with the present excess money and credit available, almost any effort the government might make to control inflation by holding down the prices of essential consumer goods would be as ineffective as waving a flag at a cyclone.

Policies to Mitigate Inflation

In this country, as in the whole world, the outstanding economic need is to bring about a balance between supply and demand as soon as possible.

Surplus liquid funds in excess of goods at present prices should be directed into profitable production through capital investments so badly needed to increase the production of consumers' goods.

A large part of the government debts owned by the commercial banks mature within five years. These short-term debts should be refinanced into long term debts and sold to investors. This would remove the debts from the bank assets and reduce bank deposit liabilities. Such a refunding process would remove from the banks the threat of paper money inflation through the conversion of government debt into money which might result from the necessity of keeping the banks solvent in case a crisis should arise while the banks are large holders of government debts as the principal assets to pay their demand deposits.

Costs and prices will be brought into balance by the laws of competition when production balances supply against demand. The present scarcity of goods and the restraints to production, coupled with the money buying power in the hands of the people, and the spiral of wage and price increases, can only result in more dangerous price and cost inflation maladjustments.

Among the helpful steps to restrain the present inflation threats would be a return to sound money and sound financial policies; free markets, and freedom for competition to determine prices and costs. No other forces can do so much to speed the processes of production and investment in new capital as the stimulus of profits and freedom of creative opportunity.

A Free Gold Market

In spite of the imperfections of the gold standard, no other money has been as stable or has served society so well. The World Fund now in process of organization is charged with the functions of stabilizing the exchanges of the member countries and maintaining this stability with a greater amount of flexibility than the rigid international gold standard of the past. If the Fund succeeds in this endeavor it will have made a great contribution to the stabilization of exchange rates and international prices. In order to bring about stabilization of money values and international prices, the first essential seems to be for each country to put its own money and price structure in order. To do this it is not necessary for each country to return to a fixed gold standard. There are three well-known types of gold standard—the gold coin, gold bullion, and gold exchange standard. Each country should establish a type of money system and money value that serves its needs best. It is neither necessary nor desirable that the money price of gold be fixed and unchangeable. Gold must be left free and its price subject to supply and demand as any other commodity. Because of the attempt to peg the price of gold in inflated currency, we are witnessing today many different prices for gold in the same currency all over the world. In Switzerland, for example, gold is selling for 50% more in the black market in Swiss money than the standard price fixed for gold. In American dollars gold is selling for a different price in almost every country in the world. But this difference in the dollar price of gold is a reflection of the scarcity of dollars and dollar exchange available to buy American goods. A free gold market in which gold would be sold at the market price in dollars or any other currency would quickly bring about a correct evaluation of currencies in terms of gold and of currencies in exchange for each other.

International cooperation is essential and the type of cooperation visualized through the World Fund can be of great help in bridging temporary emergencies. Nevertheless, each country must fit its monetary system to its economic needs. For price stability the money of current use must have the confidence of the people. In order to have this confidence the money market must be free and the money readily exchangeable for goods and other moneys at the market price.

The use of gold for settling international balances either directly or through the World Fund must be free and dependable if currencies are to maintain their stability. Only through these policies of free markets for gold can the currencies of the world be brought into a definite relationship with respect to a common unit of measure, and thus stabilize international prices in terms of money and foreign exchange rates in terms of gold or money convertible into gold.

A free gold market in the United States and in all other countries would speed up the stabilization of prices and the foreign exchanges. No other factors could do so much, in my opinion, to stimulate trade and economic recovery as free markets, and allowing the law of supply and demand to take its natural course. The success of the World Fund in carrying out its technical stabilization of the currencies will be determined by the freedom of the markets. Free gold markets and free money markets are the keys to the stabilization of the foreign exchanges and international prices.

[I gratefully acknowledge my indebtedness to Dr. Ivan Wright, economist, New York, for valuable help in preparing this outline and for information about the Federal debt, bank deposits and currency inflation.]

Weinress & Co. to Be N. Y. Exchange Member

CHICAGO, ILL.—Morton Weinress will acquire the New York Stock Exchange membership of the late Melville F. Sachs and will become a partner in Weinress & Company, 231 South La Salle Street on September 12th. Other partners in the firm are William H. Weinress, member of the Chicago Stock Exchange and Chicago Board of Trade, and George R. Joslyn.

Firm Name Changed to Gearhart & Co., Inc.

The name of the underwriting and investment firm of Kobbe, Gearhart & Co., Inc., has been changed to Gearhart & Company, Inc., according to announcement by Frederick D. Gearhart, Jr., President of the firm. Gearhart & Company will maintain the same offices at 45 Nassau Street, New York City.

F. D. Gearhart, Jr.

Mr. Gearhart has been in Wall Street for about 19 years and since 1930 has been associated with predecessors of the present company. About three years ago the firm added underwriting to its usual business of trading and arbitraging, etc. Since that time it has progressed steadily in the field of financing to a point where the firm estimates that today it is doing better than 90% of all small financings.

The firm has headed and participated in more than $20,000,000 in underwritings during the first eight months of 1946.

Fredrickson Joins Detmer & Co. Staff

CHICAGO, ILL.—Detmer & Co., 105 South La Salle Street, announces that John A. Frederickson, has become associated with them as a member of the firm. Frederickson, a La Salle Street figure for thirty years, began his career with the Sate Bank of Chicago, continuing with the First National Bank until 1933, when he became associated with Dempsey-Detmer & Co., more recently changed to Dempsey & Company, where he has just resigned to take up his new duties.

A. M. Kidder Wire to Butler-Huff & Co.

A. M. Kidder & Co., 1 Wall Street, New York City, members New York Stock Exchange, announce a fast coast-to-coast wire service through the opening of a direct private line to Butler-Huff & Co., 210 West Seventh Street, Los Angeles, California.

Securities Salesman's Corner

By JOHN DUTTON

There is one problem which this nation must solve eventually, and that is, "how can we reestablish faith in the soundness of the American dollar?" Some may argue that to question the soundness of the national currency is heresy—or that it is foolish to lose faith in the nation's money and that all such talk is demagoguery of the worst type. But the plain facts are—and practically every investment banker, broker, securities dealer and salesman in the nation knows this to be true—there is an appalling lack of faith in the future soundness of the dollar among many substantial investors in this country.

The people who make the wheels go round, who put up the capital for new industries, and who buy the bonds which supply our state and federal governments with the funds that they use to cover their ever reoccurring deficits ARE WORRIED ABOUT THE FUTURE PURCHASING POWER OF AMERICAN DOLLARS. That is why they are gambling in low priced equities in the hope of achieving large percentage capital gains which are subjected to lower tax rates, or buying farms, or tangible real estate, or black pepper and other non-perishables such as art treasures and precious stones. That is why they are buying platinum and raw metals. They have been doing it for years and they are still doing it. These people are not isolated cranks but you will find them in every city and county in the land. They are the people of means—the ones who know the lessons of history. They are the savers and the wealth creators. They know that the dollar is losing ground in the free gold markets of the world. They know where it is in Egypt, Siam and Sweden today—and they are worried for good cause.

They are worried because they know that it is an axiom of history that when a nation once prohibits the conversion of its paper money into gold, such as was done by this government in 1933, the tendency is for it to go on and on to further deficits, more and more unsound fiscal policy, until at last complete repudiation of the currency became inevitable, and in many cases final extinction of such a government even came to pass.

They see the majority of the citizenry of this country completely oblivious to the possibilities of financial chaos which someday will result if the present day fiscal policies of the federal government are not completely reversed. They hear themselves shouted down every time sentiments and statements such as these are voiced among their friends. They are told that such talk is a lot of political eyewash that we heard it six or eight years ago and the country's not busted YET. All the while those who make such statements see no connection between prevailing unsound fiscal policies and curtailed production the lowered quality of merchandise which exists today, the regimented economy which isn't solving shortages, and the higher prices in every field of business and in the case of commodities. Those who fear for the future of their assets know the one true lesson, and that is, MONEY IS WORTH NO MORE THAN THAT WHICH IT WILL BUY.

This is not intended as a discourse upon a difficult and involved subject, that is completely beyond the scope of this column which devotes itself to problems pertaining to the retailing of investment securities. But one thing is certain—the writer happens to be a salesman of securities and from his own experience he knows that people are worried today about the soundness of our nation's currency. He knows people who have bought platinum, farms, works of art, stocks and real property—and they are not fools, neurotics, or nincompoops—they worked hard for the wealth they have accumulated and ABOVE ALL THEY DESIRE TO KEEP IT AND NOT SEE IT FRITTERED AWAY IF IT CAN BE AVOIDED.

One of these customers asked the question the other day as to whether or not the writer believed he should sell some government bonds, stating that those he bought he only did so out of patriotism during the war, and that he honestly believed he had far too much invested in such a security. The next question is whether or not a security salesman in this instance should close his eyes to all he has ever learned about balance in a securities portfolio, and all the other factors with which this investor was concerned, and by so doing advise the retention of government bonds regardless of all such considerations.

One thing is certain—nothing is gained by playing the hypocrite. If this nation is ever to get back on a sound fiscal basis again it will be because the investors of this country WILL FORCE IT. The only time the politicians in the federal reserve (Mr. Eccles included) and those in the Congress and the one in the White House will ever put our fiscal house in order is when they see American investors giving them back their 1½% bonds until the reserve banks, the treasury and the whole country becomes so involved in the process that the Administration will be compelled to reverse its unsound policies. Drastic medicine indeed—but nothing else would be more effective.

You can figure out what we told our customer—YOUR FIRST OBLIGATION IS TO YOURSELF AND YOUR FAMILY! He knew what we meant, and incidentally, it is our opinion if every one of us took care of our own obligations those who are entrusted with the soundness of our money would some day wake up to the fact that we would insist that they put our currency back where it should be, on a convertible basis into gold where no man or group of men could manipulate its value and destroy our faith in this nation's promises, or its future. That not only means a balanced budget, but years of debt reduction before a convertible currency could once again be reestablished. Otherwise no man can have faith in the eventual soundness of our money or the government bonds into which we may convert it. All talk of controlling inflation through government decrees, price control or any other artificial methods is meaningless drivel—history gives us indisputable proof of the accuracy of this assertion.

If you are worried about temporary price recessions in sound equity stocks think this over and see if well selected common stocks are not still one of the best methods of protecting your assets against depreciation. Into what else can an investor put his dollars where he can convert them into cash if he desires at any time, and with so little inconvenience? Meanwhile he can obtain an income and even have an opportunity for a gain in the number of his dollars during a period when dollars themselves are losing value ALL OVER THE WORLD.

Inflation, Price Control and Taxation

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a further $10 billion increase had occurred from the time hostilities ended to May 31, 1946. In addition to the deposits and currency, the people still hold a large quantity of savings bonds which are redeemable on demand. As long as they are held, they are not available for spending purposes, though they may be regarded by the owners as a highly liquid asset in view of the redemption feature. Were these bonds to be presented for redemption in large quantity, the process would involve an equivalent increase of bank deposits or of currency held outside banks.

The principal source of the rise of bank deposits from December, 1940 to May, 1946, has been the borrowing which was done through the banks. It is striking to note that the total increase of all forms of bank deposits, namely $83,564 million, was just about equal to the rise of total bank holdings of government debt obligations in the same time. Once a new dollar of bank deposit credit has been created in this way, its subsequent spending never causes it to disappear. Spending leads to transfers from one account to another but the total of deposits is not thereby changed. The only way by which a given total of bank deposits can be reduced is by repayment of debt obligations held by the banks. An individual who owes money to a bank can repay the loan by giving a check on his account. This transaction reduces, by so much, the total of the bank's deposits and also the total of its assets. Repayment of the government debt held by the banks would operate in the same way. In Table I the government's total deposits were $17,400 million. If these deposits were used, as has been done in recent months, to redeem debt paper held by the banks, the grand total of deposits would be thereby diminished. On the other hand, if some part of the government deposits were to be used for current expenses, there would be a transfer of the money from government account into private accounts.

Payment of taxes by means of checks on taxpayers' accounts transfers the deposits from private accounts into the government's account. To the extent that these funds were then used to redeem more debt held by the banks, there would be a similar reduction of the deposit total. It should be noted, however, that the decline of total deposit obligations would improve the reserve position of the banks, since a given amount of reserve would bear a higher ratio to the diminished total of deposits than it had to the former, larger total. As the free or excess reserves expanded, the banks would be in position to make other loans, and thus to create other deposits. Their disposition to do so would depend principally upon the business outlook and the demand for additional bank accommodation.

TABLE I
Growth of Bank Deposits and Currency from Dec. 31, 1940 to May 31, 1946
(Millions)

Item—	Total Amount on— Dec. 31, 1940	Aug. 31, 1945	May 31, 1946	Increase 1940-46
Demand deposits	$34,945	$74,000	$78,500	$43,555
Time deposits	27,738	46,000	51,100	23,362
U. S. Govt. deposits	753	17,300	17,400	16,647
Currency outside banks	7,325	25,900	26,400	19,075
Total	$70,761	$163,200	$173,400	$102,639

Source: Compiled from "The Federal Reserve Bulletin," July, 1946.

TABLE II
National Income, Calendar Years 1940 and 1945
(Billions)

National Income Components—	1940	1945	% Increase
Total compensation of employeees	$52.3	$114.5	119
Salaries and wages	48.6	111.4	129
Supplements to salaries and wages	3.7	3.1	*16
Net income of proprietors	12.0	25.6	113
Agricultural	4.4	12.5	184
Nonagricultural	7.6	13.1	71
Interest and net rents	7.5	11.8	57
Net corporate profits	5.8	9.0	55
Dividends	4.0	4.5	12
Corporate savings	1.8	4.5	150
Total national income	$77.6	$161.0	107

Source: Data compiled by the Department of Commercee.
*Decrease.

Basic Aspect of Inflation

The basic aspect of the inflation is indicated by Table I. In about 5½ years, $100 billion was added to the nation's supply of money and bank deposit credits. As just explained, this is a permanent addition, unless and until it can be reduced by the process of debt repayment. The things that happen to prices and incomes because of the increase are only the results or effects of the underlying inflation of credit.

The expansion of purchasing power may be expressed, also, in terms of the national income. The figures for the calendar years 1940 and 1945 are given in Table II.

Here we see the effects of the huge increase of purchasing power that was indicated by the expansion of bank deposits and currency in Table I, the total of which increased 145% from the end of 1940 to May, 1946. Taking the total national income for the calendar years 1940 and 1945, the over-all increase was 107%, but the rise of some of its chief components was definitely more pronounced. The largest shares, namely salaries and wages, and the net income of proprietors, rose from a total of $60.6 billion in 1940 to $137 billion in 1945, an advance of 127%. By comparison, the growth of the investment incomes, namely interest, net rents, and corporate profits, was at distinctly slower rates.

Bank Deposits and Spending

These data serve to dispel one argument that is likely to be advanced by those who seek to make a case for still higher wages. The argument is that the bulk of the bank deposits is owned by business concerns and by a relatively few rich and well-to-do persons. Hence, it would be contended that the rank and file of wage earners and other small income recipients lack purchasing power, despite the evidence to indicate a great expansion of the total deposits.

But the fact is that the purchasing power represented by the deposits and currency is not static. There is a continual turnover of enough of the deposits to represent total transactions much in excess of the grand total. The change in the annual rate of bank deposit turnover since 1940 has been as follows:

TABLE III
Annual Rate of Turnover of Demand Deposits, Except Interbank and Government

Banks in—	—Annual Rate— Year, 1940	Year, 1945	May, 1946
New York City	17.1	24.2	24.5
100 leading cities	18.6	16.1	15.8

The real pressure on prices depends on the quantity of available purchasing power and the rate at which it is used. The figures in Table III mean that, on the average, every dollar of bank deposits in the New York City banks was used in some sort of business transaction which moved it from one account to another 17.1 times during the year 1940, and so on. The rise in the New York turnover rate since 1940 reflects the growing influence of the prolonged stock market rise and the great increase in the scope of the trading. For the country at large there has been some decline in the rate of deposit turnover since 1940.

The total spending, or use of purchasing power, which is here indicated, includes all of the spending for business purposes and operations as well as the spending by consumers. The significant point in this connection is that the use of deposits by business resulted in an advance of total salary and wage payments from $48.6 billion in the year 1940 to $111.4 billion in the year 1945. For the first four months of 1946 total wage and salary payments were $33 billion, a decline of approximately $1 billion per month from the corresponding period of 1945, but nevertheless a rate which would, if sustained, produce a total of wage and salary incomes of some $100 billion for the entire year 1946. If there should be no further prolonged interruption to employment, the total income for 1946 may not fall very far short of that for 1945. Incidentally, we have here a measure of the total cost, to wage and salary earners, of the various kinds of interference with employment and production that were experienced in the first four months of 1946.

Thus, the fact that an individual does not now own any part of the huge total of bank deposits does not mean at all that he has no share in the purchasing power which these deposits represent. If he is employed he is getting income, and both his employment and his income depend upon the use, somewhere in the economic system of the purchasing power which the bank deposits represent.

Human nature being what it is, there are few persons who are ready to admit that the income which they receive is enough, and more than enough, for their needs, their plans, or their ambitions. Rising prices increase this sense of insufficiency. Judging from the record, the groups who would have the best case for higher incomes on this ground are the fixed income recipients, including those who receive dividends, for the amount they have received has risen by only 12% since 1940; and those whose income consists of interest and rents, for their total net receipts have gone up by only 57% in the same time. These rates of increase are to be compared with a rise of 129% in total salaries and wages, and of 184% in the net income of agricultural proprietors.

The Course of Prices

As a final aspect of this statistical summary, let us consider the course of prices In terms of index numbers, the record since the end of 1940 has been given in Table IV.

These samples from the entire series of index numbers compiled by the Bureau of Labor Statistics will serve to indicate the trends. They relate to the more important groups of commodities, from the consumer standpoint, and they include also those series which have shown the largest increases. It is clear that there would have been greater price increases than those actually recorded had it not been for the price and rationing controls that were maintained during the war.

TABLE IV

Index Numbers of Price Changes, 1940 to May, 1946

Commodity Indexes

PART A

Wholesale Prices

B.L.S. 1926 = 100

Date—	All Commodities	Farm Products	Foods	Textiles	Bldg. Mat.
Year 1940	78.6	67.7	70.4	73.8	94.8
May, 1946	111.0	137.5	111.5	108.8	127.8
Increase	32.4	69.8	41.1	35.0	33.0

PART B

Cost of Living

B.L.S. 1935-1939 = 100

Date—	All Items	Food	Clothing	House Furnishings
Year, 1940	100.2	96.6	101.7	100.5
May, 1946	131.5	142.6	155.4	152.4
Increase	31.3	46.0	53.7	51.9

Source: From "Federal Reserve Bulletin," July, 1946, pp. 804, 805.

The significant inference to be derived from a comparison of Table IV and Table II is that national income has risen, relatively, much more than prices. This is notably true of those components of the national income which consist of wages, salaries, and farm incomes.

The temporary suspension of price control produced confusion and a considerable amount of emotional reaction. The following facts, however, may be noted: first, supplies of meat, butter, and other goods began to come into the market, whereas they had been virtually invisible before; second, prices were higher than the former ceiling prices, but probably not as high as black market prices. Moreover, there were goods at these open market prices. Third, some part of the price increase represented the subsidy which had formerly been paid as a means of keeping down the final price to consumers. Fourth, and perhaps most important, there was a beginning of free market operation in which the natural forces of demand and supply could establish equilibrium prices.

The reenactment of the price control legislation rested upon arguments and policies which need not be entered into here. Some statements in the declaration of objectives in the new law are of interest. They are the following:

The Congress hereby affirms: (1) that because of abnormally excess purchasing power in relation to the presently available supply of commodities, rapid attainment of production equal to the public demand is one of the necessary and urgent objectives for the prevention of inflation and for the achievement of a reasonable stability in the general level of prices and rents, cost of living, and costs of production (including labor costs), for the purposes set forth in section 1 of this Act and for the further purposes of protecting the real value of benefits provided by law for veterans and their dependents, of keeping faith with purchasers of United States War Bonds, and of making possible a successful transition to a peacetime economy of maximum employment, production, and purchasing power under a system of free enterprise;

(2) that unnecessary or unduly prolonged controls over prices and rents and use of subsidies would be inconsistent with the return to such a peacetime economy and would tend to repress and prevent the attainment of this and the other goals herein declared; and

(3) that adequate prices are necessary stimulants to the production thus desired and the expeditious attainment of said goals.

This is a constructive declaration of purposes. Like all such legislative preambles, it suffers from the vagueness usually to be found in a broad, general statement, and it fails to tell the whole story. Moreover, it lacks internal consistency, but that lack derives from the conflict of purposes involved in price control. For example, we may agree entirely with point (3) as to the necessity of adequate prices as essential stimulants to production, and with point (2), that unduly prolonged controls will defeat the attainment of the desired level of production. But in point (1), there is a failure to realize that the abnormal excess of purchasing power is the real inflation. This is not something that can be prevented by any sort of legislative or administrative action, for it has already happened. As the law uses the term, "inflation" means price increases, which are only the end result of the genuine inflation. The inconsistency of objectives lies in the admission that adequate prices are necessary while also proposing that price increases be prevented.

A Summation of Inflationary Factors

Let us see, now, if we can bring together the various elements of our problem into a simple, nontechnical explanation. As the data presented in Tables I and II indicate, we have created, largely as a result of the war financing methods, a vast number of dollars. The natural result of that action was to make each dollar worth less, in relation to goods and services of every kind. The extent of this decline in the value of the dollar, that is, in its power to command goods in exchange, is indicated by the summary of price changes given in Table IV. What we need, as a solution of our problem, is a policy and course of action which will restore some part of the exchange value of the dollar that has been lost during the past few years. Another way of saying this is that we wish to see prices somewhat lower, or certainly no higher, than they now are.

There are various lines of action that might be followed, but only one that is economically sound and sensible. One way would be to diminish, by some *tour de force*, the total number of dollars now in existence. Several proposals looking to this end have been made, but none has gained serious attention. For example, the government could decree a write-down of bank deposits, either at some proportionate rate such as 10% or 20%, or by reducing large accounts relatively more than small ones. The large amount of paper money could be called in and exchanged for new money at 70 or 80 cents on the dollar. Or bank deposits could be frozen as of a given date, and subsequent withdrawals could be subjected to strict control. Drastic steps of this sort usually become necessary in the final, extreme stages of excessive purchasing power, but they would not be tolerated here under present conditions mainly because they are not at all necessary. Our situation is by no means so far out of hand as to warrant them.

Another line of action would be to give all of the people, or selected groups, more dollars. This, of course, would defeat the main purpose of raising the exchange value of the dollar generally in relation to goods. If more money were handed out all around, no one would be any better off than he is today and it would be a question of the printing presses keeping up with the price increase. If certain groups were to be given more dollars, for example, through the procedure of granting further wage increases, the result would be to increase costs of production and thus to compel, eventually, further price increases. But any additional price increase would carry us farther from the primary goal, which is to recover some part of the exchange value which the dollar has lost in relation to goods, or at least to preserve such exchange value as it now has. And a nationwide campaign for an increase of money incomes all around would be merely the case of handing out more money to every one.

A third line of action, and the only sound one from an economic standpoint, is to effect a revaluation of the dollar in relation to goods by producing more goods at lower unit costs. The reason why a dollar will buy so little today is that there are so many dollars and so few goods. Since we cannot equalize the situation as we would like by destroying part of the dollars, then the wise and proper course would be to create more goods. As this happens prices will fall, and a fall of prices means that the dollar will buy more. In other words, its value in relation to goods will become greater.

This is a challenging thought. To validate our dollars means to make our incomes worth more, to make our war bonds worth more, to make our insurance policies and savings deposits worth more. If we can produce enough goods we can raise the real standard of living by this change in the purchasing power of our dollars. It does not require that there should never be any more wage or salary increases. The correct and sensible policy with respect to wages is to relate them to efficiency and productivity, but a policy of sharing the general gains from greater productivity through lower unit prices would promote the validation of the dollars which all members of the community receive. The fruits of technological advance must be shared by all.

End Deficit Financing

It goes without saying that there must be an end to the further inflation of bank credit by deficit financing. It is also plain that the validation of the dollars we now have, granting that we succeed in stopping their further creation, cannot be achieved by prolonged interruptions to production, or by relying on government to bail us out. It cannot be done with mirrors. It will take work, thrift, investment and enterprise. It will take teamwork and fair play all around.

For the accomplishment of our goal by this means, price control is really unnecessary and it may be a positive hindrance. The dilemma of such control is this—if the price ceiling is set high enough to cover production costs plus a reasonable profit then no ceiling is needed, for the operation of free market forces would eventually establish that price. If the ceiling is set below the point at which costs and reasonable profit are possible, then there is no production, or at least no sale in the legitimate market. The consumer has only the melancholy satisfaction of seeing a list of ceiling prices posted over empty shelves.

The new price control law provides no way out of this dilemma. With respect to agricultural commodities, for example, it states that there shall be no price control over agricultural commodities unless they are in short supply. In other words, where the farmers find the price and the return adequate, there shall be no control because production will be sufficient; but where they cannot or will not produce enough of a commodity because of costs or other conditions, the price control authorities are to step in and set a ceiling price. Such action will assure that the production is not increased.

Problem of Increasing Taxes

When the legislative jam over the price control legislation developed, there was talk of increasing taxation in the event that renewal of the control should completely fail of enactment. Fortunately, this suggestion was not taken seriously. That it could have been made at all, however, warrants some comment.

The particular kinds of new taxes or tax increases that would have been proposed were not specified, beyond one fleeting suggestion that the excess profits tax might be restored. It becomes necessary, therefore, to speak in general terms of the efficacy of taxation as an instrument for dealing with such a situation as was before us.

In the first place, it is always proper to maintain taxation at a sufficient level to cover the expenditures and, except in the most unusual circumstances, to provide for a systematic program of debt retirement. Failure to collect enough revenue to balance the budget involves further borrowing, and to the extent that the banks participate, it means the creation of more inflationary pressure. The case for tax increases at this time does not rest at all on the fate of price control, but on the total of expenditures which has been authorized. If the expenditures for the fiscal year 1947 will exceed the revenues to be expected under existing tax laws, there should be tax increases.

In the second place, an increase of taxation would do little to curb the inflationary potential already existing, except to the extent that the funds were applied to the reduction of bank holdings of public debt, and provided that the banks did not offset this decline of deposits by expanding private loans. This was clearly perceived in one suggestion that a restriction be placed upon the creation of private credit, as an accompaniment to the increase of taxation. Though effective, this would be a slow process, for a budgetary surplus of $5 billion in a year would be a tremendous feat, while a decline of as much as $5 billion in deposits in a year would still leave an enormous total outstanding. Moreover, such an increase of taxation would accomplish nothing toward an increase of production because its burden would be likely to fall, in large part, upon those whose active effort in securing larger production is most important.

The advocates of functional finance have an answer. It would involve the first of the wrong lines of action dealt with above. Briefly, it would be the use of taxation to remove some of the surplus purchasing power. In order to be effective, the money thus collected should not be paid out again, so that it would be, in substance, a cancellation or destruction of the excess purchasing power thus taken in. If it were applied to the reduction of debt held by the banks, it would not be peculiarly, a tenet of functional finance, for orthodox finance points to the same end.

Taxation for Fiscal Purposes Only

The rub comes, and the pinch would come, in determining which persons had the excess purchasing power and were using it to the detriment of their fellow citizens, and in devising tax methods for taking it away from them. The average person would react violently to the suggestion that he had too much purchasing power. And yet, the proposed taxation would need to cut fairly deeply into the average income if the diversion and withdrawal of money were to be on a scale adequate to produce the effect desired. This scheme, like all others purporting to prevent unwise use of income or accumulated funds, breaks down because of the impossibility of identifying those persons who are most likely to engage in the practices deemed undesirable, and also because of the equally impossible task of devising tax methods that would distinguish between beneficial and harmful amounts of funds. However the matter is approached, there is no escape from the conclusion that the taxing power can be safely used only for the purpose of financing the needs of government, and that all attempts to use it for non-fiscal ends will backfire or miss fire, or hit the wrong targets. This is true of taxation as an instrument for the control of inflation.

The alternatives before us are plain and the wise choice between them is clear. We can lick our inflation or be licked by it. We can validate our dollars or let them crumble into dust. We have put a lot of our future on the cuff but by wise and efficient action we can write it off again. Unless the American genius has been sold down the river, the right choice is assured.

Place of Public Works in the National Economy

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a program of public works and services has to be developed.

At any particular time the content of a public works and service program depends on the economic and cultural progress of a nation. At an early stage of economic development when capital is scarce, only the most urgent economic needs can be satisfied. These are primarily the ones felt by the people as individuals and provided for by private enterprise. With an increase of wealth, the desire to satisfy community needs increases, and the allocation of a growing portion of the country's resources to community purposes becomes possible.

The steady rise in the general standard of living, for example, has been accompanied by a growing awareness of social responsibility for the assurance of minimum living standards. The need for expanded community facilities and services, such as health and education, is widely accepted. Sanitary housing and other needs which formerly had been thought to concern the individual only are becoming vested with public interest.

A rising national income, however, is no assurance that needed public projects will be undertaken. In this respect the relationship between the level of national income and the satisfaction of public needs differs from the relationship between individual incomes and the satisfaction of individual needs. Despite prosperous business conditions during the twenties, the nation emerged with serious deficiences of such basic requirements as housing, schools, and medical facilities. In appraising economic well-being, it is not the position of the most fortunate members of the community which is decisive, but the kind of life which our economy affords to those who are least able to share in its wealth. Thus, the general level of health, education, and living conditions should weigh heavily in the final appraisal.

Other factors leading to an increase in public activity relate to the growing complexity of the economy. Heavy concentration of population in urban centers has created a host of new needs for public works and services. Technological changes such as the growing importance of electric power have created new responsibilities for resource development. Intensive exploitation of our best agricultural and forest lands has created a need for large-scale irrigation and flood-control projects. The increase in ability to pay for public works, therefore, has been accompanied by a closely related, though not always equivalent, growth in the need for them.

The term public works has been traditionally applied to public construction projects only. However, public construction projects frequently are only a part of broader public functions. To carry on education and public health functions, schools and hospitals are needed, but so are the services of teachers and doctors. Public services must thus be considered jointly with public works. A discussion of public works, furthermore, cannot be limited to public construction projects of the more traditional type, such as highways and postoffice buildings, but must also include broad improvement projects, such as urban redevelopment or the development of river valleys. Actually, these are not new types of public activity, but the modern counterpart of Federal participation in canal and highway construction dating back to the early part of the last century. Individual projects, moreover, must be considered as parts of a comprehensive program and planned on a broad basis with the cooperation of public and private agencies and public bodies at the various government levels.

Notwithstanding the gradual expansion of public works and services, modern civilization has been characterized by a lag in the satisfaction of community needs.[2] While the general need for increased public activity is recognized by large parts of the community, different groups disagree on the relative urgency of particular projects. The projects finally undertaken usually reflect compromise on many issues, and thus often fall short of the community need.

Public inertia, lack of information, disagreement on financial issues, and legal or administrative obstacles also cause delay. These conditions account in part for the fact that public works and services undertaken in the past are not necessarily indicative of the extent of past needs or of what people at large would consider a desirable program. Extensive investigation of community needs and problems at various government levels will prove helpful in providing the necessary background for informed community discussion.

Public Activity and Private Enterprise

An objection frequently made to public works and services is that they represent a less efficient use of resources than would be achieved in alternative private uses. One reason for this may be the difficulty of obtaining full agreement on the desirable scope of a public program. The disparity of interests represented and the diversity of needs to be served in any community often lead to a compromise that is completely satisfactory to no one. Private action often leads to similar results, as the failure of many a business venture attests; but since the desires of the community are seldom consulted in advance the disappointment is less vocal and less evident.

There is also a difficulty in comparing the relative returns from public and private enterprise. Business calculations, for instance, are concerned with demand in money terms only. They cannot deal with needs which may be supported by inadequate purchasing power but which are nevertheless economically and socially important. Moreover, they do not take account of many costs which are borne by the community as a whole, but do not show up as business expenses. Balance sheet profitability, therefore, does not always indicate whether the benefits of a private undertaking outweigh its cost to the community. The maintenance of urban slums, for instance, may be profitable to the landlord while most costly to society. The contention that public works and service outlays should be limited because they represent a less efficient use of resources is thus not a valid general principle. Alternative public and private uses of resources must be considered on their specific merits.

No clear-cut line of division can be drawn between exclusive spheres of public and private activity. Both are closely related and dependent upon each other. The important fact, historically, has been the growth of both private and public functions, which supplement each other in meeting new needs and providing more adequately for existing needs. Indeed, new public works are often a necessary condition for private expansion. The development of the automobile industry, for example, went hand in hand with the construction of a hard-surfaced highway system, and the provision of public airports may be expected to parallel the growth of the aircraft industry.

An expanded public works and service program to meet existing needs does not mean infringement upon private economic activity. On the contrary, it means that private enterprise is certain to benefit. It will benefit, for instance, from the increase in labor, productivity resulting from adequate public health and hospital care, from the preservation of resources through flood-control measures, and from the supply of cheaper power through the development of river valleys.

Public initiative, moreover, often stimulates business enterprise by creating entirely new opportunities for private investment. Regional development programs, for example, make available for private exploitation land and power resources that formerly were undeveloped or inaccessible; roads, sewers, water works, schools are necessary to bring urban fringe areas within the orbit of expanding private business activity; and urban redevelopment revitalizes dead areas by removing obsolete structures which block new enterprise on potentially valuable land. Public works like these induce population shifts, open up new markets, and create new combinations of labor and natural resources to attract the enterprising manufacturer, retailer, and builder. More than is generally realized, private business follows the public dollar.

Compared with the large area of mutual support, the points of conflict between public and private activity are few. They are based largely upon misapprehensions. An expanded public works and service program, for instance, need not mean "more government in business." Most public works and development projects, though financed by the Government, are actually planned and carried out by private engineers and contractors.

Similarly, the goods and services provided by public programs are often of a kind for which there are no private suppliers. Even in those areas where public programs furnish goods similar to those traded in private markets—as in the field of housing—the public program will aim at sectors of the market, such as low-cost dwellings, which are unprofitable to private enterprise.

Some public works and services may, to be sure, be designed to compete with private enterprise. This may be the case where publicly owned institutions are established as competitive yardsticks to combat monopolistic practices and assure more effective services to the consumer. In such instances, they must be run according to the principles of private profitability and their cost accounting must provide a fair standard of competition. The problem of public enterprise or ownership is thus a separate issue, without direct relation to an expanded public works and service program.

Public Works and Employment

Public works and service programs contribute to employment and national income in several ways. Expenditures for goods and services in connection with the execution of the program, first of all, result in a direct addition to demand. If highways are constructed, jobs for highway workers are created and the products of the construction industry have a new market. The additional income paid out will raise the total income received by the community. Accordingly, the level of private expenditures will tend to rise and this in turn will result in increased demand, output, and employment. An over-all increase in income, however, will come about only if the projects are financed in a way which does not involve a corresponding reduction in the level of expenditures on the part of those who supply the funds. The way in which the programs are financed is, therefore, of vital importance for their employment effects.

There is a further and perhaps more important way in which public works and services may affect the level of employment and output. A broad program of public works and services will, in the course of years, develop the nation's natural and human resources, add to its productive capacity, and create new opportunities for business enterprise. Whereas the income and employment effects mentioned in the preceding paragraph will continue only while the program is maintained, the latter type of contribution will be of a permanent nature. Once markets for new industries are developed, these industries will continue to operate and provide employment. Once the working efficiency of the population is raised, a permanently higher level of output can be expected. There is nothing transitory about these factors; they are designed to give a permanent lift to the economy.

Public Works and Cyclical Fluctuations

Neither of the two aspects of public works and services — satisfaction of community needs and creation of employment — provides by itself a sufficient guide to planning. Extensive public works and service programs are needed aside from their effect on employment. But program timing must allow for fluctuations in the general level of income and employment. With public works and services composing a substantial part of Federal and non-Federal government budgets, their role in a policy of cyclical stabilization cannot be overlooked.

Clearly, expenditures on public works and services should not be reduced when private investment falls and raised when private investment increases. A policy of this kind accentuates cyclical fluctuations and is altogether unsound. As a minimum requirement, public works and service programs should be maintained at a stable level over the cycle. The resulting stability in an important segment of total economic activity will place a floor under nationl income in times of depression. At the same time continuity in the development of an effective public works and service program will be possible.

Recently, however, this argument has been expanded into a rigid principle of counter-cyclical timing. According to this principle, public works and service expenditures should be increased when private investment falls off and decreased when private investment rises. The difficulty is that the rigid application of such a principle might involve a conflict between the need and the employment aspects of public programs. If the level of income and employment in the post-transition period should remain high, for instance, public works and services would not be a necessary part of employment policy. Yet a substantial volume of such expenditures will still be required to meet continuing needs even though employment is at a high level. If the program were postponed until some future depression occurred, the development of essential community functions would be delayed.

It is true, of course, that during a period of depression the community is in a better position to afford extensive works and service programs than in times of prosperity when full employment of resources is assured with or without such programs. At such times, therefore, programs can well be expanded to include useful public works and services which could not be afforded during periods of full employment because of competitive demands upon our resources.

In either case it is well to remember that the level of public works and service programs is only one of the instruments of fiscal policy. If a high level of public works is necessary during a prosperity period, possible inflationary effects may be mitigated by a proper financing policy. Similarly, the problem of a depression cannot be solved by public works alone; full employment must also be approached through other channels such as tax reductions.

Some special considerations are relevant during the immediate period of reconversion from a war to a peacetime economy. The competition of public works and services for limited resources is likely to be small at this time since an extensive program cannot be started on short notice and plans and preparations at the present time are largely nonexistent or in a preliminary stage. A large number of public projects, furthermore, make only an insignificant demand upon the resources needed for private construcion. To the extent, however, that public projects during this period would compete with urgent demands, such as for housing, their postponement is obviously justified.[3]

If after a few years unemployment should again assume considerable proportions and be of a less transitory character, the execution of public works and service programs could be speeded up. The current backlog of needed public works is so enormous that there is a considerable margin between the rate at which projects can be initiated and the rate at which they are needed. So long as this margin exists and projects are planned sufficiently in advance, their execution may be accelerated when conditions require, without reaching into projects of dubious social value or make-work character.

Once the most urgent needs for public works and services are met, the possibility of postponing certain parts of the program during business prosperity is likely to become greater.

Paying for Public Works and Services

In any one year the financing of public works and services will have to be planned in accordance with general fiscal policy considerations which apply equally to the other items of the budget. In this respect the financing of public works and services does not differ from other budget expenditures and depends altogether upon the requirements of the economic situation.[4]

To the extent that it is compatible with general budget considerations, however, the character of the public works and service expenditures itself may determine whether preference should be given to taxation or borrowing. Where recurrent expenditures on public services are involved, taxation would appear the more appropriate way of financing. In the case of larger capital outlays on construcion and public improve-

2 Needless to say, the backlog of public works grew larger during the war when all public construction not immediately connected with the war effort was postponed for the duration.

3 On Feb. 12, 1946 the Federal Works Administrator reported that the Interdepartmental Committee on Construction had agreed to defer those types of Federal construction which would compete for men and materials with the demands of the housing program for veterans. However, the Committee also recommended that the construction of highway projects, reclamation projects, river and harbor improvements, and flood-control projects should go forward. The Committee, furthermore, pointed out that the construction of certain community facilities such as streets, sewers, and water works was essential to the construction of housing.

4 For further discussion of this point see Richard A. Musgrave, "Fiscal Policy, Stability, and Full Employment," in "Public Finance and Full Employment," Pamphlet No. 3 of this series.

ment programs, on the other hand, preference may be given to borrowing, and the annual interest and amortization payments could be distributed over the period of the services rendered by these structures. Irrespective of general economic conditions this method would hold particularly for small government units whose financial resources are limited. During a budget period in which their expenditures reach a temporarily high level, due for instance to the construction of a schoolhouse in a small community, reliance on outside sources will be necessary. By repaying the debt in gradual instalments the cost to the local community may effectively be spread over time.

As distinct from matters of financing technique, a second issue dealing with the broad economic cost involved has to do with the question whether the community can afford an expanded public works and service program. Public works and service programs involve an economic cost because the resources thus applied cannot also be used for the satisfaction of other needs. By the same token, no direct cost to the community is involved where the resources used would otherwise have been unemployed.[5] The public works programs of the thirties largely fall into this group.

Where a high level of employment is maintained independently of the public programs, the question is one of choosing between the satisfaction of alternative needs. To repeat, there is no *a priori* reason for assuming that one or another use of resources should be more or less desirable, merely on the grounds that it is aimed at the satisfaction of public or private wants. If the people feel that the construction of a public hospital is to be preferred to an expansion of private plant, additional public expenditures "can be afforded"; if the plant is preferred, they cannot. As will be shown in the subsequent discussion, the United States not only can "afford" an expanded public works and service program, but is urgently in need of it.

This presentation of the issue, however, tends to overstate the cost impact of a public program on the economy. It makes no allowance for the fact that the public works and improvement programs themselves will contribute to a permanent increase in the economy's output and hence in the level of national income. Outlays for public services furthermore will be reflected in greater health and efficiency of the population, and increase its ability to produce and to earn larger incomes. Thus the competition for resources even over a short period of time will be reduced. An increase in the public debt will involve no additional burden if it results in a corresponding expansion of the national income. The charges can then be financed from the increased yield of the existing taxes. Debt financing of public works and service programs therefore is sounder in the long run, than debt financing of current oulays which induce no permanent rise in income.

In many cases the original money cost of a public works and service program results in corresponding savings to the community, without increasing total outlays. Highway construction expenditures, for instance, reduce transportation costs to individuals and business. Flood control projects reduce the annual losses of life and property. Improved health of workers lowers labor costs at any given level of wage rates.

Finally, public works and service programs have direct repercussions on the public budget itself. Soil irrigation programs may greatly increase agriculture's productivity in certain regions and reduce the need for subsidies. A vigorous program of slum clearance will raise budget expenditures temporarily, but as a result other cost items, such as fire and police protection, health and hospital care, may be greatly reduced in the longer run.

The merits of public works and service programs and the magnitude of the projects which the community can afford, therefore, must be appraised not on the narrow basis of direct cash outlays or profitability, but in the broader framework of economic welfare and development. In cases where an immediate increase in national income and tax revenue cannot be expected, longer range programs may still be eminently desirable in the interest of economic and social development. Only the government is in a position to take account of these longer range needs and does not have to be limited by the prospects of immediate monetary return. However, until the full results of the program become effective, existing taxation may have to be increased. The question therefore arises how this affects the income of the individual.

The increased tax payments of the individual will not necessarily affect his real income. If in return for additional taxes he receives from the government goods and services which were not otherwise available, his real income will be roughly unchanged. If he is in a lower income group which is exempted from the additional tax payments, any benefits he enjoys from the public outlays will increase his real income. If he is in a higher income group where he pays more in additional taxes than he receives in direct benefits from the public expenditures, his real income will decrease; nevertheless, even in this case, he is likely to benefit from the increase in social stability and opportunity for private investment brought about by the public projects.

A more specific question of financing technique arises with regard to **self-liquidating projects,** that is, projects financed not out of general revenue but from fees paid by the users of the services. While fee finance is useful in some cases, it is clearly no criterion for the desirability of specific public works projects. The contribution which public works and services may render to economic welfare and development, as has been pointed out, cannot be judged on these grounds. For a large number of highly useful improvement projects, specific allocation of benefits is quite impossible and fee finance therefore not feasible. Even where financing on a self-liquidating basis is technically possible, its application may frequently be undesirable because it would interfere with the purpose of the project. Outlays for child welfare, for instance, might conceivably be financed on a fee basis, but this would undermine their objective which is in part to provide free services to people not in a position to pay on a cost basis. In other cases some fee financing may be called for, but it may be undesirable to defray the entire cost in this manner.

The case for fee finance, on the whole, is stronger for State and local governments than it is at the Federal level. State and local governments are more limited in their taxing and borrowing capacity, and often can finance needed services only through the issue of bonds to which the project receipts are pledged as collateral. Parking lots or swimming pools are examples. The possibility of paying for such projects without having to increase tax loans furthermore gives an incentive to States and localities to provide the needed services.

Conclusion

Public works, public services, and development projects are important to the economy because of their immediate usefulness. They are not primarily an instrument of fiscal policy and are no substitute for other government economic policies for full employment. However, a comprehensive program is likely to make an important contribution toward economic stability and social progress.

A review of present plans for public works and services indicates that, although a beginning has been made, preparations on a much broader scale are urgently necessary to meet the deficiences existing at the present time. Such a program is fully compatible with, and indeed very important to, the maintenance of the private enterprise system.

[5] This, of course, provides no excuse for inefficient program planning.

"You and the Atom"

(Continued from page 1267)

peaceful purposes. The ADA must have very broad powers to carry out these twin objectives. It must be a truly international organization, the operation of which cannot be thwarted by any nation. Its powers must include:

One—Tight control over all raw materials and over all atomic energy activities potentially dangerous to world security.

Two — Control through inspection and licensing of all other atomic activities.

Three—Fostering the beneficial uses of atomic energy through active research and development — which would, enable the ADA to comprehend, and therefore to detect, misuse of atomic energy.

Mr. Bryson: You have spoken of the proposed international development authority. You mentioned that managerial control or ownership of all atomic energy activities potentially dangerous to world security should be entrusted to that Authority. Would you tell us a bit more why this is necessary?

Mr. Hancock: The Authority must have all the power that is needed to make sure that, while atomic energy is being used for peaceful purposes, it cannot be diverted to warlike ends. To do this, the Authority must have power to control uranium and thorium—and prevent their diversion to warlike ends—from the moment they move from their place in nature right through every stage of atomic energy production. It is not enough simply to outlaw the bomb. Why is this so? Because the same materials, operations, and plants required to put atomic energy to peaceful uses can easily be turned toward the making of atomic bombs. In other words, all sizable atomic energy activities are potentially dangerous unless carefully watched and properly safeguarded. It all comes down to a question of the intent of a nation and its citizens. Atomic energy can be used by a nation for either good or evil. That is why we are convinced that an international agency must do the job and that its powers must be equal to its responsibilities. This is a big order, but we see no other way to assure the world, on the one hand, that peaceful uses can be exploited for the benefit of man, and on the other, that the production of atomic bombs will be prevented. The world is waiting to enjoy the benefits of atomic energy, but it cannot afford to accept them at the risk of diversion to destructive ends.

Mr. Bryson: Mr. Hancock, under what circumstances is our government prepared to cease production of atomic bombs?

Mr. Hancock: When an adequate system of control of atomic energy including the outlawing of the bomb as a weapon has been agreed upon and put into effective operation and when punishments have been set up for violations—all as the result of a treaty ratified in keeping with our established constitutional processes.

Mr. Bryson: Another important point you mentioned, Mr. Hancock, was that the Authority would have powers of inspection. Does this mean an inspection system that would allow representatives of the Authority free and unhampered access to all atomic development facilities in every country of the world?

Mr. Hancock: It means exactly that. Inspection is an indispensable part of any system aimed at preventing the misuse of atomic energy. But by assigning to the Authority—and to the Authority alone—direct responsibility for all dangerous activities, the need for inspection would be reduced. Any materials that the Authority furnishes to nations for peaceful use will be subject to strict license with the right of inspection. The right of inspection is meaningless without free and unhindered access to any atomic energy activity — wherever located. The ADA must of course be free to survey possible sources of atomic energy materials anywhere in the world.

In recommending an adequate system of control including unhindered inspection, which may be irritating and onerous, we fully recognize that the United States will, over a period of some years, be the primary country subjected to such inspection.

Mr. Bryson: Are any penalties against a nation that violates the agreement provided in the American Plan?

Mr. Hancock: We have proposed that certain acts should be defined by treaty as international crimes. These include not only use of an atomic bomb, but also such preparatory steps as unauthorized possession of atomic material suitable for use in a bomb, seizure of any plant belonging to the Authority, or any willful interference with the Authority's operations. Complying states must have ample warning against any possible preparation for use of atomic weapons and they must have the assurance of swift and certain punishment. By no device, can any nation be allowed to escape the prescribed penalties. The nature and extent of these penalties remain to be worked out by the Atomic Energy Commission.

Mr. Bryson: Do the scientists believe that such a plan of international control is feasible?

Mr. Hancock: Yes. The scientists who have worked on this problem—and all others who have really studied this matter—have concluded that the facts of the problem require this kind of solution. It is significant that the Moscow Declaration signed by the Soviet Union, the United Kingdom, and the United States, as well as the Resolution of the General Assembly which set up the Atomic Energy Commission both recognize that a system of effective control and a system of safeguards are essential. The U. S. Plan represents the minimum that is required to prevent the misuse of atomic energy for destructive purposes, while making possible its use for the benefit of mankind.

Mr. Bryson: Then you insist that a treaty must not only outlaw the bomb but must also set up an adequate system of controls and safeguards that will prevent its use?

Mr. Hancock: Yes, for two very good reasons. The first is that the will of the world expressed in the unanimous resolution of the General Assembly establishing the Atomic Energy Commission is perfectly clear in requiring us to propose a system of control and effective safeguards to protect complying states against the hazards of violations and evasion. In this case, we were not directed to follow the old-fashioned practice of merely drafting a treaty and stopping there. Second, nothing in the past history of the world gives us any reason to believe that simply outlawing the use of any weapon without adequate preventive controls can be effective over any long period of time during which governments and national objectives are likely to change. Previous promises of this sort have been broken at will by nations whenever they have felt it was to their advantage to do so.

Merely to outlaw atomic bombs while permitting nations to engage in other atomic energy activities without a system of supervision and control would place too great a strain on the faith of nations, for it would not give them the genuine safeguards to which they are entitled. This problem can be solved only by building up the confidence of the world that no nation is producing, or plans to use, atomic bombs. The U. S. Plan provides the means through which this confidence can be built up.

The very most that can be provided by a convention simply outlawing the use of atomic bombs is punishment after the bombs have been dropped. This is not enough. It does not even comply with the orders the United Nations have given us. We must erect a system of control which makes it possible to prevent violations at an early stage before the bombs can be used.

We are not opposed to a treaty outlawing the bomb. We merely insist that the job be done completely. The resolution of the General Assembly which gave the Atomic Energy Commission its marching orders and indeed the peoples of the entire world will be satisfied with nothing less.

Brailsford & Co. Offers Haskelite Debs. at 100

Brailsford & Co. and Associates on Aug. 30 made a public offering of a new issue of $1,400,000 15-year 4½% sinking fund debentures, due Aug. 1, 1961, of Haskelite Manufacturing Corp. of Grand Rapids, one of the country's leading manufacturers of plywood products. The debentures were prices at 100% and accrued interest from Aug. 1, 1946, and carry warrants entitling holders to purchase 30 shares of $5 par common stock for each debenture held at from $15 to $18 per share until 1951.

Of the net proceeds of approximately $1,285,000 to be received from the financing, the company intends to use $750,000 for the purchase of the preferred stock of Humboldt Plywood Corp., 50% of the common stock of which is now owned by Haskelite, and, if necessary, to loan additional funds to Humboldt. The latter company will use this money for the construction and equipping of a fir plywood plant on the West Coast. A portion of the proceeds will be used for the purchase of machinery and equipment owned by the War Assets Administration and now leased by the company. The balance will be used for additional working capital.

Net profit, after all charges and provision for taxes, for the year ended Dec. 31, 1945 was $288,953, as against $180,590 in 1944.

The Revaluation Outlook

(Continued from first page)

to the old parity, such as was the endeavor of the Western European powers after the first World War, or the wave of devaluation after Sept. 21, 1931, when Britain abandoned the gold standard, will not have been surprised when, after the first sheep went through the gate of revaluation, more followed. Even in The Netherlands, which now must be counted among the financial weaklings, with an exorbitant national debt; which can only maintain its balance of international payments by stringent foreign exchange and other financial regulations; which has a very uncertain level of prices and wages, one heard suggestions in favor of rise in the value of the guilder abroad.

Differences Between Now and the 1930s

There is an important difference between the motives of the promoters of devaluation in the '30's and the promoters of revaluation now. In those days devaluation was simply an act of commercial policy and the consequence of the opinion that the value of the currency was already too high; whereas at the present time it is thought that one should *anticipate* an expected development. Revaluation such as is suggested now is clearly a means of influencing business trends and more especially the cyclical fluctuations by monetary policy.

This becomes especially clear when one examines the state of affairs in The Netherlands. For whilst in Canada and Sweden the price-level has not risen as much as in the U.S.A., the rise in both wholesale and retail prices in The Netherlands is greater since the beginning of 1946. In the "black market" the guilder is exchanged considerably below par, compared with the dollar and the Swiss franc more than 75%, notwithstanding the guilder's parity with the dollar had already been fixed lower than before the war. One would therefore think first of a further devaluation of the guilder. The fact that this does not happen, but that, on the contrary, people talk of a revaluation, is the consequence of the opinion that one should *lead* the national economy and protect it against any supposedly injurious influences from outside. Revaluation is believed of be an effective preventive against a further rise in prices.

The Present Hunger for Goods

The arguments which are now brought forward in favour of revaluation are an exact mirror reflection of those which were used in the '30's for devaluation. Then the object was to promote *export*, now *import* is the thing. Instead of striving for cheap *exports*, the aim is to *import* cheaply, "the Crisis of Plenty" has turned into a "Hunger for Goods."

On the other hand we see instead of *import quotas* a tendency in the exporting countries—in order to oppose the devaluations—to *export quotas* to counteract the larger buying by countries which increased the exchange value of their currency in order to buy cheaper.

Political Background

Hidden behind these arguments, however, there are other motives. We have already mentioned influencing of the monetary cyclical fluctuations. But beside this there is a more or less political desire not to allow oneself to be influenced or dominated by another country.

It is an unduobted fact that a wealthy country finds it easier to be a "free trader" than a poor country. The latter fears to be dominated by the wealthy country; the rich country penetrates the other easily by means of its wealth and can thus dominate the other country's economy.

It is this idea which forms the background of numbers of measures now being taken by "poor" countries. As for instance: industrialization, import and export regulations, organization of industry in public law communities and, going still further, nationalization.

If one continues in this direction it appears that private trust and cartel systems which before the war flourished not only in Germany but also in other European countries, are revived in another form, namely in state-controlled industries. Although all those favouring revaluation (generally by a manipulation of the value of their currency abroad with the intention of achieving influence in cyclical fluctuations) do not realize this—and certainly will deny it as their purpose—the result of their efforts will in fact promote the division of the world into a number of self-sufficient, or in any case not quite free territories which are partly cut off from the economic field of the world's markets. The inevitable consequence of this is bound to be that the world again will find itself in a similar situation as it did after the previous war with the final result of a similar crisis as in the '30's. Not to mention a still greater chance of foreign political clashes owing to the fact that business would be controlled by the State.

England After the Napoleonic Wars

There is a certain parallel between the present position of the United States and that of Britain after the Napoleonic Wars.

Thanks to the invention of the steam engine, the automatic weaving loom and in U.S.A. of the cotton-gin machine, a powerful industry developed in England which began to look for markets overseas. Britain, for that reason, supported the efforts of the South American colonies who wanted to free themselves of the antiquated Spanish colonial regime. Britain was in favour of free trade in all countries as it needed them for its industrial expansion.

At the present time the U.S.A. is in the same position and is following a similar policy, that of free trade and abolition of colonial government, or in any case, an "open door" policy in overseas territories, which hitherto had been mostly reserved for those European countries which had a dominating political position in those regions.*

The Bretton Woods Agreements and the plan for the institution of an International Trade Organization carry all the marks of the new American policy. Bretton Woods creates an international exchange currency and allows no changes in parity of more than 10% without consultation of the International Monetary Fund. It forbids foreign exchange restrictions and discriminatory monetary practices, all of them regulations which exercised fatal influences on world trade in the '30's.

It is, however, questionable whether ratification of the Bretton Woods agreements will succeed in preventing these practices and whether even if countries confirm these agreements, means will not be found to evade outside influences which are necessarily and logically consequences of participation in world-wide international traffic. The clause of the "most favoured nation" which seemed to offer a guarantee for equal treatment of all countries in the '30's was invalidated by the quota-system, "dumping" was camouflaged by devaluations and undoubtedly in practice means will be found to circumvent agreements intended to establish international free trade as soon as conditions of the agreement become irksome for the country concerned.

We already see a beginning of these attempts in revaluations which have now taken place.

It is true that Canada has kept within the limit of 10% prescribed by the Bretton Woods agreements. But, in the first place, the agreements (in Article XX, par. 4 and in Article IV, par. 5) leave a few openings and moreover Article VIII, par. 3 speaks only of discriminating monetary practices, thereby leaving open all sorts of possibilities for hidden subsidies of import or export duties, or vice versa.

Theoretically the policy of the United States—promotion of free traffic between countries as much as possible—offers the best chance of restoration of the world's prosperity as speedily as possible and doubtless there is nothing so likely to promote peaceful cooperation between countries as international commercial traffic. But there are curbing factors and the fear of complete dependence. This fear caused a recent question of "The Economist": "Does America guarantee us that a crisis is not in the offing?" This fear of a crisis with accompanying unemployment — "security primes wealth" as Adam Smith already said—makes most European countries shy in joining American attempts to establish a free international trade. This idea is at the back of the revaluation scare, it is feared that an inflationistic rise in prices promoted by the U.S.A. will increase the chance of a crisis. The consequence is that by this difference in view the healthy idea of international free trade and the understandable national desire for full employment and prevention of a crisis clash with each other.

Synthesis Between "Free Trade" and "Social Security"

The main question involving any fruitful international cooperation in the future will concern the finding of a synthesis between the desire for "national security" and "free trade." At the present time the two political endeavours are diametrically opposed to one another as is evident from the revaluation policy. We are still a long way off from an actual control of national economy. How much more difficult will it be to be able to control efficiently a world economy or to induce national economies to follow a universal plan.

Yet it will appear in the future that the U.S.A. will have a predominating influence over the world's economy. Notwithstanding all attempts to fend off the influence of outsiders on a national economy it will be found impossible to resist it, unless one adopts a system like the Russian; and even then it is questionable whether that influence can be warded off. On the other hand it is true that in a world economy the U.S.A. will act as the heavier side of a balance with two different weights on the scales and the economical developments in the U.S.A. will exert incomparably more influence abroad than those in any other country in the world. But, conversely, the U.S.A. will not be able to form a world economy without partners. This is only possible if exchange can be effected to mutual advantage and if, moreover, the economic development in the U.S.A. gives a reasonable expectation of stability. The whole matter depends therefore on the fulfilment of the following two conditions: (1) Free trade is necessary for the best possible exchange of goods and a fruitful division of labour, but this demands an international exchange currency; (2) For free exchange it is also necessary that both parties are indeed free, that is to say that they are not under any economic coercion. This last factor is partly of a psychological character and will undoubtedly have to be taken into consideration.

Business Confidence Necessary

Confidence in the stability of the economic development of the U.S.A. is also a factor with a strong psychological character.

It should be admitted that plans made for the achievement of durable full employment suffer as a rule from one great fault: the lack of realistic confidence that they are going to be successful.

The cause of this lack of confidence lies in a deliberate opposition of every plan to a natural course of economic development. One wants to force water uphill. That cannot be successful. One tries to make good the lack of full employment by spending public money. That leads to an increase of the national debt, upsets the financial balance and endangers the stability of the rate of exchange.

A good financial policy therefore sees to it that by *preventive* action at the right time cyclical fluctuations are cushioned.

Up till now these actions have mainly consisted in monetary measures, like discount-adjustments and qualitative credit control by the free market. Apart from that, liberal methods have developed like Treasury regulations, quantitative credit control and suggestions to business, as in Switzerland where the government as well as the banks have advised industry not to continue expansion, but to invest profits in stocks or to participate in foreign undertakings.

There are more efficient ways for limitation of unbridled expansion.

In The Netherlands the government now intends to strengthen the legal position of the workers, so that after a fixed period they cannot be summarily dismissed. If not inflicting an unbearable burden on industry, this and similar measures may curb unbridled expansion of undertakings and exaggerated hiring of labour which eventually leads to a crisis and large scale dismissal of employees who them become a burden for the State. If undertakings were to bear the burden of unemployment benefits, they surely would be more careful with expansion of business.

It is, however, not our intention to discuss here effective means for influencing cyclical fluctuations. We mentioned it because it is a very difficult matter which interests a great many people at present. We will have to find something in this direction, and not in a direction opposed to recovery of the world's prosperity.

*It should be noted that The Netherlands never followed a policy of excluding other countries from business in its overseas territories but always maintained an "open door" policy.

British Seek Funding of Sterling Balances on Interest Free Basis

(Continued from page 1262)

est. However, admittedly, the position of the Argentine is stronger than that of most other holders of sterling balances. For one thing, the Argentine sterling balances are guaranteed against a devaluation of sterling; they carry a gold clause. What is more important, British capital invested in the Argentine is about twice the amount of the Argentine sterling balances. For this reason, Britain may eventually agree to grant to the Argentine exceptionally favorable terms. Sir Wilfrid Eadie's mission tries, however, to make any concessions in this respect conditional on the granting of fair treatment to British capital.

Regarding trade, Colonel Peron knows it only too well that in the present sellers' market his country would be able to drive a very hard bargain when selling its meat and grain. He would like to get the best of both worlds by taking full advantage of the sellers' market while it lasts, and yet safeguarding for the Argentine exports their traditional British market. The British view, on the other hand, is that if the Argentine values the steady purchases of Britain in good years and in bad, then the present temporary state of affairs should not be exploited for demanding top prices which Britain could now ill afford to pay.

In spite of his lack of experience, Colonel Peron must be dimly aware of the advantages of a steady market. The reason why in spite of this he is not prepared to conclude a bargain based on "give-and-take" is that he hopes to play up the United States against Britain. Having achieved power with an anti-American policy, he has now struck a distinctly friendly note in his dealings with Washington, in the hope of strengthening thereby his bargaining position in relation to Britain. He bases his hopes on the principle of non-discrimination in international trade, which the United States insisted on incorporating both into the Bretton Woods Agreement and in the Washington loan agreement, even though its practical meaning is yet to be determined at next year's international trade conference.

In the absence of the principle of non-discrimination, Britain would hold most of the trumps in the present negotiations. Colonel Peron could be made to realize that if he treated unfairly British capital and enterprise, if he exploited the present shortage of meat and grain by demanding unreasonably high prices for exports to Britain, and if he insisted on the funding of the blocked balances on harsh terms, Britain would simply transfer her purchases as soon as practicable from the Argentine to the British Dominions.

As it is, Colonel Peron now relies on the United States to prevent Britain from discriminating against Argentine meat and wheat when the world has turned once more into a buyers' market. This would mean that, should non-discrimination be rigidly applied, the Argentine would now be safe in driving the hardest possible bargain, and Britain would be prevented from making use of the only effective bargaining weapon at its disposal, the threat to rely in future on the Empire for meat and grain unless Colonel Peron takes up a more conciliatory attitude.

The experience of these negotiations has made official circles and others in London realize the disadvantages entailed in the abandonment of Britain's right to use the buying power of the British consumer as a bargaining weapon. And there can be little doubt that the outcome of the Argentine negotiations will influence to no slight degree the Government's attitude towards non-discrimination at the international trade conference.

Logan McKee V.-P. of Herrick, Waddell Co.

Logan A. McKee, manager of the St. Louis office of Herrick, Waddell & Co., Inc., 418 Locust Street, investment bankers, has been elected a Vice-President of the firm. Mr. McKee opened the St. Louis office in May, 1943.

Report Progress on Potsdam Economic Provisions

(Continued from page 1267)

before his wartime government service was a scale manufacturer, his French counterpart is a civil servant from the Ministry of Finance, Rene Sergeant; and his Russian counterpart, Koval, an able engineer. General Draper commented on the friendly relations prevailing at the meetings of these four.

It is to General Draper that Governor M. S. Szymczak, on leave from the Federal Reserve Board, now reports as chief of the Trade and Commerce Branch of the Economics Division of OMGUS.

During his interview with the "Chronicle" General Draper said: "This past year has been a period of emergency in Germany, but we've pretty well got through it. The situation is somewhat clarified. The lines are laid. A year ago the whole of Germany was completely devastated, the cities in ruins, communications disrupted. Confusion reigned. In the Fall there was a big question about the crops: who was to harvest them? The slave labor had scattered. And in the Ruhr mines, three out of every four workers had similarly gone.

"In these circumstances we revived rationing and price control. Women and children pretty well got in the harvest. The Army helped in its distribution. We got through the winter.

"The problems which remain are largely those of slanting Germany's economy and political outlook properly. We should be much farther on the road to a solution of these questions had France been invited to Potsdam. As it is, France was taken into partnership only afterwards; was given the veto power without being bound by any rules as would otherwise have been the case. Thus, when the rest of us had agreed upon a central agency for economic unity and to set up a provisional government, France did not want to go along. This set back the progress very materially. Had there not been this French situation vis-a-vis the organization of Germany, last September or October we could have made much progress. At that time the Russians would have put up no obstacles, in my opinion.

"But that was not to be, and meanwhile the Russians in their zone of Germany have developed a strong zonal government operated by Germans.

"The most difficult problem we have had to deal with has been that of reparations, and the level of industry. Potsdam gave us until February 2, 1946, to work out a plan. Prof. Hoover worked up one for us, we modified it to suit other American official views, and in the end that plan was further modified by the other three powers, so that it was not until March 26 that all four agreed upon a level-of-industry plan for Germany. This of course has not solved all the problems, but the fact of agreement was itself an achievement of note.

"Unlike any previous war, reparations under Potsdam are limited to capital goods; not money, not the products of the country, but factories themselves. That was the Potsdam understanding and agreement.

"Another of the economic provisions of the Potsdam agreement was that the proceeds of all German exports abroad would be used in the first place for approved imports. Naturally, since the characters of the four zones differ, it is very difficult to bring order out of chaos without economic coherence. Insofar as the American and British zones are in process of being merged economically, some progress at least is to be expected to result. This merging takes a little time to effectuate, since they have in the past been operated on different systems For example, in our zone we have gone in more for turning responsibility over to Germans.

"If Germany is become self-supporting again, so as to relieve us of supporting her, exports will have to be developed, as is recognized in the level-of-industry plan. In the American zone we have been trying to perfect arrangements under which American importers can get into our zone—and later when it is merged fully with the British—into that zone as well to place orders for goods. Until now, Germany's limited postwar exports have been operated only on a zonal basis. OMGUS also will assist businessmen from this country to get into the French zone of Germany whenever export capacity exists.

"Apart from this effort to assist American buyers, we have already helped a number of representatives of American companies with direct investments in Germany to come over and have a look at their property. The State Department of course has been very helpful in that matter. Such visitors have been in the American, British and French zones. Many American branch plants in Germany are in operation today, being run by Germans. Of course, they are part of the local economy, which is completely controlled, and the American owners cannot say anything about their operation or the disposition of their products. In the U. S. zone, this is controlled by OMGUS.

"Coal of course is one of the most vital of European products today, and in Germany its distribution is controlled by quadripartite agreement. It moves into all four zones, and some into other countries. Apart from a few additional allocations under quadripartite agreement, each zone works out its own arrangements. So far as exports from our zone are concerned, we have sent out such commodities as hops and lumber; and we hope to be exporting some manufactures before long; such things as chinaware, silverware, precision instruments, and costume jewelry.

"When all four zones are united, Germany will make progress toward the goal of Potsdam. I am hopeful that in the meeting of the foreign ministers scheduled for this Fall all four zones will be merged.

"At present, German exports are sold in terms of foreign currencies. There is no necessary relationship between the rate of exchange for exports and that for imports. Germany has no rate of exchange yet for foreign trade purposes. In our zone OMGUS fixes the prices, with the advice of the U. S. Commercial Company.

"It may be two or three years before we have that problem licked, but by then we hope the Germans will do the worrying about it.

"The Potsdam agreement calls for the establishment of a central German agency covering the whole country, with Germans in the position of State Secretaries for industry, foreign trade, finance, transportation, communications—and in the U. S.-UK area we are adding Food and Agriculture.

"When the American and British zones are fully merged, the resources of both zones will be allocated within the two on the basis of need. In keeping with this aim, there will be in the merged zones a common export-import plan. The proceeds of all exports from the two zones will be used on a need basis for the whole area thereof. Each zone commander will supplement those export proceeds with imports as necessary.

"When about six weeks ago at the foreign ministers meeting Secretary Byrnes proposed economic unification, Mr. Molotov said something indicating he would have to look up the language of the Potsdam provisions on this point. When we brought the subject up in the Control Council, the British accepted the proposal, but the Russians said they considered it would be a step away from unity. They suggested that all four powers rather try to increase interzonal trade in Germany.

"The Russians have never opposed central agencies as such, but only at this time. The Control Council is made up of Marshall Vassily D. Sokolovsky, Gen. Joseph-Pierre Koenig, Sir Sholto Douglas, and Gen. Joseph T. McNarney."

According to Gen. Draper, an export exposition was held at Munich about a month ago.

The Economics Division of OMGUS is subdivided into branches handling food and agriculture, trade and commerce (both interzonal and international), industry, decartelization, and restitution of looted property, and reparations. OMGUS has five other divisions, such as Finance, Manpower, etc.

A point especially developed by General Draper during his interview was the real need which the Army has for business executives to help it in its tasks in Germany. The following is General Draper's comment on this subject:

"World War II was fought in order to control Germany and the other enemy nations so that the future wars could never be waged.

"The United States finished half its job when it won the war. The second part of the job—that of controlling Germany — is today our country's greatest responsibility and calls for the best talent this country has.

"In the U. S. zone of Germany American military and civilian officials, with their staffs, have the responsibility of denazifying and demilitarizing Germany and at the same time providing an economy under which the Germans will be given the opportunity to rehabilitate themselves, gradually improve their living conditions and eventually become a peaceful member of the nations of the world. To strike the balance between the complete demilitarization of Germany and a working economy calls for brains from many different fields. In fact there is no important element of American enterprise that is not required in order to carry out the military government of Germany.

"American businessmen who are naturally good organizers will be proud and interested to know that the organization of U. S. military government in Germany is a stream-lined, effective and fast-going one. The broad problem of the control of Germany is thoroughly understood by the staff, definite responsibilities are clearly stated and a splendid spirit of teamwork is evident throughout the entire organization.

"An organization of this kind does not 'just happen.' It is due to very careful planning and to a very intelligent selection of personnel. In the spring of last year, Mr. Robert McConnell selected about 100 extremely able businessmen and persuaded them to give up their business connections for a year or so and go to Germany. Among the group he selected were men from every important industry in America: Wysor, from the steel industry; Strike, from the construction industry; Hoover, from the economics department of Duke University; Hoogland, from General Motors; and Cisler, of Detroit Edison. A number of these men have completed the basic job in Germany and have returned to America.

"Mr. Frederick Devereux, Deputy Director of the Economic Division, has returned from Germany recently in order to recruit businessmen to take the places of some of the men who have completed their first year's assignment in Germany. He has obtained quite a few more from important governmental and business organizations; among them Governor M. S. Szymczak of the Federal Reserve Board, who will head up the Trade and Commerce branch and Dr. George Scatchard for the Control of Scientific Research in Germany."

General Draper himself is well known in Wall Street for his former connection with Dillon, Read and Co.

"While the men who have gone to Germany were selected because of their experience and ability," General Draper continued, "they have without exception found that their individual responsibility was far greater than it had been at home. Decisions made every day by the staff of military government affect the lives of the Germans, and the economy of Germany and Europe as well. It may really be said that the successful operation of military government in Germany will affect the peace of the world for generations and the men on the staff recognize this great responsibility.

"General Clay is carrying out a very wise policy of placing responsibility on the Germans themselves for operating their economy, and as the Germans accept more responsibility the job of military government becomes increasingly one of policy making and control. This naturally calls for the highest caliber of men in the staff of U. S. military government.

"The level of industry for Germany having been established it is now important to build up an export trade for Germany in order to obtain funds to pay for the food which is being imported from the United States. This, of course, requires that German industry be developed so that the needs of Germany will be met and the surplus production provided for export. No man in American business has ever had such a challenging job or such an interesting one and, of course, no one has ever had a job in which there is involved such great responsibility.

"In determining a policy or approving a method many elements not involved in the ordinary business procedure in America are involved. First of all the policy or the method must be thought out from the viewpoint of American policy, but this having been established, the policy must be discussed and negotiated with the British, French and Russian members of the quadripartite government. These discussions are complicated by the language difficulties and by the obvious different national policies. Compromises must be made and agreement reached and in reaching the agreement, clear and fast thinking is required.

"The government of Germany is fast passing from a military to a civilian nature and in the Economic Division at the present moment the staff personnel consists one-third of military men and two-thirds of civilians. Great progress has been made in the establishment of government in Germany and in rehabilitating the German economy but greater problems remain to be solved. Often the obstacles seem insurmountable, but that is precisely why men of ability are required.

"Whether we like it or not, the United States is now in a position where it is an integral part of world operations and it behooves the American businessman to learn as much as he can about the conditions in Germany as well as in Europe. The businessman who joins the staff of U. S. military government in Germany not only has the opportunity to discharge a duty to his country but he will gain a business experience which will be extremely helpful to him when he returns to the United States.

"The work in Germany is important to the country and to the world. It is the most interesting assignment a man may undertake. He deals and lives not only with competent men from other businesses but he is constantly associated with British, French and Russian delegation and has a great many business contacts with important representatives of practically every nation in Europe.

"The living conditions in Germany for the staff of military government are extremely pleasant. Comfortable and well-furnished houses are provided and there is no such thing as the servant problem. The food is excellent and inexpensive and the social life is all that can be desired. Most of the parties have an international flavor and you will find present British, French, Russian, Dutch, Belgians, Danish and other foreign nationals. Every facility of comfortable and pleasant living is provided.

"Many of the important business executives who have gone to Germany have stated very frankly that they gained from their experience there much more than they gave to the military government of Germany. They have not only a pride in having a part in carrying out their country's mission in Germany, but the great satisfaction of having played a part in a highly important enterprise. They feel that they have gained a knowledge of conditions abroad which will help them to understand world conditions better and above all, they feel that they have had an opportunity to contribute to the ultimate peace of the world."

Anti-CIO Talks Ruled Unfair by NLRB

By a two to one decision the National Labor Relations Board ruled on Aug. 28 that Clark Brothers Company, Inc., of Olean, N. Y., manufacturers of gas engines, had engaged in unfair labor practices in compelling employees to assemble during working hours to listen to an "anti-CIO" speech, the Associated Press reported from Washington. Dissenting member Gerard D. Reilly asserted that the majority opinion was contrary to Supreme Court rulings that employers can outline their views to workers about unions if they avoid attempts to enforce them, but Chairman Paul M. Herzog and John M. Houston contended that in the case involved employees were compelled to listen to the "anti-union speech" an hour before a bargaining election. In the decision it was found that the company's labor relations director conceded that the firm undertook "an aggressive campaign against the CIO." That election was set aside but the CIO United Automobile Workers again lost in a subsequent election held April 9, said the Associated Press, which added:

The employees voted 617 to 261 for the Employees' Association, Inc., affiliated with the Confederated Unions of America. The CIO union took the case to the NLRB.

The firm pleaded freedom of speech. The Board's opinion said it was "clear that the company's campaign was designed to go beyond mere persuasion and to achieve a restraining and coercive effect upon its employees' free expression of their organization will."

Mr. Reilly, who has resigned since the case was heard, said in a dissent, the CIO's complaint should have been dismissed entirely "as a matter of policy as well as established judicial precedent."

The Job Ahead of Us

(Continued from page 1267)

A physician, for example, has as exacting and exhausting a working day as any "high pressure" business executive. Yet he must keep abreast of all developments affecting the public health. When it is jeopardized, he does not wait to be mobilized; he goes into action under his own steam, spearheading the fight, providing leadership, teaching, preaching, working unselfishly for the public good.

Public Opinion Must Be Aroused

The economic health of this country is an equally serious matter. But no one businessman, no one association—not even the entire profession of business management—can maintain healthy economic conditions unless public opinion is aroused to the point where it will work shoulder to shoulder with us. So, just as it is a doctor's business to educate and marshal public opinion when the public health is threatened, so it is our job to rally public opinion when economic health is endangered.

Too many of us take it for granted that, because we see the symptoms of epidemic disorders in our economic life, they must be apparent to all. This just "ain't so."

Many of us think that because no one man or group of men can cure our economic maladies single-handed, there is nothing we can do. This is another fallacy.

When an epidemic breaks out anywhere, every doctor is in there—pitching. Every medical association is in there—pitching. With more work than any individual or group can do, each does his best and is glad to get whatever help he can. Yet, in spite of these pressures, each finds time for the educational job that must be done. If the public is not informed, they inform them, in understandable, forthright, convincing terms.

Can we do less?

Economic Health A Crucial Responsibility

Economic health is our life or death responsibility. We survive only with it, or everything we stand for and have built up perishes with it. Nor are we expressing just a selfish interest. Without a healthy economy no American, whatever his station in life may be, can prosper.

Don't you think that people ought to be informed and aroused when symptoms of acute danger to the public interest become apparent?

We think so, but sometimes the question arises—told by whom?

Personally I don't think that this question is even relevent, because it suggests that providing the American people with information essential to their survival as free and prosperous individuals, is a job which can be delegated to any one group of individuals. It's too big a responsibility. *Every* business organization, *every* business man and *every* citizen must make it his job—and persuade others to make it their job—to understand just what is happening to America's economic life; what simple, basic steps are imperative to restore good health.

Suppose we do overlap a little. The real danger is not that a small part of the public may become saturated with detailed knowledge. It is that an enormous part of the public is at best only vaguely and impersonally aware that they are remotely affected, or that anything is wrong.

In business, as with the medical profession, national and state and local associations have their work cut out for them—plenty for all, and a ceaseless job, too. But the groundwork for confidence in business, as in medicine, begins with the local practitioner; with the businessmen in every American community, the men who are good neighbors; the men in offices and factories who know their own associates and employees.

Frankly, if we can't make our own team—from customers to office boys, from farmers to file clerks, from veteran mechanics to the youngest apprentices—understand what the economic score is, I don't think we can claim to understand it ourselves. If we can't make our neighbors and fellow townsmen take a personal interest in things that will make or break them, no one can inform and arouse public opinion for us. For these people *are* the American public—period!

Today people are making decisions which will shape the future of this country for generations to come. The Administration in Washington is taking full advantage of this fact. OPA alone has kept a staff of four thousand expert, effective propagandists busy, spending thirteen million dollars of taxpayers' money to sell the public its glittering brand of gold bricks. But it would be "carrying coal to Newcastle" to enumerate the endless array of propaganda set-ups in this country which are today working diligently and skillfully I might add, to remake America to *their* liking—and profit.

In country after country througout the world, individual freedom, as well as the freedom of individuals who band together to conduct a business, has been auctioned off to the highest bidder—to increasingly powerful, highly centralized, collectivist states. No group in the world today is promising so much, or delivering so little, as the collectivists. In fact, they have done a flourishing business in empty promises.

Industry, on the other hand, does not have to promise more than it can deliver to the American people every hour of every day. But it does have to take its story directly to the public—in terms of what is good for John Q. Public himself.

Having the best product is not enough unless the public wants it—enthusiastically. We have got to keep on improving competitive enterprise. We have to package it so that each generation finds it attractive as well as reliable. And we have got to make it our personal responsibility to demonstrate, beyond the shadow of a doubt in the public's mind, *why* it is the best economic system on the market and *how* it serves the public interest.

Out-Convincing the Bureaucrats

If we don't convince the public, the bureaucrats will. And I mean *convince*. People must be made to realize that if business goes down in the Dead Sea of Collectivism, everything which they and the rest of us stand for will be lost forever from the face of the earth.

But there's another face to this coin. While it is our clear duty to diagnose what is wrong with the way our economic system is being crippled, bled, and injected with alien viruses, let's not fall into the trap of adding to public confusion and anxiety. Let's build up confidence in the essential soundness of our economy—not tear it down.

Despite the tremendous strains which have been put upon it, the Enterprise System has shown a healthy and robust resilience.

It has taken the great hurdle of reconversion in its stride.

American manufacturers are paying the highest wages in our history, exceeding even the hourly wage in any wartime year.

The enterprise system has achieved an extremely high level of employment in one postwar year, instead of the five years which Henry Wallace proclaimed necessary—along with his vast make-work, pyramid-like monuments of federal paternalism. Despite crippling controls, and without increasing the national debt by a dime, free enterprise has already produced and *delivered* to the American people those millions of jobs which the bureaucrats *promised* as a long range project. Wrong-guess Wallace and his die-hard New Dealers admit that their *timing* was wrong. We are five years ahead of their job schedule. It is hard for them to justify spending billions of dollars for jobs which already exist but they are trying their best. From the New Deal's fabulous hat they have pulled another magic rabbit. At a time when production is checked and handicapped by them in its desperate effort to catch up with demand, they have added another theory to their litter. This is that our productive power is "disastrously" great, and our purchasing power insufficient except for (quote) "a number of fortuitous circumstances," (unquote).

Reconversion in record time, top wages and high employment, were not accomplished by a broken-down economic system, destined for the scrap heap. These essential needs of the American people were met by business management.

But how many of the American people do you suppose realize this? One-tenth of one per cent would be my guess. How many have been told, in their own terms, by their own business leaders? The only possible answer is—not enough.

Management Must Act For Regular Employment

It is as much our responsibility to foresee and meet the economic needs of the American people as it is to keep business solvent and meet the weekly payroll. One of the basic needs which management can foresee and on which it can take resolute action is regular employment.

I feel that industrial management's next big job—starting now—is to undertake to provide steady employment. It is a job which only management can do. If there must be temporary shutdowns and cutbacks in industry, management should figure out some way to carry the workers through such operations. Industry must also help the worker build adequate unemployment insurance, pension funds and sickness and health benefits for himself and his family.

Year-round employment is certainly not easy to achieve throughout all industries. Maybe not at all in some. But workers have to eat 365 days a year. They must pay their bills for fifty-two weeks a year. Their rent comes due every month out of the twelve. Any industry worthy of the name should support its workers, and management faces no more important job, as I see it, than to devise ways to spread the payroll over fifty-two weeks a year.

Federal Agencies Cannot Be Effective

These desirable things—reconversion, high employment, top wages, steady work with a future—have not been, and cannot be, accomplished by federal agencies. Yet the vast Janisariat of the Potomac has not been idle. What have they been doing?

For one thing they have supplied the President with advice which has resulted in more bad guesswork than this country can afford.

The Administration has been at the mercy of bureaucrats, who first beat the drums of deflation. Their bureaus were sacrosanct, their jobs were inviolable because—so they declared—deflation was upon us. The subject was newsworthy. So the tax-eaters of the Administration rode their imaginary ebb tide with as much fanfare as if it had been the Galveston flood.

Last fall they said—with a perfectly straight face—that eight million people would be jobless by Christmas—that employment was behind schedule—that it was up to the government to make work for everyone—that unemployment insurance was inadequate. The threat of deflation served well as a stick with which to beat the drums of bigger and better bureaus.

But it did not suit the CIO leaders' equally fervent wish to entrench themselves in power. They declared that not only must the government employ many more millions—wages must be raised too, from 15 to 50%. They came out not only for sweeping wage increases—prices must be controlled and rising costs must be (quote) "absorbed" (unquote). Any poor freshman would flunk out for such muddle-headedness—but not federal officials who fouled up the production lines of industry from the Gulf to the Great Lakes and ocean to ocean. By the time their guesses proved groundless, they had accomplished their purpose.

This jumbled ideology of the coalition of bureaucrats and labor leaders would be laughable, except for the fact that their activities have dealt this country a body blow. Our economy has been hit with such a mixture of "bolts and jolts" (sleeping pills and benzedrine) that nothing—not even a unique case of *inflationary deflation*—is impossible if such medicine men continue to hold the public pulse.

The Responsibility of Businessmen

Businessmen do not have to shout to get people to listen to them. But they do have to speak up. They do have to diagnose what is wrong, without guesswork. They do have to lead this country back to economic health. It is our business; our direct responsibility; yours and mine. If we don't, we should no more call ourselves a part of business management than a doctor who fails to visit his sick patients is worthy of his profession.

As industry sees it, the cure for what ails the American people lies in production. More production. Uninterrupted production.

Once maximum productivity is achieved, the flow of goods that our economy can turn out will knock the wind out of inflation. It will drown black marketeers like rats. It will stabilize prices at a level where people could afford to live well. It will maintain the steady high level of employment and provide the better chances to get ahead which all Americans want.

Three things stand in the way of this goal. The National Association of Manufacturers has consistently and persistently fought these three evils. Other business groups and individuals have joined us in the fight. A victory by any one of them is a victory for all—a victory for our nation's economic survival. And there have been victories.

More and more leaders in other groups—even in government and organized labor—have come to realize that production is the way to get what all Americans want. Anything which stands in the way of prodction at this time darkens the future of every American citizen.

Simply stated, three serious epidemics are sapping every citizen's hope to enjoy the good things of life. John Q. Public—you and I and our neighbors—can stamp out these plagues if we will. Every day that we delay our own wholehearted participation in the campaign against them, gives them added strength.

These three epidemics from the Potomac are: strikes, bureaucratic controls, and deficit spending. They can be wiped out. It is our business and the business of every American citizen to throw our united strength against them—now!

Let's see how they can be wiped out, one by one.

* * *

Strike Abuses

What can be done about the epidemic strikes?

A small group of labor leaders are now using this country's productive economy as a cat plays with a mouse. Mr. Lewis decides when coal may be mined. Mr. Murray lets the country have steel when it suits him. Mr. Reuther lets automobiles be made only when his demands are met. All trains stop when Mr. Whitney and Mr. Johnston say so. A totalitarian state could scarcely be more dictatorial.

Monopolistic powers, in matters which affect the economic life of every American, have fallen into the hands of a few labor leaders through the complete failure of our government to establish a fair, consistent labor relations policy. Yet it is possible to establish a fair policy that is in the interest of every worker, organized or not, as well as in the public interest.

Such a policy cannot be achieved through the makeshift measures proposed to date by those who jockey for power at the expense of the public's vital interest in labor peace. Some of these proposals bear attractive names, and it is not enough, for management to say that we oppose them. We must also make the general public understand *why* we oppose them.

To get down to cases, a majority of industrial management opposes the intervention of "fact-finding boards"—not at all because we oppose settlement of disputes on a basis of the facts involved, but because in practice, such boards have simply rubber-stamped wage increases in line with the Administration's arbitrary formula, arrived at without any regard for the real facts involved.

Industrial management, by an overwhelming majority, favors prohibiting employers from contributing to worker-welfare funds controlled by the unions. This does *not* mean that management opposes funds for workers' welfare. It does mean we realize that funds controlled by such union leaders as John L. Lewis are far from implementing industrial peace.

* * *

Compulsory Arbitration No Help

We must also make the general public understand *why* management believes that compulsory arbitration is no help—and an additional hindrance — to industrial peace. It is no help because it injects both coercion and a third element in the essentially two-sided give-and-take of collective bargaining. It is a hindrance because arbitration, as the Administration practices it, tends toward either a deadlock or government operation, until management accepts whatever terms government and labor decide can be forced down management's and the public's throats.

Management accepts collective bargaining and practices it in the spirit, as well as in the letter, of the law. It is acutely aware that the public interest demands harmony between labor and management. But in recent years organized labor has shown an increasing reluctance to bargain out its differences. And government has abandoned its role of impartial umpire. It has even taken to deciding major issues before collective bargaining has begun.

Special privileges to labor, at the expense of all other citizens, is as unsound for American workers as it is disastrous to economic health. A national labor policy which is fair to all, and partial to none, can be achieved only if public opinion insists upon it. It is absolutely basic to industrial peace and to uninterrupted production.

Nobody gains from a strike that stops production. The General Motors strike cost labor $112,896,-000 in lost wages. It cost the company and the automobile users of this country 400,000 cars, with a retail value of $500,000,000.

I do not believe that the rank and file of American workers are responsible for what is happening to our economy. I do not believe that men with any freedom of choice would stay on strike for 117 days over a difference of a few cents a hour, if they realized that it will take them *fourteen years* to make up for the pay they lost while away from the job. Yet that is what labor leaders call "winning a strike" for the Westinghouse workers.

The establishment of a sound impartial national labor relations policy which restores equality at the bargaining table is imperative. It is at the top of the list of things which must be done to achieve maximum production, and to insure healthy progress for all of us —including every American worker.

* * *

Bureaucratic Controls as Substitute for Free Market

What can be done about the epidemic of bureaucratic controls that are choking off prosperity? Specifically, what can be done about government substitution of OPA for the free market so essential to economic health?

OPA is not *price* control; it is *profit* control. OPA does not prevent inflation; it merely hides it. OPA restrictions have in many cases completely sabotaged normal production and distribution. Yet OPA is still with us. Black markets are still with us.

But management's unremitting fight against a state controlled economy, and all that goes with it, has not been lost. More and more people — more and more of our leaders have come to realize that maximum production is this country's economic salvation.

We cannot come out of the storm of wartime stress and strain until wartime controls are completely eliminated. But there is reason to hope that more realism will now be displayed by the Administration in removing some of the factors which throttled production up to last June.

Congress has decided to keep OPA for another year, so the job before us is to tighten our belts and keep production moving as fast as the halter of bureaucratic controls permit. The American consumer—all of us—must buy wisely and conservatively until supply is given a real chance to match demand.

OPA could not, and it cannot, maintain a balanced economy. No government agency can ever replace competition as the natural policeman of prices. But the fight against a controlled economy can be won—and it will be won—if the American people keep everlastingly at it. Freedom to be productive is in sight, but it will take every effort we can throw into the balance to win through to solid ground.

* * *

The Epidemic of Deficit Spending

What about the epidemic of deficit spending by our government?

When a government has lived beyond its means for some fifteen years the condition might well be diagnosed as chronic. Our government is not something separate and distinct from us. If it is in debt, we are in debt. If it lives beyond its means, it is living beyond its taxpayers' means. Every dollar it spends comes out of your pocket and mine.

No business and no individual could operate at a loss for anything like the time our government has been spending with reckless extravagance. Other governments which tried it have bankrupted their citizens as well as themselves.

If a citizen is in debt—and the astronomical federal debt is owned by every citizen in this country—he drastically reduces his expenditures. He has to. It hurts, but it has to be done.

It hurts bureaucrats to balance the federal budget within the bounds of what the taxpayers of the nation can afford. It means that many of them would have to leave the government payroll and find productive work. But public opinion is still stronger than bureaucracy. If the public insists that their government live within *their* means—or else!—extravagant borrowing and spending will stop, no matter how agonizing it may be to the bureaucratic mind.

Not only must the federal budget be balanced before this country's economic health can be restored, the budget must be balanced at a level which American families can afford. President Truman recently increased his official estimate of what the government would spend this year from 35 to 41 billion dollars.

Forty-one billion dollars amounts to one quarter out of every income dollar produced by this country's work. I think that every family in this land would think twice before it decided federal services were worth that much money—a charge of $900 against the income of each family of four.

A dollar taken in taxes is a dollar removed from production. The civilian employees added to the federal payroll in the last seven years have cost the taxpayers $3,397,000,000 a year plus the possible production of one and a half million people.

This plague of deficit spending can be stopped if you make it your business to tell your neighbors what it means to them.

* * *

Industry's Educational Job

The job before us is fundamentally that of making the American people understand how they can get what they want and need. They are being told many conflicting stories by those whose efforts, if successful, would add up to total state control, not just of business, but of every phase of American life.

Part of our job—yours and mine—is educational. We have simply got to get across to our neighbors, our employees, our customers and the whole American people, the truth about what is happening—*as it concerns them.*

They believe that business earns fantastic profits. They must be told the truth about this.

They have been frightened by what may happen to them. They deserve to know that their individual security and prosperity can be built only on increasing production. They must be informed as to what stands in the way of production. They must understand the simple, direct steps necessary for a healthy economy.

To reach them with this information is the number one job of every businessman and every business association. It is a mansize job, with more to do than any of us can ever accomplish. We need all the help we can get. Unlike organized labor, I know that you and I cannot afford and do not intend to let any "jurisdictional" disputes stand in the way of serving the public interest.

In my many trips around the country, talking to key association men and other business leaders, someone usualy asks, "What good does it do to talk to ourselves?" It is a fair question and deserves a straight answer. It doesn't do any good unless we reach and convince the general public—people who are at best only vaguely aware that this is their fight too.

This is too big a job for any one of us alone, or any group of us alone. But you are key men in your associations. You and you alone can spark-plug business leaders in hundreds of communities where public opinion is being shaped. Nothing that you or I could say to thousands of people who are, as yet, unconvinced in those communities, could possibly carry as much weight as the direct, informal and informed enthusiasm of their local businessmen, talking about the things that they believe in. There is no other way I know to do the job before us.

Let's all pitch in — now — and work with John Q. Pubilc to wipe those three epidemics — strikes, price control and deficit spending —off of this country's slate.

Truman Lauds Labor's Peacetime Record

(Continued from page 1266)

employment which we have attained, if we carry on together as we did during war time.

Labor, management and farmers, with the help of government wherever it could be useful, have made this great start toward peace-time readjustment. If we continue to co-operate, to work, and to produce, we can attain a richness of life that will be a credit and a benefit to all of us now living, and a real hope and promise to those who come after us.

Safeguard Labor's Gains

We must retain the safeguards against exploitation which labor won after the last depression. Labor must continue to have the opportunity, through free collective bargaining and free political action, to improve the lot of workers and to increase their participation in public affairs.

Labor, perhaps more than any other group, has consistently supported the objectives set forth in Franklin D. Roosevelt's memorable "Economic Bill of Rights." We must now move forward to full achievement of those objectives: useful and remunerative jobs for all; incomes high enough to provide adequate food, clothing and recreation; freedom from unfair competition and domination by monopoly; adequate health protection; more effective Social Security measures; and educational opportunity for all.

Labor, too, has been in the forefront of the battle to end intolerance and wipe out bigotries of race, creed and color.

I salute the hosts of labor for their magnificent job in war time and in the beginnings of peace, and urge them on a further efforts in behalf of the rights and dignity of mankind.

Non-Citizens in U. S. to Be Under Freezing Controls

The Treasury Department on Aug. 27 took action to place practically all foreign persons in the United States in the same position under the freezing controls as American citizens. Its advices in the matter added:

This was done through an amendment of General License No. 42 which unblocks any individual in the United States who was not in a blocked country on Oct. 5, 1945, and any organization blocked because of the interest of such an individual.

"Treasury officials pointed out that, as under other similar licenses, persons licensed under General License No. 42 are not authorized to engage in transactions with, or involving property of blocked nationals. Furthermore, by an amendment of General Ruling No. 11A issued today, General License No. 42 will not apply to German and Japanese citizens or subjects who on or since Dec. 7, 1941, have been within Germany and Japan or within any other territory while it was occupied by those countries."

The Market Outlook

(Continued from page 1264)

share. Scheduled production for the fourth quarter is larger than for the third, so that earnings in the final three months should be at least equal, and most likely better than, in the preceding three months. Thus, barring unforeseen difficulties, demonstrated earning power appears in nearby prospect that would not only justify present prices but substantially higher prices for this particular common stock. Such earnings, if witnessed, would most likely be translated into a larger dividend disbursement before the year end. If earnings do not materialize for one reason or another or if there is widespread suspicion that such earnings are purely temporary, obviously lower prices would be in order. This situation is typical of many, in that present prices discount at least partially, though not completely, potential earnings and dividends.

Applying this specific illustration in its broader aspects, we might point out that earnings of the stocks that comprise the Dow-Jones Industrial Index (now prited at 190) were equal to $1.86 for the first quarter and to $3.05 for the second quarter, making $4.91 for the first six months. The index is high on such earnings, and certainly the present price discounts considerable improvement in earnings. However, if anticipated earnings materialize, the Dow-Jones Index would appear to be capitalizing earnings on about as low a basis as at any time during the past few years and the obvious conclusion is that the market is in a buying rather than a selling area. On the other hand, collapse of the earnings picture would no doubt bring a substantially lower price level.

What's Needed

It should be recognized, as has been frequently pointed out by the writer on previous occasions, that the present economy is probably in the early stage of a dissipating consumer's boom. Latest available data compiled by the Federal Reserve Board is that manufacture of non-durable goods has been running at record levels since V-J Day. Inventories have been building up and better quality goods are becoming rapidly available, so that much of the deferred demand will be satisfied before long.

On the other hand, a similar index of durable goods indicates that production since V-J Day has been at near-depression levels. However, during recent months numerous price adjustments have been granted by OPA and cessation of strikes has permitted marked expansion in durable goods industries. Industrial output in July, for instance, established a new postwar record, with the FRB index of industrial production estimated at 174, compared with 159 in May when strikes severely restricted production in heavy industries. Much of the increase in July was due to the high level of activity in steel mills which operated at almost 90% of capacity throughout the month. Auto and truck production reached new postwar highs and by the end of the month was at an annual rate of about 4,000,000 units. If this expansion in basic industries gathers further momentum, as we presently believe it will, the stimulus imparted to the domestic economy should continue to more than take up any slackening in strictly consumer industries. The foregoing will suffice to illustrate the point that as far as we can foresee there is nothing in the domestic business picture that would warrant any untoward fears regarding a business relapse that would have further repercussion in the stock market, at least at this time.

Foreign Situation

How much of the recent hurried liquidation can be attributed to fears of the outbreak of actual hostilities in Europe is a moot question.

Recent developments in Yugoslavia probably merely represent the prelude to a more serious showdown. It is apparent that the real crisis in the making is in Russian-Turkish relations, with Russia demanding revision of the Montreux pact to provide equal control over the Dardanelles. Heavy Soviet forces are known to be in the Balkans, and the Russian policy of first taking over and then expressing a willingness to discuss affairs naturally creates some fears, since an overt act against Turkey would very probably bring Britain into the picture militarily through its mutual assistance pact.

Investment calculations must include recognition of the fact that the foreign situation may become more, rather than less, menacing, but serious repercussions businesswise do not appear more than a remote possibility.

The Money Question

As far as the present technical position of the market is concerned, there is unmistakable evidence that the supply of funds available for investment has been insufficient to support the price structure.

This is manifest not only from the situation existing in the new issue market but also from the convulsions resulting from the issuance of "rights" to stockholders to subscribe to additional stock. In a healthy bull market, financing by corporations through "rights" leads to buying rather than to selling, but with present high tax rates and with the existing ban on borrowing on stock collateral, it is virtually impossible for wealthy investors to build up sufficient funds to take up large blocks of stocks when offered via the "rights" process. Hence, large investors are faced with the prospect of either selling the "rights," thereby depressing the stock, or else liquidating other investments to obtain needed funds.

Considering the huge volume of prospective offerings needed to finance postwar plans of industry, the real test of the absorptive power of the market still lies ahead. Until it is demonstrated that ample investment funds are available to finance industry's requirements and at the same time to provide funds to finance a rising price trend, a defensive rather than an offensive investment policy would appear warranted.

Buckley Brothers Open Wilkes-Barre Office

WILKES-BARRE, PA.—Buckley Brothers of Philadelphia, members of the New York Stock Exchange and other leading Exchanges, announce the opening of an office in Wilkes-Barre at 503 Bennett Building.

The new office is under the management of Robert Bruce MacDermott.

In addition to their present offices in Philadelphia and in New York, Buckley Brothers maintain offices in Los Angeles, Pittsburgh, Hagerstown, Lewistown, Hanover, San Diego and Long Beach.

The firm's other Exchange memberships are New York Curb Exchange, Philadelphia Stock Exchange and Los Angeles Stock Exchange.

Price Control Policy Crucial for Business

(Continued from page 1268)

er markets abroad. In the main the most necessary changes have been made, although there are glaring exceptions, as in the hide market; a refusal by OPA to raise cattle hide prices despite sharp advances abroad and the higher cattle prices here has cut down the movevment of hides drastically, curtailed leather and shoe production, and left the situation chaotic."

The Letter lists the criticisms voiced by various sectors of the community, as follows:

"The decision of the Price Decontrol Board to restore ceilings on livestocks, meats and oilseeds, while leaving grains and dairy products free of control, is being criticized in many quarters. For those who believe in the philosophy of control, or who would subordinate all other considerations to keeping prices down, the decontrol of dairy products and grains provided a target. Labor unions and representatives of consumers' organizations have aimed criticism at this part of the decision. On the other hand, the recontrol of meats was discouraging to those who put their faith in a free price system. All branches of the meat and livestock industries, and many consumers as well, have protested strongly against the reinstatement of controls which had discouraged production, disrupted distribution and led to widespread evasions and black markets."

Pleading against criticism of the Decontrol Board's decisions based on special interests, the Bank continues:

"In commenting on these criticisms, the principle should be laid down that in any organized society someone must have the last word, and that if society is to function people must abide by final decisions, submerge their differences, and cooperate in trying to make the decisions work. The price controls had thorough examination and debate in Congress, and a bill was passed which irrespective of its merits or demerits represented the judgment of Congress. Establishment of the Price Decontrol Board to supersede OPA in deciding when to remove controls was generally acclaimed, and the appointments to it were generally praised. The common interest requires that its decisions be accepted in good spirit and that people work together to make the best of the program adopted.

"This principle should rule out criticism based on special interests or mere recalcitrance, and limit discussion to objective appraisal of the probable effects of the decision and the reasoning which governed it. Such statements as that made by the cost-of-living committee of the Congress of Industrial Organizations —that the decontrol of grains and dairy products constituted 'a dismal failure to recognize the seriousness of increasing inflation of food costs,' which 'will add a further burden on the workers' budget' — make strange reading in light of the language employed by the Board. Far from being insensitive to the seriousness of food price rises, the Board recontrolled meats mainly because prices were 'unreasonable.' It left dairy products uncontrolled because it found specifically that prices had not risen unreasonably above the June 30 ceiling plus subsidy, and for no other reason; and it will watch the situation and reconsider if necessary. As to grains, the Board found that the supply after the harvest of the current crops would be adequate, with which everyone will agree, and it pointed to the indisputable fact that prices of new crop futures had not advanced, but on the contrary had dropped in most cases below June 30 ceilings. This answers the CIO statement that 'runaway prices on grains . . . will leave a continuous problem into 1947.'

"In fact, the record-breaking wheat, corn and oats crops grown this year will be a stabilizing factor whose importance in the cost of living is hard to overestimate. An abundant supply of corn and other grains is the first requirement for an abundant output of livestock and dairy products, and the prospective supply of feeds relative to the number of animals to be fed is the largest in all our history. The price of feed is the basic cost of these products, and prices have continued easy, with quotations on Chicago corn futures down another 10 cents or so to around $1.30, during August. This is 15 cents under the old ceiling. New crop corn will be widely available in another month to six weeks, and the price of $2 which corn brings in the current spot market will pass into history. The corn market will act as an anchor to hold down a very considerable segment of the food cost of living. March wheat futures at $1.88 are 10½ cents under the old ceiling."

The Price Decontrol Board's policies regarding livestock and meat prices are analyzed by the Letter, as follows:

"The Price Decontrol Board found that livestock and meat prices had risen unreasonably above June 30 ceilings plus subsidies, and on that point its decision to recontrol them accorded with the instruction of Congress as expressed in the Act.

"The Board also found — as it had to if recontrol was to conform to the law — that regulation of livestock and meats was practicable and enforceable. On this point experienced opinion, outside OPA, is entirely skeptical. At prices below those of free markets, demand inevitably will exceed supply, for demand is expanded by unnaturally low prices. If demand is not held within the limits of supply by free prices, the only other logical way to check it would be to reinstate rationing, but no one suggests that the American people would endure rationing under existing conditions. The OPA view is that a rough kind of rationing is enforced by the unavailability of meat for everyone in the quantities desired, and that the function of prices as the means to curtail demand can thus be dispensed with. But this unavailability is what leads to the evasion of ceilings, the diversion of supplies into inefficient and costly distribution channels, the waste of valuable products in black market slaughtering, the inequities — with the law-aiding being the sufferers— and the butcher shop lines. An enforcement problem is raised which heretofore has been unmanageable.

"A third finding by the Board —also necessary if the terms of the law were to be observed—was that 'the supply of meat has been and will continue to be short.' To this statement based on the language of the Act the Board added its own words, not included in the Act, 'in relation to demand at reasonable prices.' This is an amendment which reads a meaning into the Act not conveyed by its own language, and it prompts serious questions. For if 'reasonable prices' is interpreted as meaning prices substantially below those established by the free market (which alone can equate supply and demand), how can supply and demand ever balance 'at reasonable prices'? How can decontrol ever be accomplished under such a formula? Is any price reasonable which will not balance supply and demand?

If quantitative criteria are applied to determine whether supply is short a different answer is obtained. The available supply of meat per person in the country is officially estimated to be 18% above the five-year prewar average. The reason meat is short even with this great supply is that demand is swollen by the inflation of incomes and of money and credit. OPA has desired and intended to reestablish June 30 prices. Were June 30 prices reasonable, in view of this inflated buying power? Another consideration is that prices balance the markets not only by curtailing demand, but by stimulating production and increasing supply. Resources of feed and breeding stock are available to increase output of animal products, given time, so that the swollen demand can be satisfied. Were June 30 prices reasonable, from the viewpoint of encouraging production?

Secretary Anderson's View

"Secretary of Agriculture Anderson, over OPA's protests, has exercised his authority to answer this last question in the negative. After OPA had prematurely indicated that ceiling prices would be rolled back essentially to June 30 levels, Mr. Anderson recommended that those prices be increased by $2.25 on cattle and $1.40 on hogs. This recommendation is binding. He called attention to the flood of underweight and unfinished livestock sent to market in anticipation of the rollback, as evidence that higher prices were needed to make feeding profitable and encourage meat production. It may be added that among the hogs marketed an abnormal proportion of sows was included. To the extent that the feed lots were denuded and breeding stock reduced, the meat supply already has been shortened. Consumers will be the sufferers. Meanwhile distrust of OPA has been increased, and the feeling that it is insufficiently concerned with the effect of prices on production will be more widespread.

"Whether the Secretary's action will preserve order in distribution and augment the supply despite the ceilings remains to be seen. If so, the credit will go to the fact that the prices set by him come closer to the prices that would be established in free markets."

Price Moves in Imports and Manufactures

"Turning now to price moves in other fields, OPA has acted promptly to carry out the provisions of the Act where they are concrete and mandatory. Responding to the requirement that ceilings on imports must be raised or removed where their effect is to limit imports below our needs, it has raised ceilings on paper, coffee, shellac, and goatskins, removed the ceilings on pepper and other spices (also because they are unimportant in living costs), and is expected to take action on cocoa. It has raised ceilings both for manufacturers and distributors in many cases where new formulas in the Act require it to do so.

"On the other hand, it is taking a stiff attitude toward applications for decontrol. It is formulating rigid standards, and the establishment by the Decontrol Board of the principle above discussed, that goods must be abundant not by quantitative standards but 'at reasonable prices,' arouses concern in the industries as well as in agriculture.

"OPA seems to be taking an equally stiff position toward applications under the Barkley-Taft amendment. This amendment provided, subject to qualifications, that manufacturers' prices on any product should equal the average price received for it by typical producers in 1940, plus average increases in costs since. By all reports, the burden of costs figures and other information required from petitioners under this provision will be onerous; and, what is even more important, OPA is making a strict interpretation of the qualifications. The main qualification in the law is that no such adjustment is required if prices now cover average total current cost plus a reasonable profit, unless a substantial expansion of production is practicable without reducing the output of equally needed products. OPA has much latitude under this provision. A press report says OPA will interpret the word 'substantial' as meaning a 15% increase in output within six months. In any case, there are many uncertainties which manufacturers will like to have cleared up as early as possible.

"After this is said, however, it must still be considered true that, as was written in this Letter last month, 'the industries, where they are producing some products at a loss or not producing them because they would incur a loss, have a stronger position before OPA than they had prior to June 30.' The importancce of the improvement is that a shortage of single products often stops other production. Unrealistic pricing has been greatly responsible for such shortages. It is imperative to break these bottlenecks."

Stressing the identity of interest of producers and consumers, the Bank predicts that the prices of manufactured goods will advance for a considerable time; and that the responsibility therefor rests on wage and efficiency factors:

"Some may say at this point that our discussion has emphasized the interest of producers above that of consumers, and that the need to restrain inflationary rises of prices and living costs, maintain stability and prevent extortionate profits has not been sufficiently stressed. Actually the long-run interest of consumers are identical with those of producers. Consumers want goods; they also want employment. Producers want to do business. Both are benefited by orderly markets, and both suffer from any conditions that create instability. The primary interest of both, however, is in the efficient functioning of the economic organization, so that it can deliver to people the maximum benefits of which it is capable at any given time.

"All producers in the economy must recover their costs. Costs have been raised by wage advances. They are kept high because the output of workers per man-hour over a vast section of industry is lower than it should be; one survey, made by the magazine 'Mill and Factory', showed that in more than half of 1,000 companies reporting, labor efficiency was lower than before the war. Unless these higher industrial cost are covered in prices, not merely on an average or overall basis but for all needed products, the industrial organization will not function at highest effifiency and the output of goods and services will not reach maximum.

Evidently the principal rise in the cost of living hereafter will be in processed and manufactured goods, for recent developments in the markets for farm products suggest that farm prices on the average may be as high as they are going. The farm group in the Bureau of Labor Statistics daily price index of basic commodities reached its peak as long ago as July 17, and now is being pulled down by the adjustment of corn to the new crop basis and by the ceilings reestablished for livestock.

"Manufactured goods, however, have not fully reflected the advances in raw materials and wages and doubtless will show an upward tendency for some time. The main responsibility for the rising cost of manufactured goods falls on the wage and efficiency factors above mentioned. The time to have been concerned about it, and to have averted it, was when the excessive wage increases were put into effect, at the expense of costly strikes. The way to stop the spiral now is to increase efficiency and so absorb the wage increases without raising unit costs, and the way to maintain stability is to withhold further excessive wage demands, not supported by gains in productivity."

Articles Exempted or Suspended from OPA Price Control

A complete supplementary list of more than 1,000 articles exempted or suspended from OPA price control from June 15 through Aug. 20 is being issued by the Commerce and Industry Association of New York, it was announced on Aug. 30 by Thomas Jefferson Miley, Association Secretary. Containing 22 pages, the new catalogue supplements those previously prepared by the Association covering articles decontrolled through June 15. The lists were specially compiled as a guide to business men, Mr. Miley stated, because no such classified index has yet been made available to the public by the Office of Price Administration. The lists are classified by product and reference is given in each case to the particular supplementary Orders authorizing removal or suspension from Price Control. Information was obtained from official OPA Orders and from the Federal Register. The supplement includes a variety of apparel items, building materials, chemicals, electrical equipment, industrial machinery and equipment, foods, minerals, tobacco products, petroleum and a number of miscellaneous items.

Mr. Miley pointed out that hundreds of items of mechanical building equipment have been suspended from Price Control, including specific types of hardware, cast and sheet metal materials, air conditioning equipment, controls, valves and pipe fittings. Controls have also been suspended from an extensive list or industrial machinery and equipment whose annual sales exceed $2 billion. His announcement also said:

"Amendment 36 to Supplementary Order 129 suspended control from several non-ferrous metals and minerals and a group of miscellaneous metal products. OPA officials have declared that suspension of such items is not expected to increase the cost of living since the items are used principally for industrial purposes and represent a small part of the business costs of the industries in which they are used.

"The Price Decontrol Board has re-established ceilings on livestock and meats, cottonseed, flaxseed, mixed grains and soybeans which were suspended by the Price Control Extension Act of 1946, but other items (i.e., petroleum, poultry, dairy products, eggs, tobacco and whole grains) removed by the terms of the Act remain free from control.

"Price suspension on certain fresh and frozen fish has been extended from Aug. 18 to 'Indefinite.' Control has also been suspended or removed from fresh pears, table and juice grapes (except Concord grapes sold for processing) and dried fruits."

The original list of articles removed from Price Control, together with supplements, is available to members of the Association without charge, Mr. Miley stated. Copies may be obtained by non-members for $1.00.

Public Debt Controls Prices

(Continued from page 1265)

that are being retired are short-term obligations held by commercial banks. The large amount of these bank-held obligations is a contributory cause to the present upswing of prices.

Mullins: Now that's something that calls for a bit of explaining, Mr. Leonard. What connection has the amount of bank-held Treasury debt with rising prices?

Leonard: The government secured more than one-half of the cost of the war by borrowing. The commercial banks were called on for over 50% of this amount. They received government obligations from the Treasury, and in return created a deposit account at their own bank on which the Treasury could draw. Since there was no corresponding reduction of purchasing power elsewhere, these new expendible funds tended to cause an increase in prices. Between January 1942 and April 1946 member bank deposits rose from $32 billions to $63 billions. Demand deposits to the credit of the U. S. Treasury rose from $1,451 million to $12,363 million, an increase of over 700%. This increase in available funds reinforced other influences exerting an upward pressure on prices.

Mullins: And now the reduction in debt holdings by the commercial banks reverses the process?

Leonard: Yes, Mr. Mullins. The Treasury can now pay its debt by check to the commercial banks. This reduces the amount of demand deposits, reduces the bank-held federal debt, and therefore reduces the upward pressure on prices.

Mullins: First you say we should purchase more Savings Bonds, which increase the national debt; then you say we should reduce the debt because it causes high prices. How do you reconcile those two conclusions, Mr. Leonard?

Leonard: Well, Mr. Mullins, Savings Bonds are sold to individuals, and the individual cannot then spend his money on other things. The purchasing power of the individual has been reduced, and the purchasing power of the government has been increased by the same amount. The government can then pay off a part of its debt to the commercial banks.

Mullins: What is gained by borrowing from individuals to pay the banks?

Leonard: We have discussed how the purchase of Savings Bonds reduces the funds the individual can spend and increases the government's ability to spend. Government borrowing from commercial banks is fundamentally different. When the bank buys government securities the bank does not surrender funds, it merely credits the deposit account of the government. There is no reduction of purchasing power in the hands of the banks, yet there is increased purchasing power in the hands of the government. Since a surplus of expendible funds causes prices to rise, government borrowing from commercial banks is inflationary. Borrowing from individuals is not. It is desirable then to increase the sales of Savings Bonds and use the funds to reduce the government indebtedness to banks.

Mullins: Well, Mr. Leonard, you've made it clear that we help the government and ourselves by continuing to purchase Savings Bonds. Is there any further advantage in retiring as much as possible of the bank-held public debt?

Leonard: Yes, Mr. Mullins, there is. Commercial banks are required by law to maintain a certain reserve against deposits to the credit of their customers. This reserve may be in the form of deposits by the commercial bank in the Federal Reserve Bank. We are now familiar with how the commercial banks buy government securities by creating deposits. After obtaining the government securities the banks can send them to the Federal Reserve Bank and thus increase their deposits. This increases the commerical banks reserves.

On the basis of the increased reserves at the Federal Reserve Bank, the commercial bank can further expand the deposits on its books to the credit of customers. The commercial bank creates deposits to secure government securities; it then uses them to increase its reserves, making possible a further extension of credit to its customers.

Mullins: Let me get this right. Banks don't pay for their government securities in cash, they let the government have a checking account. After the bank gets the securities it can use them to increase its reserves and then expand loans to other customers.

Leonard: Correct, Mr. Mullins. Bank loans are pyramided on a basis of government securities originally obtained by the bank through the creation of a deposit account. The effect is more purchasing power and higher prices.

Mullins: The payments on the bank-held federal debt then, Mr. Leonard, are an influence preventing a rise in prices.

Leonard: The debt payments to commercial banks are certainly an anti-inflationary influence. Unfortunately the amount of the debt retirement to date is not great enough to offset the present tendency toward inflation. The anti-inflation effect of debt retirement could be made a more important influence if the debt retirements were substantially larger.

Mullins: Can't we make larger debt retirements by reducing the Treasury balance even more?

Leonard: Well, Mr. Mullins, we cannot continue indefinitely to make payments from this source. The Treasury working balance was approximately $11 billions on August 1st. The really effective way to continue retirement of the bank-held debt is through substantial and continuing budgetary surpluses.

Mullins: In recent years, Mr. Leonard, we have heard some economists talking about the benefits of public debt and some about its dangers. I suppose this question of retiring bank-held public debt now has created quite a controversy.

Leonard. There are substantial differences of opinion about the advantages of an annually balanced budget. There is no disagreement on bank-held debt retirement at the present time. Whatever the political or economic philosophy followed by economists, they agree that reduction of the bank-held debt is important if we are to use all of our weapons in the struggle against rising prices.

Mullins: So the group of economists whom we might call the "conservatives" and the other group, the "economic planners," have found a point in common.

Leonard: Yes, they have, Mr. Mullins. The conservatives believe that the public debt should be reduced except during a war or other grave national emergencies. They believe that this policy encourages private industry and strengthens the government credit.

The "economic planners" believe that debt policy should vary with business conditions. When there is relatively little or no unemployment of men and machines, when business is prospering, and when there is an over supply of purchasing power causing general price increases, they would reduce the bank-held public debt. The present situation is unusual, in that protagonists of long standing agree on this point. The bank-held public debt should be reduced by a budgetary surplus resulting from an excess of receipts over expenditures.

Mullins: Is this possible now with our large military and reconversion expenditures?

Leonard: It is certainly difficult, Mr. Mullins. Certainly no one would deny the armed forces whatever is necessary for our defense and the implementation of the peace. Few criticize the expenditures for the rehabilitation of our veterans, and for the loans necessary to revive world trade. But expenditures must be reduced. President Truman has recently taken courageous action in ordering postponement of certain government construction work and by orders to reduce governmental operating expenses. More vigorous action is important if we are to avoid an inflationary spiral and the consequent collapse.

Mullins: But, of course, increased revenues would have the same effect as decreased expenditures, wouldn't they?

Leonard: Yes, they would, Mr. Mullins. The administration in Washington seems to be hopeful that present tax rates will yield more revenue than originally estimated. If production is not interrupted by labor-management disputes and if other obstacles to higher production can be eliminated, the national income will probably continue to rise. If this occurs present tax rates may balance the budget, or even cause a Treasury surplus.

Mullins: Do you think higher tax rates are a probability?

Leonard: They are certainly a possibility, Mr. Mullins. In his message to Congress on the OPA, the President suggested that if the new price control law were not successful in holding prices within reasonable limits, he would seek higher tax rates. This would be an important and courageous act, but whether the Congress would agree to higher tax rates is problematical.

Mullins: In case new taxes are found to be necessary, what kind would be desirable?

Leonard: One of the purposes of the new taxes should be to reduce purchasing power in the hands of individuals, who would otherwise spend this amount. Therefore the new taxes should be levied primarily against those who spend a relatively large portion of their current income. This would be the lower income groups.

Mullins: Mr. Leonard, there's talk about the "unequal distribution of income" now. Wouldn't that type of taxation aggravate the situation?

Leonard: Yes it would, and it is for this reason that it is probably desirable to have additional taxes levied on the higher income groups at the same time. We cannot afford to have this question of bank-held debt retirement complicated by the controversy that would be inevitable if the additional tax load were levied exclusively on the low income groups.

The tax yields resulting from levies against the higher income groups could be applied on the bank-held debt. They would have the same effect in reducing the base for credit expansion as funds from other sources.

It will probably be extremely difficult to obtain new taxes and higher tax rates. We are all tired of wartime taxes, and know their unfavorable effects on business. It will not be to our advantage however to reject higher taxes if they become necessary to stop the spiraling of prices. We will lose much more by inflation than by higher tax rates.

Mullins: Is this a purely national problem, Mr. Leonard? How about state and local governments?

Leonard: The responsibility rests with the national government, but state and local governments can assist by reducing or postponing all possible expenditures. Federal government action can be made more effective if local governments refuse to spend for construction and other postponable needs. At the same time state and local taxes should not be reduced. Surpluses accumulated now will fight inflation and provide a source of funds when prices are lower and public expenditures desirable.

Mullins: In conclusion, Mr Leonard, what would you say that we as individuals can do to assist our government in this effort to reduce the bank-held debt and prevent higher prices?

Leonard: All of us can help by reducing our spending, so that the pressure on prices can be lessened. We can pay willingly the taxes levied on us — can pay them knowing that they are necessary to safeguard the value of our bank deposits, our insurance policies, our bonds, and our future prosperity. We can buy more Savings Bonds so that the amount of bank-held public debt can be reduced. Lastly we can refuse to make any but the most necessary price increases on whatever product or service we sell. Self-denial is not a popular phrase, but the sacrifices we have already made to preserve our freedom and our way of life must be supplemented by self-denial for a short time longer. In this way we can contribute to a more stable and a more prosperous America.

Labor: Long Range View

(Continued from page 1266)

their homes; or that if they did find jobs, they would not pay enough adequately to feed, house and clothe them. Returning veterans were fearful that they would not find jobs. Management was fearful because of its doubts as to labor's ability or willingness to maintain or increase its productivity.

I talked with scores of labor leaders, business executives, and workers in the plants and factories. I knew how impatient the American people generally would be if reconversion were impeded as a result of strikes. Strikes are unpopular. They inconvenience and cause hardship to the general public. I knew from talking to business executives that there were many of them who for various reasons were not willing to accept the principle of collective bargaining—at least during the early stages after the war's end. Some told me frankly that they weren't interested in getting into production until after the first of last January because on that date the excess profits tax was to be eliminated. Some told me frankly that they wouldn't mind a delay in reconversion if, as a result of it, price control might be eliminated. On the other side, in certain unions there were elements who saw in the situation an opportunity to foment strife.

So, it would have been easy to have attempted to force compulsion during this reconversion period. To have done so, however, would have been utterly inconsistent with the principles for which the war was fought. Therefore, your government chose the hard answer.

The next seven months were filled with disputes and delays. I know it better than anyone else. I was in the middle of it. I know how impatient the people were when the government failed to suppress strikes. I know how easy it was for many persons to demand the passage of a law. I could not forget, however, that it was this same impatience with strikes which in 1923 caused the Italian people to take the first step along the totalitarian road which led them to destruction and despair. The American people must not forget this fact. Management and labor must not forget this fact. Admitting fully the stresses and strains of the times through which we went, we did retain our system of free collective bargaining and have reached the point where the pipelines of peace are rapidly being filled by factories which a year ago were geared to the production of munitions of war.

That does not mean, however, that we can sit back in any sense of smug security and say it will never happen again. We must counsel together. Management, labor and the general public must join with government in the recognition by each of the responsibility which each has. If the collective bargaining process is to work, it must be understood. Both management and labor must respect the right of each other at the bargaining table. Collective bargaining does not mean collective bludgeoning. A conference over a labor contract or a labor dispute is not advanced by name-calling or insinuations as to improper motives. Fair bargains are not arrived at as a result of threats to either side of the bargain. The right of an individual, or a group of individuals, to refuse to work must fully be recognized. The possession of that right, however, does not justify its use until every process of bargaining, mediation and conciliation have been exhausted and the possibilities of voluntary arbitration have been fully explored. Labor and management both must practice self-restraint and realize that in a democracy only those deserve power who are willing to use it sparingly. Probably no American more fervently cherished the right of free speech than did Mr. Justice Holmes yet it was he who pointed out that that right did not permit one to yell "fire" in a crowded theatre.

The art of living together in peace and harmony is the most difficult of all arts. It is not a science. It is beyond the realm of science. It rises out of the love of man for his fellow men. We all know the message that was sung to us in the first hour of Christmas. It was a message of assurance which marked out for us the path we must follow if we would have peace. The promise then, and the promise now, is that of peace on earth to men of good will. The art of living together and, therefore the art of democracy itself is an art which can only be perfected by men of good will and men who wish to be men of good will.

Governors of NYSE To Consider Permissive Incorporation Today

(Continued from page 1263)

new business to the floor of the Exchange and would enhance the value of seats on the exchange. However, to me, the matter of permissive incorporation is no longer important. Millions of new shares have come into the market and the Stock Exchange no longer needs to go out looking for new business. I have found, too, that the value of a seat is determined more by the general atmosphere on Wall Street than by any other single factor. Whatever reasons might have existed for incorporation in the past no longer exist. Besides, incorporation would expose the business to the influence of future demi-gods in government. The Stock Exchange, as at present constituted, operates under a unique charter and this freedom which the Exchange has is of greater significance to the members of the Exchange than any possible advantages incorporation might give them.

BROKER No. 22

I recognize the problem which is created by the inability of the junior partners to build up capital out of their earnings but permissive incorporation is no solution to the problem. I can see no tax advantage from incorporation that can be absolutely guaranteed.

Incorporation would make it difficult, too, for the Stock Exchange to discipline its members. Corporations would be continually dragging the Stock Exchange into court to prevent it from executing a disciplinary order and the likelihood is that the corporation laws of the state would prevail over the Stock Exchange rules.

Under incorporation, banks would become members of the Exchange. In time, they would dominate the industry. In Europe generally where banks can belong to exchanges, the banks run the exchanges, holding all the important offices. In Berlin, the Stock Exchange was a minor back office function of the banks.

BROKER No. 23

I have given no thought to the question at all. In fact, I am trying to find out something about it. If I had to vote on it now, I wouldn't know how to cast my ballot. If incorporation is permitted and it works, our firm might try it. There's just two of us in this business but neither one of us have any real opinion on the subject at the present time. I am on the floor of the Exchange most of the time myself and I can't say that the subject has been discussed much there, either.

BROKER No. 24

Despite all the meetings that have been held on this subject, despite all the thinking that has been done on it, I feel strongly that the question has not yet been adequately explored. The tax advantage is held up as the main argument for incorporation but I just can't see that such an advantage exists.

The junior partners of the very large firms think that under incorporation they would be less dependent upon the senior partners. However, the junior partners can build up their interest in the business now through the use of subordinate capital—limited liability capital that, of course, has prior claim upon the earnings of the firm.

A weakness in the partnership form of organization, however, is the fact that partners can not be bonded. Thus, the partners of any one firm can not get protection against the mistakes or the indiscretions of one another.

BROKER No. 25

It is very difficult for us to make up our minds on this subject. From a purely selfish point of view, our firm would have everything to gain from incorporation. From the point of view of the best interests of the industry, however, the partnership is probably best. There is no question but that the unlimited liability rule of the partnership gives both the industry and the public the greatest possible protection.

Young men in the business probably favor incorporation because it provides a certain guarantee of continuity to the organization with which they are affiliated—a continuity which is not to be found in the partnership to any appreciable extent. It is my own hope, however, that those who vote on this issue will consider it from the broad viewpoint of the entire industry, keeping in mind that it is the greatest good for the greatest number which should be the paramount consideration in this matter.

BROKER No. 26

I am definitely opposed to permissive incorporation. In the first place, the corporate form of organization is not suited to our industry where personal relationships figure so prominently. The work that we do is wholly professional in character. The limited liability of the corporation would harm this relationship.

In the second place, if it is true that with permissive incorporation 130 companies would seek admission into the New York Stock Exchange, then I ask why haven't these houses sought admittance before. Isn't it obvious that many over-the-counter firms would be buying seats only to be able to give the impression of having New York Stock Exchange approval of their activities by using the name of the Exchange in their letterheads?

Beside, any capital which conceivably might be built up by withholding earnings through the device of incorporation would be unwholesome capital since it would be subject to all kinds of legal rules and interpretations. But I doubt very much whether the tax authorities are going to allow any present firm to retain earnings tax-free merely by changing its name to a corporation. I can see where under certain circumstances—for instance, where stockholders, needing money, declare a dividend two or three years after deciding to withhold earnings—it would be possible to be required to pay as much as a 111% tax on these earnings. If a firm needs extra capital, let it go out and get another partner.

Labor's Achievements and Remaining Responsibilities

(Continued from page 1266)

form organizations for mutual aid and benefit—all of these rights have been given vitality by the bitter struggle of American workers. These rights are today, in most sections of our country, enjoyed not merely by workers who struggled and sacrificed to safeguard them but by all of our people, whatever their occupation or station in life.

Nothing in my entire association with the labor movement has given me so much lasting satisfaction as the victories of labor in the struggle for popular liberty. In vindicating its civil rights, labor has performed the highest service which free men owe to a free society. Labor has enriched our democratic heritage. It has erected a veritable bulwark against tyranny.

Labor's Great Contributions

Labor's contributions to the cause of democracy and civil rights find their counterpart in the achievement of labor in advancing our social progress. In those dark and not too distant days when organized labor was a hunted and oppressed group, the conditions in which men, women and children earned their bread were harsh and degrading. Through labor's struggles protective legislation was enacted in the various states to prevent the exploitation of women and children, to reduce the work day from 16 to 8 hours, to promote conditions of work that are safe and healthful. Labor is proud of its pioneer role in the field of welfare legislation, of its role in advancing the cause of security for the handicapped, the aged and the underprivileged.

I need not spell out the long list of legislative strides we have made in the direction of a better economy. Laws such as the Social Security Act, Federal Employers' Liability Act, Wage and Hour Act, and the Workmen's Compensation Acts in the various States, are now considered a minimum of protection for all of our people. Labor is proud that these legislative advances of the 20th Century are forever identified with its struggle and its progress just as it is proud of its role in the creation of a free public school system in the 19th Century.

It is without a spirit of boastfulness that I say that we in the CIO are particularly proud of our contribution to the welfare of all our people. I say "all our people" advisedly, for only the zealots and the fanatical labor baiters can deny the contributions of the CIO to the public welfare.

Advance toward our goals of peace and security is not easy. The enemies of the people are not all vanquished. The forces of special privilege are flushed with power, arrogant in their wealth, convinced that now the war is ended, they can return to profiteering and exploitation.

Big Business' Attack on Living Standards

We need only recall the fate of President Truman's program in the 79th Congress—what happened to minimum wages, social security, housing, FEPC, and OPA—to understand the renewed aggression of Big Business and the NAM against the living standards of the people.

In order to portray to you how powerful these interests are, I might summarize their control of American economy.

Five of America's largest financial institutions — the Morgan, Mellon, Rockefeller, DuPont and a small banking group control 31 of the largest manufacturing corporations. These large corporations are gobbling up the smaller ones every day.

Dairy products, food, meat, clothing—the things you and I eat and wear—are more and more grown, manufactured and sold by monopolies.

American jobs are dependent on the whims of absentee owners of giant corporations. These few producers employ nearly one-third of the American workers.

Today labor stands almost alone between you and complete domination by these powerful forces who control the radio, press and other agents of public information.

Already, through pressure on prices to secure more profits, bread, milk and meat are being taken from the mouths of American children. Those of you who work for wages know what is happening, through your experience at the grocery stores. In dollars and cents, your weekly wages have been reduced from $47.12 in April, 1945, to $43.10 in June, 1946, a loss of $4.02, in spite of your wage increases. Add to this cut in money earnings the rise in the cost of living, and we learn that factory workers have suffered an over-all cut of 18% in real earnings in a little over a year.

Congress' and OPA's failure to control prices have liquidated your increased hourly earnings. Living costs have increased around 6% in one month, with even greater increases in food costs.

The Greed for Profits

It is this greed for profits, this refusal to stabilize our economy, which will ultimately kill the goose which lays the golden egg. Producers of radios, cars, refrigerators, etc., cannot sell their products to men and women who do not have the money to buy.

Profits are up. A Department of Commerce report indicates that "over-all corporate profits for 1946 will be equal to any previous year." The report indicates also that cash dividends in April, 1946, were 10% higher than in April, 1945.

Reports for the second quarter of 1946, according to the National City Bank, show that profits are almost double those of the first quarter, and 12% higher than during the same period of 1945.

There is every indication that as full capacity approaches, corporations will make 1946 the Best Profit Year.

Meanwhile American workers are spending their meager savings to make ends meet. Federal Reserve Board reports show that 47% of our American families in 1945 had less than $2,000 a year income. The top 50% of our families in 1945 saved 97% of all savings. This leaves the lower 50% with only 3% of the savings. And the lowest 30% had no savings at all.

Obviously, this study in contrast involves more than its effects on industry and the worker. The destiny of every small businessman who is being squeezed to the wall, every white collar worker living on a subsistence level, every farmer, is joined with ours.

We have made much progress in advancing the cause of popular liberty but of course that struggle is not over. The struggle for freedom is an everlasting one if it is to be preserved and made meaningful to all of us.

Social Security Structure Needs Overhauling

The struggle for social progress is not over. Our Social Security structure, for example, is sadly in need of overhauling. We face dangerous national health hazards without a plan and without a program.

Our struggle for economic liberty is likewise our continuing responsibility. Workers today are again threatened by a bitter squeeze between rising prices and reduced earnings. Our living standards are in danger of being seriously depressed. In short, the economic liberty of all of us is threatened by greed and profiteering.

Those malefactors of great wealth who are bent upon despoiling our economy and appropriating its fruits must be checked. The legislative spokesmen for the N.A.M. and its satellites who wrecked OPA and who have further designs upon the living standards of America must be rebuffed at the polls. All of our people must join in a crusade—the worker, the housewife, the veteran—all of those whose modest needs for a decent life are being thwarted by profit-hungry lobbies must band together in a people's movement to restore our economic liberty, in a movement for a better America.

We must raise again the banner of that great crusader, Franklin D. Roosevelt, and rededicate ourselves to his ideals.

We must organize, we must educate, we must vote.

Keynesian Economics

(Continued from page 1264)

ous parts and the rights and obligations of its classes.

In order to satisfy its functions money must be issued in the production of goods and measure the value of the goods thus produced. Non-productive money, money issued without producing goods, derives its purchasing power by taking it away from the true money. As the amount of non-productive money issued increases, the purchasing power of the unit of money, the dollar in the United States, declines. While a certain amount of non-productive money can be absorbed, its continued issue will so reduce the purchasing power of the dollar as to reduce its value as a medium of exchange. The savings-investment expression will still be true while this is going on as it expresses monetary relations irrespective of the purchasing power of the dollar.

Each worker is entitled to a compensation that measures his contribution to the production of goods. Non-productive money by competing with the money received as wages reduces the purchasing power of this money and thus unjustly deprives workers of a fair wage. This conclusion also applies to investors with fixed incomes based upon the ownership of bonds, notes, and preferred stock.

The liquidation of the debt contracted through the use of non-productive money depresses business conditions. Thus the stimulation its issue creates will be offset in the future by its liquidation. Non-productive money is in fact not money (receipt for goods) but concealed tax demands, a method of taxation. The method is unfair. It is most unjust to the wage earning classes as it demands from them through higher prices, a relatively unfair part of their income.

There are other reasons why deficit spending is undesirable. And there are measures that will assure continuous full employment that are in accord with the mechanics and principles of our economic system. They are described in the aforementioned book.

New Economic Library,
1270 Broadway,
New York City, N. Y.,
Aug. 27, 1946.

JEROME LEVY.

Forecasts Revival of Price Support for Farm Commodities

(Continued from page 1271)

The accompanying chart shows clearly the great expansion of farm output during the last few years—far higher as compared with prewar than in World War I. Although it is obvious that production of some farm commodities, such as meat, is not currently large enough to supply the demand at ceiling prices, it is also true that purchases of wheat and livestock products for relief and other export purposes have been an important market influence. Factors in the supply-demand situation vary considerably with the commodity, but it is well to take a look at the commitments for price support and the means of implementation, should these become necessary.

The law now provides that for two years following the Jan. 1 after the President or the Congress has declared the end of hostilities the government will support prices to producers for basic crops at 90% of parity (92½% for cotton); that it will support prices at not less than 90% of parity for Steagall amendment commodities; and that it will give price protection to other products on a comparable basis. The basic commodities are those named in the Agricultural Adjustment Act of 1938 as amended and include corn, wheat, cotton, tobacco, rice, and peanuts. The Steagall amendment legislation, approved in 1941, directed the Secretary of Agriculture, whenever he found it necessary to encourage the production of certain crops, to support the prices thereof and to give advance notice should a downward adjustment be necessary later. The so-called Steagall commodities are hogs, eggs, chickens (with certain exceptions) and turkeys, milk and butterfat, dry peas and dry edible beans of certain varieties, soy beans, peanuts and flax seed for oil, American-Egyptian cotton, potatoes, and sweet potatoes. Among the numerous other agricultural commodities for which support prices have been announced are wool, naval stores, sugar beets, sugar cane, certain fruits and vegetables for processing, barley, grain sorghums, and others.

Present legislation authorizes three principal means of implementing these price support commitments. For the basic commodities the Commodity Credit Corporation is directed to make available loans at the prescribed rates, if producers have not disapproved marketing quotas for the commodity. Thus growers can store their surplus under government loans, which are of the non-recourse type. If farmers do not wish to repay them, they can let the government take the pledged crops as payment and have no further liability. Potentially, therefore, the loan program is a purchase program. When acreage allotments and marketing quotas are in effect, as outlined in the Agricultural Adjustment Act of 1938, loans at the prescribed rates are available only to cooperating farmers, as are the conservation payments. Marketing quotas are proposed by the Agricultural Adjustment Administration and can be put into effect only if two-thirds or more of the producers who vote in a referendum are in favor. These devices are the means on which the government may in the future have to rely in reducing the loan funds required and therefore in alleviating the burden on the Treasury.

For Steagall commodities the Secretary of Agriculture is authorized to support prices through a commodity loan, purchase, or other operation. It leaves the particular method for administrative determination. A variety of support mechanisms have already been employed. Recently the announced price support levels for many commodities have been above parity, ranging up to 130% of parity for milk and butterfat. Thus, a reduction in the support prices for certain commodities may be announced where the previous support price was above 90% of parity. Although the law is not clear, it has been interpreted to allow the Secretary to impose production adjustment conditions related to changes in production needs. This would make the position of the Steagall commodities comparable to that of the basic commodities. With respect to price support for commodities other than the basic and Steagall commodities, the law provides that lending and purchase operations shall be carried out to the extent that funds for such operations are available, after taking into account the operations with respect to basic and Steagall commodities and the ability of producers to bring supply into line with demand.

Another main feature of farm price legislation is the marketing agreement system. Several laws authorize the Secretary of Agriculture to enter into marketing agreements with producers, processors, and distributors. These agreements, in effect, regulate the market in such a way that producers' prices are maintained at desired levels. These agreements frequently include provisions for affecting prices by the diversion of supplies to special channels, such as relief consumption, industrial utilization, and exports. Funds are provided by various laws for surplus removal activities, including a provision that 30% of annual customs receipts shall be made available to the Secretary of Agriculture for this purpose.

The commitment to support all important farm commodities at 90% of parity (the support price for Steagall commodities may exceed 90% of parity) or at a comparable price could involve a tremendous financial burden to the Federal Treasury as well as difficult problems in the long-term adjustment of supply to demand. The support prices, as defined, are in most instances highly profitable to the farmer and are hence conducive to sustained high production. Other factors mentioned previously also tend to maintain farm output, if not to increase it. High prices in this country, moreover, reduce the domestic as well as the foreign demand for American farm commodities. Much thought is being given to alternative programs that would eliminate some of the difficulties of maintaining farm prices at uneconomically high levels and yet that would at the same time return to the farmer an income commensurate with that obtained in other economic pursuits.

Frederic Cammann Dead

Frederic A. Cammann, retired New York investment broker, died in Mercer Hospital, Trenton, N. J. after a brief illness. Mr. Cammann in the past was a partner in Tappin, Rose & Cammann and Rose, Cammann & Co.

AFL Head Discusses Labor During Past and Coming Year

(Continued from page 1266)

It is part of our job to help the weaker nations to get back on their feet, and we will not count the price too high if by these efforts we serve the cause of lasting world peace.

Above all we recognize the truth that war is the greatest enemy of mankind and that without enduring peace the strivings of labor to raise the standard of life and work of the nation's wage earners can be of no avail.

Workers Must Produce

During the early part of this year, the members of the American Federation of Labor won substantial increases in wage rates to compensate them for the loss of overtime pay which they enjoyed during the war production drive. However, the soaring cost of living has, to a large extent, cancelled these gains unless prices can be pushed back to their normal levels. This can only be accomplished by greatly expanded production to end existing shortages. It is, therefore, to the interest of all American workers to boost production by every means possible.

Fortunately, the mass unemployment which loomed threateningly after V-J Day failed to materialize. Despite the return of millions of members of the armed forces to civilian life, jobs are plentiful. As production hits high gear, the gateways to more and better employment opportunities will increase. Unless the tide of inflation breaks bounds and engulfs our economy, the danger of a postwar depression will be avoided.

Legislative Program Defeated

On the legislative front, labor has attained little progress during the year. We had hoped for broadening of our social security system and for the inauguration of national health insurance, but Congress failed us. We strove for the enactment of a long-range housing program which would permit the construction of millions of badly needed new homes during the next 10 years, but Congress fell down on the job. On the other hand, labor was forced to defend itself against a series of hostile moves by Congress which would have undermined the freedom of American workers and handcuffed the trade union movement. Fortunately, the worst of these measures were defeated or vetoed.

In the year ahead, organized labor must concentrate greater effort to win public opinion to its side. The trade union movement enjoys the confidence of the Nation's workers to a degree never before attained. This is evidenced by increasing memberships and the results of collective bargaining elections. The membership of the American Federation of Labor now stands at an all-time high of more than seven million.

Enemies of Labor

We believe that when the public generally understands the high goals sought by labor and the valuable services rendered to the Nation by the trade union movement, it will reject the flood of anti-labor propaganda which reactionary forces have poured out against us. Our enemies are making a last-ditch fight to halt the clock of progress and revive Fascism in this country. They are backed by vast wealth and abundant resources. But the truth will overcome them. And the American people, endowed with good common sense, will recognize and understand the truth before long.

Transition Accomplishments No Cause for Pride, Says Guaranty Trust Co.

(Continued from page 1269)

needs than they have been in the past.

"When the country entered the reconversion period a year ago, it was believed that the most critical problem to be faced would be that of maintaining employment. With war production about to drop swiftly, and with millions of men and women about to be discharged from the armed services, it seemed impossible that industry could provide enough jobs soon enough to keep the labor force occupied. Happily, these fears have not been borne out. The unemployment peak, according to official estimates, was reached in March at 2.71 million; and by May the figure had declined to 2.31 million. As a result, total wage and salary payments declined only about 13% between the second quarter of 1945 and the first quarter of this year.

Wage-Price Policy and Industrial Disputes

"In other directions, the fears expressed at the beginning of the transition period have proved only too well warranted. The wage-price policy announced by the President at the end of the war and the President's labor-management conference on industrial relations failed to provide a foundation for the industrial harmony that was recognized as essential to quick reconversion. Instead, government officials and agencies issued statements concerning wage-price relationships that were interpreted by labor organizations as a virtual invitation to make wage demands which management found it impossible to grant without some assurance as to compensatory price adjustments.

"The resulting wave of strikes quickly attained a magnitude that forced a hasty revision of the government's wage-price policy—a revision that was 'too little and too late.'

"Although the great nation-wide strikes are over for the time being, innumerable scattered disputes have continued to hamper the industrial transition. The aggregate effect of the disturbances cannot be precisely measured, but it has unquestionably been to delay reconversion in some vitally important industries for a period of months. The National Association of Manufacturers recently estimated that more than 100 million man-days of labor had been lost through strikes since 'V-J Day' and that basic industries were from 21 to 73% behind their 1946 production schedules.

Governmental Transition

"The government's transition from war to peace is still far from being completed. The fiscal year 1946 ended on June 30 with a budget deficit of about $22 billion, resulting from expenditures of $65 billion and receipts of $43 billion. War expenditures alone were running at the annual rate of $22 billion during the last quarter of the fiscal year. Early forecasts for the current fiscal period indicate another deficit, and efforts now seem to be concentrated on achieving a balance in 1947-1948.

"In the matter of surplus disposal also, progress is slow. Government war plants sold or leased prior to May 31 of this year accounted, on an original-cost basis, for only one-eighth of the plants that are expected eventually to be disposed of. About half of the potentially surplus plants, accounting for more than two-thirds of the government's financial investment, have not yet been declared surplus.

"The process of contract termination has progressed more rapidly, although it is by no means completed. Work on more than 90% of the number of contracts in the 'V-J Day load'—contracts pending settlement on that date or canceled thereafter—had been completed by the end of May, 1946."

Rate for Bankers' Acceptances Raised

The buying rate for bankers' acceptances has been raised by the Federal Reserve Bank of New York with the establishment of a minimum rate of 1% effective Aug. 24. The previous rates had been ¾% for 90 day paper; ⅞% for 120 day paper and 1% for 180 day bills. The new rate is the second upward revision since mid-July when ½% was quoted on the 90 day bills; ¾% for the 120 day paper, and 1% for 180 day bills said the "Wall Street Journal" of Aug. 24, which went on to say:

"The Reserve Bank's action followed an increase Thursday by banks and dealers in acceptance rates.

"The Reserve Bank normally quotes a somewhat higher buying rate than that prevailing in the open market for acceptances to discourage member banks from discounting bills to obtain additional funds.

"In setting the new minimum rate of 1% the bank discontinued specific quotations on various classes of bills as determined by their length of maturity. Thus in effect it served notice that it will accept a discount of not less than 1% but may seek more.

"The new minimum rate of the bank is ⅛ point higher than the dealers' quotes on 90 day paper.

"Bankers acceptances are used by sellers of merchandise to get money for their goods before the buyers are ready to pay. The seller draws a draft on the buyer's bank for the amount involved for payment on a certain date. The bank stamps the draft 'accepted,' guaranteeing the payment. Accepted drafts have a ready sale to banks and others."

Stark Succeeds Gottesman In N. Y. OPA Post

Sidney S. Stark has been appointed Chief Enforcement Attorney of the New York district of the Office of Price Administration, it was announced on Aug. 29 by David J. Williams, District Director, according to the New York "Times" of Aug. 30, whose advices continue, further said:

"Mr. Stark will take over on Sept. 3 the duties of Callman Gottesman, who is resigning from OPA to resume the private practice of law.

"Mr. Stark, 38 years old, has been with the OPA since 1942. He was District Enforcement Chief at Trenton, N. J., before coming to New York as head of the five-State regional apparel and industrial materials enforcement section. More recently he has been deputy regional enforcement executive here. Mr. Stark received his A.B. and LL.B. degrees at the University of Pennsylvania.

"As District Enforcement Chief, Mr. Stark will supervise all litigation against price and rationing violators in this city and the counties of Nassau, Suffolk, Westchester, Putnam, Dutchess, Orange and Rockland."

Tomorrow's Markets Walter Whyte Says—

By WALTER WHYTE

Market break through all previous points of resistance changes picture radically. Good stocks may be bought back cheaper. Bad stocks are no bargain at any price.

Now that the market is down they're all coming out of the woodwork with explanations and theories. The most widely accepted theory is that the Russians are shaking the peace and that war is inevitable.

* * *

My pipelines are all snafued so nothing comes through, either from Moscow, Washington or the Paris Peace Conference. But I'll venture a guess that the boys who are shouting off their mouths know as little about the future as this writer.

* * *

How the whole thing will work out, whether it will be across a conference table or a battlefield, I don't pretend to know. But already the calamity howlers are screaming that it will be through force of arms. By a process of reasoning that is mysterious to me a war is interpreted as bearish. God knows I'm not clamoring for a war. I have a son who is likely to be pulled into it. However, I recall, and it doesn't take any feats of memory, that the last war was anything but bearish; neither was the war before that.

* * *

Domestically the picture is equally confused. Stocks go up in anticipation of earnings which may come about through better business or through new developments, i.e., inventions, that will be translated into better business. We all know that there is a huge backlog of potential demand in existance today—that should mean bigger profits and higher stock markets. We also have been taught that during a period of inflation common stocks must inevitably go higher. So we have the two requisities necessary for an advancing market. So why, you ask, does the market go down?

* * *

Because I don't know what to make of the foreign picture I will disregard it as a market factor. But the domestic angle is a different story. It's no secret that we have inflation. There are two factors, however, which nullify its effects.

* * *

Despite the tremendous demand for goods, producers are not producing for the market. Warehouses are jammed and foreign markets are being courted. The potential American buyer is being disregarded either through intent or accident. A few days ago we read that an auto company had labor trouble because its workers refused to put right hand drives on cars for the export trade. They wanted to buy the cars themselves. But assuming that cars were available for the home market the money with which to buy them is slowly but surely being drained off for necessities. The price structure is now fantastic. The spiral of prices that marks the boom and bust era is no longer a nightmare of the future. It is here. Its market significance is gradually becoming apparent.

* * *

When I wrote last week's column I said that up to the moment of writing the market looked okay. I didn't know if it would be okay a few days later. The market gave its own answer, but we were already committed. Last Thursday the stock tape took on a color I didn't like. By Friday its course was no longer in doubt. Having broken through the 195 figure (which I no longer consider important) it signalled a new phase. It now points to a possible decline to around the 180 level, and no certainty of holding there. Action is similar to market of 1937. If you want to know what happened then, look it up and draw your own analogy.

* * *

It's not easy to pull away from a market that has changed its complexion, but that is exactly what I'm advising you to do. I think there will be a rally but I don't know how far or how long it will go. On rally I suggest liquidating. You now have Bethlehem at 107 (I'm taking median prices on all ranges), International Paper 46, Jones & Laughlin 47, N. Y. Shipbuilding 18, Republic Steel 36 and Standard of New Jersey at 76. On rally back to buying price get out. This may mean losses, but losses now may be better than losses later.

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.]

American Woman Tutor For Hirohito's Son

Mrs. Elizabeth Gray Vining has been chosen by the State Department at Washington as the American tutor for the Crown Prince of Japan. Mrs. Vining was reported as saying that she would be only one of several tutors for the 12-year-old Crown Prince and that she would teach English and American literature. Advices to this effect were contained in an Associated Press account from New London, Conn., published in the New York "Times," of Aug. 28, from which we take the following:

Mrs. Vining, a widow and who hails from Philadelphia and is the author of children's books, was happy, but somewhat astonished, by her selection by the State Department to serve as a tutor for the Crown Prince. She is going to Japan, her first visit to that country, filled with zeal for her unexpected assignment.

"It is a great opportunity and responsibility," she said today. She is vacationing at a farm here.

"I feel quite awed, but happy, and I hope I can contribute to the peace and understanding of the world."

The Crown Prince at present attends the Peers' School, a private institution for sons of Japan's nobility.

Mrs. Vining said that she assumed the Crown Prince knew some English.

"I cannot say just now where I will begin until I find out just what stage of study he has reached," she explained. "I will teach him the stories every American school child knows; stories of Washington and of Longfellow and of American thoughts and ideals. The emphasis will be on a world without war and nations working together for peace."

Mrs. Vining, who will be the Crown Prince's only American tuotor, will leave for Japan in the fall.

Reference to a request by Emperor Hirohito made to members of the American Education Mission, then at Tokyo, to recommend an American tutor for the Crown Prince, appeared in our issue of April 18, page 2135.

Broker-Dealer Personnel Items

(Continued from page 1275)

(Special to THE FINANCIAL CHRONICLE)

PORTLAND, MAINE — **Raymond B. Dunn** and **George R. Meehan** are now connected with **Timberlake & Co.**, 191 Middle St.

(Special to THE FINANCIAL CHRONICLE)

PORTLAND, ORE. — **Bruce Kelly** has joined the staff of **Sloan & Wilcox**, U. S. Bank Building.

(Special to THE FINANCIAL CHRONICLE)

PORTLAND, ORE. — **Leonard W. Andrus** has joined the staff of **Pacific Northwest Company**, Wilcox Building.

(Special to THE FINANCIAL CHRONICLE)

RALEIGH, N. C. — **Paul O. Latham** is with **First Securities Corporation**, 111 Corcoran Street, Durham, N. C.

(Special to THE FINANCIAL CHRONICLE)

RALEIGH, N. C.—**Fred H. Cutts** has become associated with **Kirchofer & Arnold, Inc.**, Insurance Building.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, CALIF. — **Kingdon G. Graham** is with **Hill Richards & Co.**, 1 Montgomery Street.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, CALIF. — **Truman W. Carrithers** is now with **Wilson, Johnson & Higgins**, 300 Montgomery Street.

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, MO. — **Thomas H. Kelley** has become associated with **Fusz-Schmelzle & Co.**, Boatmen's Bank Building. He was previously with J. W. Brady & Co.

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, MO.—**Franklin H. White** has become affiliated with **Goldman, Sachs & Co.**, Boatmen's Bank Building. He was formerly for many years with Stifel, Nicolaus & Co., Inc.

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, MO.—**Kenneth W. Kuhlman** has joined the staff of **Herrick, Waddell & Co., Inc.**, 418 Locust Street.

(Special to THE FINANCIAL CHRONICLE)

ST. PAUL, MINN. — **Cecil J. Manahan** is with **Feromack Securities Corp.**, Pioneer Building.

(Special to THE FINANCIAL CHRONICLE)

ST. PETERSBURG, FLA. — **Jack H. Evans** is with **Merrill Lynch, Pierce, Fenner & Beane**, 568 Central Avenue.

(Special to THE FINANCIAL CHRONICLE)

ST. PETERSBURG, FLA. — **R. Craig Rowland** is affiliated with **W. H. Heagerty & Co.**, Florida Theatre Building.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, CALIF. — **Alfred F. Kelly, William F. Osgood, P. R. Palmer, Emil Pikich,** and **Van Syckle Trefethen** have been added to the staff of **Bacon & Co.**, 256 Montgomery Street.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, CALIF.— **William H. Slocumb** has been added to the staff of **First California Company**, 300 Montgomery Street.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, CALIF.— **M. C. Cozzens, Henry S. Miller** and **Robert S. Scalley** have become affiliated with **Dean Witter & Co.**, 45 Montgomery Street.

(Special to THE FINANCIAL CHRONICLE)

SAVANNAH, GA. — **Richard M. Stone** is with **Southern Securities Corp.**

(Special to THE FINANCIAL CHRONICLE)

SOUTHERN PINES, N. C.— **James W. Causey** and **Anton Reese** have been added to the staff of **J. H. Goddard & Co.** of Boston.

Exchange Tickers to Show Symbols for Bankrupt Firms

Beginning Monday, Sept. 9, ticker symbols for securities of companies reported to the New York Stock Exchange as being in receivership or bankruptcy proceedings will be preceded by the letter "Q." The New York Stock Exchange announced on Aug. 27, that it "is adopting this practice to further its efforts in keeping security holders and the investing public informed of the status of listed companies, supplementing the present practice on the part of newspaper and statistical agencies to designate securities of companies in this category by a special symbol in their quotation tables." The notice of the Exchange, by John C. Korn, Acting Secretary, further said:

"Upon receipt of authoritative advice that a company has gone into bankruptcy or receivership proceedings, the New York Stock Exchange sends out a ticker notice to this effect. Beginning Sept. 9, the ticker symbol for stocks and bonds of such companies will be changed by the addition of the preliminary letter 'Q.' This prefix 'Q' will indicate that the issuing company (or the company assuming the issue) has been reported to the New York Stock Exchange to be in receivership or to be in proceedings for reorganization, arrangement or liquidation under Federal statutes relating to bankruptcy or to the relief of debtors. It will not be used in connection with the ticker symbol for new securities issued pursuant to or securities unaffected by a plan of reorganization or arrangement which has been confirmed, even though proceedings have not yet been finally terminated.

"As an example of how this designation will be made, the Common Stock of Central Railroad of New Jersey, heretofore designated as NJC, will appear on the ticker tape as QNJC. The Common Stock of Childs Company, heretofore designated CDI, will hereafter be designated QCDI. The Common Stock of Equitable Office Building, heretofore designated as EQ, will hereafter be designated as QEQ. Bonds of companies undergoing proceedings of like nature will be treated in a similar manner by adding the prefix 'Q' to the usual symbol."

Adopting the same procedure, and also beginning on Sept. 9, the New York Curb Excchange has announced that it too, will precede the symbols of all companies in receivership or bankruptcy proceedings with the letter "Q." The announcement of the Curb Exchange also said in part:

"Companies and issues coming under this ruling will be the various stock and bond issues of Central States Electric Corporation; certificates of deposit for 5% bonds due 1927 of Chicago Railways Company; the 7% preferred stock of Childs Company; and various bond issues of the International Power Securities Corporation.

"The prefix 'Q' will indicate that the issuing company, or the company assuming the issue, has been reported to the New York Curb Exchange as being in receivership or in proceedings for reorganization, arrangement or liquidation under Federal statutes relating to bankruptcy or to the relief of debtors."

Securities Now in Registration

● **INDICATES ADDITIONS SINCE PREVIOUS ISSUE**

Acme Electric Corp., Cuba, N. Y. (10/21)
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.

● **Acme-Hamilton Mfg. Corp., Trenton, N. J. (9/17)**
Aug. 29 filed 50,000 shares 5% cumulative preferred stock ($20 par) and 82,000 shares ($1 par) common stock. **Underwriters**—G. L. Ohrstrom & Co. and S. R. Livingstone & Co. **Offering**—Company is offering the 50,000 shares of preferred, while the 82,000 shares of common are being sold for the account of certain stockholders. **Prices**—$20 a share for the preferred, and $11.50 a share for the common. **Proceeds**—Company will apply the proceeds from the sale of the preferred stock to fully discharge secured demand notes, mortgage notes and partial discharge of debenture indebtedness. **Business**—Principal products are the manufacture of conveyor belting, tubing and hose.

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.

Aerovox Corp., Bedford, Mass.
Aug. 22 filed $1,500,000 of 5% sinking fund debentures, due 1961, and 50,000 shares ($1 par) common stock. **Underwriter**—Ames, Emerich & Co., Inc., and Dempsey & Co., Chicago. **Offering**—The debentures will be offered publicly. The common shares will be issuable upon the exercise of stock purchase warrants for purchase of common stock at $2 a share above the bid price of such common on the effective date of the registration. Company will sell warrants for 25,000 common shares to the underwriters at 10 cents a warrant. The remaining warrants will be sold to officers and employees of the company. **Price**—Debentures at 100. **Proceeds**—Company will use $1,025,000 of proceeds of debs. for payment of an indebtedness to Bankers Trust Co., New York. Balance, estimated at $373,680, will be added to working capital.

Air Cargo Transport Corp., New York
June 19 filed 400,000 shares ($1 par) common stock. **Underwriters**—None. Price $3 per share. **Proceeds**—Of the proceeds company will use $60,000 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 (9/10)
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.

● **Algonquin Publishing Co., Inc., New York**
Aug. 28 (letter of notification) 10,000 shares of 5% cumulative convertible preferred and 25,000 shares of common, of which 10,000 share are reserved for conversion privilege. Only preferred being offered. No underwriters. **Offering**—Price $10 a share. Proceeds for purchasing plates, dies, authors' royalties, publishing rights, etc.

Allis-Chalmers Manufacturing Co. (9/16)
July 26 filed 359,373 shares ($100 par) cumulative convertible 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. **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
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.

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 Coils Co., Newark, N. J.**
Aug. 27 (letter of notification) 2,000 shares of $100 par 6% cumulative convertible preferred and 500 shares (no par) Class A common. **Offering**—Price $100 a preferred share and $95 a common share. No underwriting. For payment of certain obligations and to increase cash funds.

American Colortype Co., Clifton, N. J.
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 Frozen Food Lockers, Inc., White Plains, N. Y.
Aug. 22 (letter of notification) 5,000 shares of 6% convertible preferred stock ($10 par) and 70,000 shares ($1 par) common. No underwriters. **Offering**—Prices $10 a share for preferred and $2 a share for common. Proceeds to pay off notes and loans, and for working capital and inventories.

American Locomotive Co., New York (10/1-4)
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 Metal Finishing Co., Grand Rapids, Mich.**
Aug. 26 (letter of notification) 42,000 shares ($1 par) common stock (restricted). No underwriter. 39,300 shares to be sold for cash at $1 a share; 2,700 shares to be issued to pay for services rendered prior to incorporation. Proceeds for working capital.

● **American Paper Goods Co., Kensington, Conn.**
Aug. 27 (letter of notification) 6,000 shares ($25 par) common. Underwriter, none. **Price**—$48 a share. Proceeds for working capital and payment of bank indebtedness.

American Time Corp., Springfield, Mass. (9/9-13)
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.

● **Ansley Radio Corp., Trenton, N. J. (9/17)**
Aug. 29 filed 70,000 shares of Class A cumulative convertible preferred stock ($5 par) and 120,000 shares of common (50c par). **Underwriter**—Amos Treat & Co. **Offering**—To the public in units of one share of preferred and one share of common. **Prices**—$6 a share for preferred and $1 a share for common. **Proceeds**—To retire bank loans of approximately $100,000, to purchase wood-working machinery and for working capital. **Business**—Manufacture and sale of AC-DC electric phonographs and radio-phonograph combinations.

Arkansas Western Gas Co.
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.

(Continued on page 1298)

(Continued from page 1297)

Arkansas Western Gas Co.

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.

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.

● **Blue Bell, Inc., Greensboro, N. C.**

Aug. 26 (letter of notification) 8,742 shares ($5 par) common. No underwriter. **Price**—$12.50 a share. Proceeds to increase working capital.

Blum (Philip) & Co., Inc., Chicago (9/5)

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. Of the above 15,000 shares will be reserved for a limited time for possible sale to officers and employees of company and subsidiaries. **Proceeds**—Payment on bank loans and notes and for working capital.

Briggs & Stratton Corp., Milwaukee

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

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**—19,079 preferred shares will be offered to 6% preferred stock on a share for share exchange basis. Shares not issued in exchange plus 15,921 additional will be offered 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 322,521 shares to the underwriters for public offering. **Price**—Preferred $103.50 a share; common $26.50 a share. **Proceeds**—Net proceeds to the company will be used to redeem unexchanged shares of 6% preferred at 110% and for increasing general corporate funds.

California Oregon Power Co.

May 24 filed 312,000 shares of common stock (no par). Stock will be sold through competitive bidding. **Underwriters**—Names by amendment. Probable bidders include Blyth & Co., Inc.; The First Boston Corp.; Harriman Ripley & Co. **Offering**—Stock is being sold by Standard Gas and Electric Co., parent, of California. **Bids Rejected**—Standard Gas & Electric Co. rejected June 25 two bids for the purchase of the stock as unsatisfactory. Blyth & Co., Inc., and First Boston Corp. bid of $28.33 a share, and Harriman Ripley & Co. bid of $24.031 a share. Stock will again be put up for sale when market conditions improve.

Camfield Mfg. Co., Grand Haven, Mich. (9/16-20)

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

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.

● **Capitol Liquors, Inc., Omaha, Neb.**

Aug. 28 (letter of notification) 140 shares of preferred and 4,200 shares of common. **Offering**—Price $1,000 a preferred share and $10 a common share. No underwriting. The company will receive proceeds from the sale of common and from the sale of 80 shares of the preferred. The remaining shares of preferred are being sold by stockholders. The company will use its proceeds as additional working capital.

Carscor Porcupine Gold Mines, Ltd., of Toronto, Ontario

June 24 filed 400,000 shares of common stock. **Underwriter**—Registrant will supply name of an American underwriter by post-effective amendment. **Offering**—To the public at $1 a share in Canadian funds. **Proceeds**—For a variety of purposes in connection with exploration, sinking of shafts, diamond drilling and working capital.

Central Electric & Gas Co., Sioux Falls, S. D.

May 29 filed 35,000 shares of $2 cumulative preferred stock, series A (no par), but with a stated value of $50 a share, and 175,000 shares of common stock (par $1). **Underwriter**—Paine, Webber, Jackson & Curtis, Chicago. **Offering**—The stocks will be offered to the public at prices to be supplied by amendment. **Proceeds**—To pay off $3,000,000 loan from First National Bank Chicago and Harris Trust and Savings Bank, Chicago, balance working capital.

Central Illinois Public Service Co., Springfield, Ill.

Aug. 14 filed 150,000 shares ($100 par) cumulative preferred stock. **Underwriter**—To be determined by competitive bidding. Probable bidders include Dillon, Read & Co., Inc.; Smith, Barney & Co., White, Weld & Co.; Glore, Forgan & Co.; Lehman Brothers and Lazard, Freres & Co. (jointly). **Offering**—New preferred stock will be offered on a share for share exchange basis to holders of its old preferred stock other than the Middle West Corp. which holds 38,564 shares of such stock. If more than 150,000 shares of old preferred stock are deposited for exchange the number of shares to be exchanged will be pro rated. Shares of new preferred not issued in exchange will be sold to underwriters. **Proceeds**—Net proceeds from sale of shares not issued in exchange will be used to redeem old preferred at $110 a share and accrued dividends.

Central Louisiana Elec. Co., Inc., Alexandria, La.

July 24 filed 20,000 shares ($10 par) common stock. **Underwriting**—Not underwritten. **Offering**—Shares are offered for subscription to common stockholders at the rate of one share for each four held at $28.50 per share. Unsubscribed shares, to the extent of 1,500 shares, will be offered to officers, directors and employees. Any remaining shares may be sold for cash to underwriters. **Proceeds**—For payment of bank loan and for construction purposes.

● **Central & South West Utilities Co. (9/18)**

Aug. 30 filed its ($5 par) capital stock. Company's name is to be changed by post effective amendment to Central & South West Corp. (Del.) Prospectus will be issued in connection with the public invitation for sealed bids for the purchase of a sufficient number of such shares as same will be constituted upon consummation of a proposed merger into the issuer of American Public Service Co., to provide funds for retiring the preference shares of the issuer and American Public Service Co., not exchanged for shares of the merged corporation. Underwriters by amendment. 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). Price by amendment. **Business**—Public utility holding company.

Central Soya Co., Inc., Fort Wayne, Ind. (9/17)

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.

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. Offering temporarily postponed.

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.

● **Clary Multiplier Corp., Los Angeles (9/23)**
Sept. 3 filed 150,000 shares 5½% cumulative convertible preferred stock (par $5). **Underwriting**—Maxwell, Marshall & Co., Los Angeles. **Price**—$5.25 a share. **Proceeds**—Net proceeds, estimated at $650,000, will be used to repay a $90,000 bank loan, to construct a factory and office building at San Gabriel, Calif., at a cost of about $250,000, and to purchase additional equipment, estimated at $250,000. The balance will be added to working capital. **Business**—Production of adding machine multiplier and other products.

Climax Industries, Inc., Chicago
Aug. 28 filed 150,000 shares 5% convertible cumulative preferred ($10 par) and 250,000 shares ($1 par) outstanding common stock. **Underwriter**—Brailsford & Co. **Offering**—company is offering the preferred and General Finance Corp., issuer's sole stockholder, is offering the common for its own account. Prices by amendment. Proceeds of preferred to pay company's indebtedness to General Finance Corp., purchase equipment and real estate and for additional working capital.

Clinton Industries, Inc., St. Louis
June 19 filed 60,000 shares of capital stock (par $1). **Underwriters**—No underwriters. **Offering**—The shares will be offered to executives and key employees of company upon the exercise of options for purchase of such stock. **Price**—Options already issued provide for the purchase of the capital stock at $16.66⅔ a share. **Proceeds**—To be added to general funds.

Colonial Sand & Stone Co., Inc., N. Y. (9/16-27)
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.

Colorado Milling & Elevator Co., Denver, Colo. (9/17)
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.

Columbia Aircraft Products Inc., Somerville, N. J. (9/18)
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 offered 59,585⅓ shares for subscription to present common stockholders of record Aug. 6 at $4.50 a share in the ratio of one share of preferred for each share of common held. Rights expired Aug. 20. The offering to common stockholders excluded the two principal stockholders who waived their rights to subscribe. The remaining 90,414⅔ shares and 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. (9/9)
Aug. 8 filed $77,500,000 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. for both issues and Salomon Brothers & Hutzler; Shields & Co., and Dick & Merle-Smith (jointly) for the serial debentures. **Bids Invited**—Company will receive bids for the purchase of the foregoing debentures up to noon EDST Sept. 9, at its office 61 Broadway, New York City, the coupon rates to be specified on the bids.

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
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. (9/10)
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. **Bids Invited**—Company will receive bids up to noon EDST Sept. 10 at office of Commonwealth & Southern Corp. (N. Y.) for the sale of additional common stock as will produce net cash proceed to the company in the amount of $20,000,000.

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.
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. (9/16-20)
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
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.

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. (9/16-20)
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 62,000 shares ($25 par) 5% cumulative preferred stock and 71,950 shares (par $2) common stock 40,000 by company and 31,950 by certain stockholders. **Underwriters**—Paul H. Davis & Co., and Shillinglaw, Bolger & Co., Chicago. Price by amendment. **Proceeds**—Company will use proceeds, together with a $1,000,000 bank loan, to purchase machinery, buildings and to retire bank indebtedness. Temporarily postponed.

● **Dansaire Corp., Dansville, N. Y.**
Aug. 29 (letter of notification) 300 shares of 7% regular preferred stock, 3,000 shares of 7% participating preferred stock and 1,700 shares of common stock (7%). This is a recission as the stock was inadvertently sold, in part, outside of New York State in violation of the Securities Act of 1933.

● **Debutante Register Club, New York**
Aug. 30 Stuart I. Whitmarsh, trading as Debutante Register Club (letter of notification) 1,000 units of participating membership. **Offering**—Price $100 a unit. No underwriting. For operation of business.

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.

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.
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. Indefinitely postponed.

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.

● **Dumont Electric Corp., New York (9/17)**
Aug. 29 filed 94,000 shares of common stock (par 10c). **Underwriter** — First Colony Corp. **Offering** — 25,000 shares being offered by Dumont Electric Corp., and 69,000 shares by Dumont Electric Co., a limited partnership. Price by amendment. **Proceeds**—Net proceeds from the sale of the company's 25,000 shares will be used for general corporate purposes. **Business**—Manufacture of radio and electric capacitors.

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. May be placed privately. Price by amendment. **Proceeds**—From sale of company's 100,000 shares for purchase of inventory, payrolls, and working capital.

Empire Millwork Corp., New York
Aug. 28 filed 50,000 shares of $1.25 cumulative convertible preferred stock, (par $25) and 150,000 shares of common stock (par $1). **Underwriters**—Van Alstyne, Noel & Co. **Proceeds**—Corporation will receive the proceeds from the issuance of 50,000 shares of the common stock which will be used to increase productive capacity, add new lines of products and expand the business. The remaining 100,000 shares of common stock and the preferred shares will be sold by present stockholders.

● **Engineering Laboratories, Inc., Tulsa, Okla.**
Aug. 26 (letter of notification) 60,000 shares of $5 par common. No underwriter. **Offering**—Price $5 a share. Proceeds to increase working capital.

Engineers Waterworks Corp., Harrisburg, Pa.
June 24 (letter of notification) $275,000 4% debentures due 1971. **Underwriters**—C. C. Collings & Co., and Stroud & Co., Inc., Philadelphia. Price, $101. Proceeds for purchase of additional water properties or their securities and for other corporate purposes.

Fashion Frocks, Inc.
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.

Fate-Root-Heath Co., Plymouth, O.
Aug. 20 (letter of notification) 7,604 shares ($1 par) common on behalf of the company and 6,896 shares on behalf of selling shareholders. **Offering**—Price $14.50 a share. **Underwriter**—Livingston, Williams & Co., Inc.; First Cleveland Corp.; and Cunningham & Co. Company will use its proceeds for purchase of additional machinery and equipment, plant improvement and other corporate purposes.

Fidelity & Guaranty Fire Corp., Baltimore
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.

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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 (9/23)

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.

● **First Investors Shares Corp., New York**

Aug. 30 filed for maximum aggregate payments of $5,160,000 under periodic payment plans with insurance protection, referred to as "DW" plans; $11,460,000 under periodic payment plans without insurance protections, referred to as "DWN" plans, and $3,380,000 under fully paid plans, referred to as "DWP" plans. Planholders make periodic payments of various amounts under the different plans. The periodic payments are made to a bank which acts as custodian and, in turn, purchases for each planholder shares of capital stock of Wellington Fund, Inc., and incorporated investment company for which the sponsor (First Investors Shares Corp.) acts as wholesale and retail distributor.

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 (9/17)

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 (9/23-27)

July 29 filed 110,000 shares ($1 par) common stock, all outstanding. **Underwriters**—Cohu & Torrey. Price by amendment.

Forest City Mfg. Co., St. Louis (9/10-16)

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.

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.

● **Garval Industries Inc., New York**

Aug. 29 (letter of notification) 44,000 shares ($5 par) 6% cumulative convertible preferred and 188,000 shares (par 1¢) common. **Offering**—Price $5.02 a unit consisting of one share of preferred and one share of common. No underwriting. For leasing a plant, purchasing and installing machinery and for working capital.

General Bronze Corp., L. I. City

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.

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.

● **Glensder Textile Corp., New York (9/17)**

Aug. 28 filed 355,000 shares ($1 par) common, of which 55,000 shares are reserved for issuance upon the exercise of stock purchase warrants. **Underwriter**—Van Alstyne, Noel & Co. **Offering**—The 300,000 shares are issued and outstanding and being sold for the account of certain stockholders. Company has also issued 55,000 stock purchase warrants to the selling stockholders at 10 cents a share entitling them to purchase up to Aug. 1, 1949, common stock of the company at $11 a share. Price by amendment. **Business**—Manufacture and distribution of ladies' scarves, snods, turbans and other novelty headwear and accessories.

Gloria Vanderbilt Corp., New York (9/9-13)

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.

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.

● **Grand Valley Oil Corp., New York**

Aug. 28 (letter of notification) 300,000 shares ($1 par) common. Of the total, 85,590 shares are to be exchanged for overriding royalty interests in leases and fee properties formerly operated by R. E. Leyendecker, Inc., and operations to be carried on by the issuer. The balance, 214,410 shares, will be offered publicly at $1 a share. **Underwriter**—Leven Brothers, New York. **Proceeds**—For direct corporate purposes.

Greens Ready Built Homes Inc., Rockford, Ill. (9/16-20)

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

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.

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; balance for working capital. Offering temporarily postponed.

Hartfield Stores, Inc., Los Angeles

June 27 filed 100,000 shares ($1 par) common stock. **Underwriters**—Van Alstyne, Noel & Co., New York, and Johnston, Lemon & Co., Washington, D. C. **Offering**—To be offered to the public at $8 a share. **Proceeds**—Company is selling 60,000 shares and stockholders are selling 40,000 shares. The company will use its proceeds to pay the costs of opening additional stores and to expand merchandise in its existing stores.

Hayes Manufacturing Corp., Gr. Rapids, Mich.

Feb. 27 filed 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**—By amendment. **Offering**—Price by amendment.

Holt (Henry) & Co., Inc., New York (9/23-27)

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.

Idaho Calcium Corp., Mountain Home, Ida.

Aug. 8 (letter of notification) 150,000 shares ($100 par) preferred and 37,500 shares of $1 par common. **Offering**—Price $125 a unit consisting of one preferred share and 25 common shares. No underwriting. For development of mining claims.

Illinois Power Co., Decatur, Ill.

June 17, filed 200,000 shares ($50 par) cumulative preferred stock and 966,870 shares (no par) common stock. **Underwriters**—By competitive bidding. Probable bidders include Blyth & Co., Inc. and Mellon Securities Corp. (jointly) and Morgan Stanley & Co. and W. E. Hutton & Co. (jointly). **Proceeds**—Net proceeds from the sale of preferred will be used to reimburse the company's treasury for construction expenditures. Net proceeds from the sale of common will be applied for redemption of 5% cumulative convertible preferred stock not converted into common prior to the redemption date. The balance will be added to treasury funds.

● **International Dress Co., Inc., N. Y. (9/17-20)**

Aug. 28 filed 140,000 shares of common stock (par $1). **Underwriter**—Otis & Co. **Offering**—Price $10 per share. **Proceeds**—Selling stockholders will receive proceeds.

● **Jacobsen Mfg. Co., Racine, Wis.**

Aug. 27 (letter of notification) 9,340 shares (no par) common. **Underwriter**—Gardner F. Dalton & Co., Milwaukee, Wis. **Offering**—Price $20.50 a share. Proceeds for working capital.

Jensen Manufacturing Co., Chicago

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. Offering temporarily postponed.

● **Kalamazoo (Mich.) Vegetable Parchment Co. (9/23)**

Sept. 3 filed 100,000 shares ($10 par) common stock. **Underwriting** — No underwriting. **Offering** — For subscription to common stockholders in the ratio of one share for each five shares held. **Price**—$15 a share. **Proceeds**—Proceeds, estimated at $1,500,000, will be used to retire a $500,000 short-term bank loan, to make loans to The KVP Co. Ltd., a subsidiary, and to increase working capital. **Business**—Converter of paper products.

● **Lake State Products, Inc., Jackson, Mich.**

Aug. 27 (letter of notification) 100,000 shares ($1 par) common for benefit of issuer. **Underwriter**—Keane & Co., Detroit. **Offering**—Price $2.50 a share. Proceeds for working capital to enable issuer to produce its product, an automatic dishwashing machine in commercial quantities.

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.

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.

May McEwen Kaiser Co., Burlington, N. C. (9/16-20)

Aug. 22 filed 175,418 shares ($1 par) common stock. **Underwriters**—Goldman, Sachs & Co., and Hemphill, Noyes & Co. **Price**—By amendment. **Proceeds**—Net proceeds go to 11 shareholders who are selling the stock being registered. **Business**—Manufacture of women's hosiery.

● **Mercury Messenger Corp., New York, N. Y.**

Aug. 28 (letter of notification) 93,000 shares of capital common stock (par 20c). No underwriting. **Price**—$2.70 a share. Proceeds will go to expansion of issuer's business.

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.

Metal-Glass Products Co., Belding, Mich.

Aug. 20 (letter of notification) 175,000 shares ($1 par) common and 25,800 shares of the same which may be issued in exchange for 2,580 shares of its 6% cumulative preferred ($10 par). **Offering**—Price, $1.25 a share. **Underwriter**—Carr & Co., Detroit. To reduce bank loans, retire mortgage securing them and for additional working capital.

• Mica Mountain Mines, Inc., Salt Lake City
Aug. 28 (letter of notification) 200,000 shares of common stock. **Offering**—Price 25 cents a share. **Underwriting**—Howard R. Clinger and Oscar M. Lyman, both of Salt Lake City. For payment of accounts payable, working capital and re-purchase of stock previously sold.

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
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. Offering indefinitely postponed.

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.

Morrison-Knudsen Co., Inc., Boise, Idaho (9/9-13)
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. **Price**—Preferred, $50 per share; common, $16 per share.

Montana Silver Star Mines, Inc., Helena, Mont.
Aug. 23 (letter of notification) 500,000 shares of common non-assessable capital stock. **Underwriter**—L. F. Hachez and Co., Spokane, Wash. **Offering**—Price 12½ cents a share. Proceeds for exploration, drilling, equipment, etc.

Mountain States Power Co.
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, are owned by Standard Gas & Electric Co. and constitute 56.39% of the company's outstanding common. **Sale Postponed**—Standard Gas & Electric Co. asked for bids for the purchase of the stock on Sept. 4, but the sale has been temporarily postponed.

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 Aircraft Corp., Hagerstown, Md.
Aug. 26 (letter of notification) 2,000 shares of common stock. No underwriter. **Offering**—Price $100 a share. Proceeds for general corporate purposes principally for research, experimentation and perfection of patents.

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.

New Issue Calendar

(Showing probable date of offering)

September 5, 1946
Blum (Philip) & Co., Inc.—Common

September 6, 1946
Scovill Manufacturing Co.—Preferred
Sun Chemical Corp.—Debentures

September 9, 1946
American Time Corp.—Common
Ben Hur Products, Inc.—Debentures
Columbia Gas & Electric Corp. (noon—EDST)—Debentures
Gloria Vanderbilt Corp.—Common
Morrison-Knudsen Co., Inc.—Preference & Com.
Nugent's National Stores, Inc.—Common
Willett (Consider H.), Inc.—Common

September 10, 1946
Airline Foods Corp.—Debs., Pref. and Common
Cincinnati Gas & Electric Co.—Common
Consumers Power Co. (noon—EDST)—Common
Forest City Manufacturing Co.—Common
Metal Forming Corp.—Common

September 16, 1946
Allis-Chalmers Manufacturing Co.—Preferred
Camfield Manufacturing Co.—Common
Colonial Sand & Stone Co., Inc.—Common
Cooper Tire & Rubber Co.—Preferred
Crawford Clothes, Inc.—Common
Greens Ready Built Homes Inc.—Common
May McEwen Kaiser Co.—Common
Sardik Food Products Corp.—Capital Stock
Soupto, Inc.—Preference and Common
Soya Corp. of America—Common
Steep Rock Iron Mines, Ltd.—Capital Stock
Sun Electric Corp.—Preferred
Swem & Co.—Common
West Virginia Water Service Co.—Common

September 17, 1946
Acme-Hamilton Mfg. Corp.—Preference and Com.
Ansley Radio Corp.—Preference and Common
Central Soya Co., Inc.—Debs. and Com.
Colorado Milling & Elevator Co.—Preferred
Dumont Electric Corp.—Common
Food Fair Stores, Inc.—Preferred
Glensder Textile Corp.—Common
International Dress Co.—Common
Northern Engraving & Mfg. Co.—Common
Stern & Stern Textiles, Inc.—Common
White's Auto Stores, Inc.—Preference and Common

September 18, 1946
Central & South West Utilities Co.—Capital Stock
Columbia Aircraft Products Inc.—Preferred
Stix, Baer & Fuller Co.—Common

September 20, 1946
Savoy Plaza, Inc.—Cl. A and Cl. B Stock

September 23, 1946
Clary Multiplier Corp.—Preferred
Drayer-Hanson, Inc.—Cl. A Stock
Films Inc.—Cl. A and Common
Forman Fabrics Corp.—Common
Holt (Henry) & Co., Inc.—Pfd. and Com.
Kalamazoo Vegetable Parchment Co.—Common
Newburgh Steel Co., Inc.—Pfd. and Com.

September 24, 1946
Tampa Electric Co.—Bonds

September 28, 1946
Westinghouse Electric Corp.—Common

October 1, 1946
American Locomotive Co.—Preferred

October 14, 1946
Plastic Molded Arts, Inc.—Pfd. and Com.

October 21, 1946
Acme Electric Corp.—Common

Newburgh Steel Co., Inc., Detroit (9/23-27)
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.

North American Acceptance Corp., Philadelphia
Aug. 22 (letter of notification) 11,600 shares Class A stock. **Underwriter**—W. H. Bell & Co., Inc., Philadelphia. **Offering**—Price $4.50 a share. Proceeds for working capital to conduct finance business.

Northern Engineering Works, Detroit, Mich.
Aug. 23 (letter of notification) 7,450 shares ($1 par) common owned by the two individuals viz.: William W. Peattie and Reed C. Zen. **Underwriters**—Mercier, McDowell & Dolphyn and Smith, Hague and Co., Detroit, and Investment Securities Co., Jackson, Mich. **Offering**—Price $7 a share. Proceeds to sellers.

• Northern Engraving & Mfg. Co., La Crosse, Wis. (9/17)
Aug. 29 filed 70,000 shares ($2 par) common stock. **Underwriter**—Cruttenden & Co. **Offering**—All shares are issued and outstanding and being sold for the account of present holders. **Price**—$16 a share. **Proceeds**—To selling stockholders. **Business**—Manufacture and sale of metal nameplates, instrument dials, clock and watch dials, etc.

Northern Indiana Public Service Co.
Aug. 28 filed maximum of 384,016 shares of common stock. Underwriters by amendment as shares will be offered under competitive bidding. Probable bidders include Blyth & Co., Inc.; The First Boston Corp.; Stone & Webster Securities Corp., and Harriman Ripley & Co., Inc. (jointly). Of the shares registered, 182,667 are being sold by Midland Realization Co.; 54,426 by Midland Utilities Co., and 146,923 by Middle West Corp.

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., Salomon Brothers & Hutzler, Dick Merle-Smith, Drexel & Co., Harris Hall & Co. (Inc.) and Stroud & Co., (jointly); **Offering**—Securities will be sold at competitive bidding. **Proceeds**—Refunding.

Nugent's National Stores, Inc., N. Y. (9/9-13)
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 from 62,000 shares, 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. The proceeds from the other 3,000 shares will go to selling stockholders.

• O. D. Keep Associates, Inc., Los Angeles
Aug. 26 (letter of notification) 30,000 shares ($5 par) preferred and 15,000 shares ($5 par) common. No underwriter. **Price**—$5 a share for each class. Proceeds to finance new semi-monthly magazine to be known as "Fortnight."

• O-F Eploration Co., Spearfish, S. D.
Aug. 28 (letter of notification) 180,000 shares of common (par 10c). **Offering**—Price 50 cents a share. No underwriting. For development of tungsten mine.

(Continued on page 1302)

(Continued from page 1301)

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
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. on the basis of one ordinary share of O'Okiep for each 10 shares of Newmont held. 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.

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.
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.

• **Pateros Mining Co., Spokane, Wash.**
Aug. 22 (letter of notification) 392,000 shares, nonassessable stock. No underwriters. **Offering**—Price 25c a share. Proceeds to purchase equipment and develop mining properties now held by issuer.

• **Peninsular Oil Corp., Ltd., Montreal, Canada**
Sept. 3 filed 600,000 shares of common (par $1). **Underwriter**—Sabiston Hughes, Ltd., Toronto, Canada. **Price**—60 cents a share. **Proceeds**—Net proceeds will be used to purchase drilling machinery and other equipment. **Business**—Exploring for natural oil and gas in the Peninsula of Gaspe, Province of Quebec, Canada.

Plastic Molded Arts, Inc., New York (10/14)
Aug. 27 filed 60,000 shares of preferred stock ($10 par) and 75,000 shares of common (par 50c). **Underwriter**—Herrick, Waddell & Co., Inc. **Offering**—Company is offering the preferred stock to the public, while the common is being sold by certain stockholders. **Prices**—Preferred, $10 a share; common, $4 a share. **Proceeds**—Proceeds from sale of preferred will be used to purchase equipment, pay bank loans, and other corporate purposes.

• **Port Huron (Mich.) Sulphite & Paper Co.**
Aug. 28 (letter of notification) 25,000 shares of common. **Offering**—Price $11 a share. No underwriting. For construction of warehouse and railroad siding and for working capital.

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.

Red Rock Bottling Co. of Pittsburgh
Aug. 23 (letter of notification) three-year warrants for purchase of 100,000 shares common stock (par 50¢) at $1.50 a share, not assignable or exercisable before July 1, 1947. No underwriting. Price one cent per warrant. Proceeds for working capital.

Red Rock Bottling Co. of Youngstown, Warren, O.
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.

Republic Pictures Corp., New York
Registration originally filed July 31 covered 184,821 shares of $1 cumulative convertible preferred ($10 par) and 277,231 shares (50c par) common stock, with Sterling, Grace & Co. as underwriters. Company has decided to issue 454,465 shares of common stock only, which will be offered for subscription to stockholders of record Sept. 5 to the extent of one share for each five held. Issue will not be underwritten.

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.
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.

• **Rosehill Country Club, Inc., Alexandria, Va.**
Aug. 23 (letter of notification) 349 shares of Series A common, par $500 and 249 shares of Series B common, par $500. No underwriting presently contemplated. **Offering**—Price $500 a share. Proceeds to operate and establish general golf and country club business.

Rowe Corp., New York
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.

• **Russell Berg Fund, Inc., Boston**
Sept. 3 filed 51,394 shares ($1 par) capital stock. **Underwriting**—Boston Safe Deposit & Trust Co., holds in custody all moneys and investments and it alone is empowered to make collections and disbursements of principal and income. Price at market. **Proceeds**—For investment. **Business**—Investment house.

San-Nap-Pak Mfg. Co. Inc., New York
July 24 filed 80,000 shares ($1 par) common stock. **Underwriters**—Dunne & Co., New York. **Offering**—Price by amendment. **Proceeds**—Nat E. Heit, President and director, and Harry Preston, board Chairman, Secretary and Treasurer, will receive net proceeds as selling stockholders.

Sardik Food Products Corp., N. Y. (9/16-20)
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. (9/6)
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 is offered for subscription to stockholders of record Sept. 5 at the rate of one share for each seven shares held at $30 per share. Rights expire Sept 20. Unsubscribed shares will be sold to underwriters. **Proceeds**—Company will use net proceeds to pay bank loan and to finance the purchase of additional machinery, equipment and buildings.

Scripto, Inc., Atlanta, Ga. (9/16)
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.

• **Seaboard Finance Co., Washington, D. C.**
Aug. 29 filed 240,000 shares of common stock (par $1). **Underwriters**—Van Alstyne, Noel & Co., and Johnston, Lemon & Co. **Offering**—Certain stockholders are selling 140,000 issued and outstanding shares. Company is offering 100,000 shares. Price by amendment. **Proceeds**—From company's 100,000 shares proceeds will be used to reduce outstanding bank loans and commercial paper and for other corporate purposes. **Business**—Personal finance business.

Solar Manufacturing Corp.
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.

• **Southern Ice Co., Charleston, S. C.**
Aug. 30 (letter of notification) 5,000 shares ($1 par) common on behalf of Stone & Webster, Inc. The stock will be sold to five purchasers at $12 a share. These persons, the notification stated, may reoffer the shares publicly at the market price. There will be no underwriting in the present sale and proceeds go to the selling stockholders.

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.

• **Soya Corp. of America (9/16)**
Aug. 28 filed 375,000 shares (par 1c) common stock. Underwriter by amendment. **Proceeds**—To repay RFC loan, to buy Canton Mills, Inc. and for working capital. Price by amendment.

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 (9/16-20)
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.

• **Stern & Stern Textiles, Inc., New York (9/17)**
Aug. 29 filed 191,000 shares of common stock ($1 par). **Underwriter**—Carl M. Loeb, Rhoades & Co. **Offering**—Company is offering 51,000 shares and selling stockholders are disposing of 140,000 issued and outstanding shares. Price by amendment. **Proceeds**—Proceeds from the sale of 51,000 shares by the company will be used to reimburse treasury for funds spent on June 26 to retire 5,000 shares of preferred stock, $100 par. **Business**—Company's subsidiaries manufacture broad silks, rayons and nylon fabrics which are sold by the issuer.

• **Stix, Baer & Fuller Co., St. Louis (9/18-19)**
Aug. 28 filed 102,759 shares common stock (par $5). **Underwriter**—Goldman, Sachs & Co. **Offering**—Eight selling stockholders are disposing of 62,000 shares, and the company will offer 40,759 shares initially to its preferred and common stockholders. Price by amendment. **Proceeds**—Net proceeds from the sale of the company's shares will be added to its "building construction and improvement fund." **Business**—Operates a department store.

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 (9/6)
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.

● **Sun Electric Corp. of Chicago (9/16)**
Aug. 28 filed 7,000 shares (par $100) 6% preferred stock. Underwriter, none. Stock will be sold by company's officers to employees and business acquaintances. **Proceeds**—For working capital, purchase of machinery and equipment.

● **Swern & Co., Trenton, N. J. (9/16)**
Aug. 28 filed 195,000 shares common stock (par $1). **Underwriter**—C. K. Pistell & Co., Inc. **Offering**—Company is selling 45,000 shares, and eight selling stockholders are disposing of the remaining 150,000 shares. **Price**—$10.50 a share. **Proceeds**—From 45,000 shares sold by company will be applied to working capital initially. **Business**—Operates general department store.

Tampa Electric Co., Tampa, Fla. (9/24)
Aug. 27 filed $7,500,000 first mortgage bonds, series due 1976. **Underwriter**—Goldman, Sachs & Co. Price by amendment. **Proceeds**—To prepay a 2¾% promissory note to Equitable Life Assurance Society of the U. S., and to finance construction program.

● **Taylor & Fenn Co., Hartford, Conn.**
Aug. 30 (letter of notification) 11,250 shares of 4.32% cumulative convertible preferred stock. **Offering**—Price $26.50. **Underwriter**—Putnam & Co., Hartford. The shares initially will be offered for subscription to present stockholders. Unsubscribed shares will be offered to the public. **Proceeds**—Company will use proceeds for construction of a new foundry in Windsor, Conn., or elsewhere in Connecticut.

Taylor-Graves, Inc., Saybrook, Conn.
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.

United States Shoe Corp., Cincinnati, Ohio
Aug. 25 filed 24,000 shares ($4 par) common. **Underwriter**—Benj. D. Bartlett & Co., Cincinnati. **Offering**—Shares will be offered to the public by seven stockholders, who will receive the entire net proceeds. Price by amendment.

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 Strauss & 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.

● **Vernan Manufacturing Co. (Inc.), Johnstown, Pa.**
Aug. 29 (letter of notification) $50,000 4½% debentures. Due 1946. **Offering**—Price $500 a unit. No underwriting. For expansion of business.

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.

● **Webster Electric Co., Racine, Wis. (9/23)**
Sept. 3 filed an unspecified number of shares of common stock (par $1). **Underwriting**—Loewi & Co., Milwaukee. **Offering**—The shares are being sold both by the company and by shareholders. The respective amounts will be supplied by amendment. Price by amendment. **Proceeds**—Company will use about $210,000 of its net proceeds to redeem 645 shares of its prior preference stock at $110 a share and accrued dividends, and 1,386 shares of second preference stock at $100 a share and accrued dividends. The balance will be added to general corporate funds. **Business**—Manufacture of ignition transformers and fuel units for oil burners and related industries and intercommunication and sound distribution equipment and apparatus.

Weetamoe Corp., Nashua, N. H.
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.
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. (9/28)
Aug. 14 filed 1,647,037 shares ($12.50 par) common. **Underwriter**—Kuhn, Loeb & Co. **Offering**—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 held. Rights expire Sept. 27. Unsubscribed shares will be sold to underwriters. **Price**—By amendment. **Proceeds**—To reduce bank loans.

West Virginia Water Service Co. (9/16)
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.

● **White Stag Mfg. Co., Portland, Ore.**
Aug. 26 (letter of notification) $300,000 4½% cumulative preferred stock. **Underwriter**—Conrad, Bruce & Co. **Offering**—Price $100 a share. Proceeds for additional working capital.

● **White's Auto Stores, Inc., Wichita Falls, Texas (9/17)**
Aug. 29 filed 75,000 shares $1 cumulative convertible preferred stock ($20 par) and 50,000 shares common stock (par $1). **Underwriters**—First Colony Corp. and Childs, Jeffries & Thorndike, Inc. **Offering**—Company is offering 75,000 shares of preferred; the 50,000 shares of common are outstanding and being sold by four individuals for their own account. Price by amendment. **Proceeds**—Proceeds from the sale of the preferred stock will be used to provide funds for a wholly-owned subsidiary, retire loans from banks and from White's Employees Profit Sharing Trust, and for additional working capital.

Willett (Consider H.), Inc., Louisville (9/9)
Aug. 21 (letter of notification) 20,000 shares ($5 par) common. **Underwriter**—Bankers Bond Co., Louisville. Price $15 a share. Proceeds will be used to install conveyor systems in two plants, for new machinery and working capital.

● **Winters & Crampton Corp., Grandville, Mich.**
Aug. 28 filed 119,337 shares of common stock (par $1). **Underwriter**—E. H. Rollins & Sons, Inc. **Offering**—Company is initially offering the stock to its common holders at the rate of one share for each two shares held. Price by amendment. **Proceeds**—To retire a conditional sales contract obligation held by the Reconstruction Finance Corp., pay off bank loans of $600,000, and for working capital.

Wisconsin Power & Light Co., Madison, Wis.
May 21 filed 550,000 shares ($10 par) common stock to be sold at competitive bidding. **Underwriters**—By amendment. Probable bidders include Merrill Lynch, Pierce, Fenner & Beane; White, Weld & Co.; Glore, Forgan & Co., and Harriman Ripley & Co. (jointly); The Wisconsin Co., and Dillon, Read & Co. **Proceeds**—Part of the shares are to be sold by Middle West Corp., top holding company of the System, and part by preference stockholders of North West Utilities Co., parent of Wisconsin, who elect to sell such shares of Wisconsin common which will be distributed to them upon the dissolution of North West Utilities Co.

● **World Investment Trust, Boston**
Sept. 3 filed 200,000 shares of beneficial interest, $1 par value. **Underwriting**—Furst & Co., Boston. Price at market. **Proceeds**—For investment. **Business**—Investment house.

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

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(Continued from page 1303)

& 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.

Sept. 4 expected filing by notification at early date for 60,000 shares 30c participating preferred stock, to be offered at $5 per share 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 approved a 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 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.

• Babbitt (B. T.), Inc.

Sept. 3 reported early registration expected of some 300,000 shares of common stock, of which 50,000 shares on behalf of the company and 250,000 on behalf of selling stockholders. Lehman Brothers, Goldman, Sachs & Co. and Wertheim & Co. are reported to be the principal underwriters.

Baltimore & Ohio RR.

June 22 it was reported that one effect of the railroad freight rate adjustment is expected to be a stimulation of bond refundings. Among the roads whose refinancing programs may then crystallize, the Baltimore & Ohio is named as a leading prospect, now that all barriers to the consummation of its $500,000,000 debt adjustment plan have been eliminated. Other portions of the debt now thought to be attractive possibilities for a refinancing operation besides the $76,900,000 of first mortgage 4s and the $67,800,000 first mortgage 5s. There are $37,200,000 of Southwestern Division 5% bonds, $36,800,000 Pittsburgh, Lake Erie & Western 4s, and $10,000,000 Toledo-Cincinnati Division mortgage series A 4s. Probable bidders, if refunding operations crystallize, are Kuhn, Loeb & Co., and Halsey, Stuart & Co. Inc.

Bangor & Aroostook RR., Bangor, Me.

April 16 stockholders authorized new mortgage. Company contemplates refinancing one-third of outstanding funded debt (Dec. 31, 1945, $12,665,000) through sale of equal amount of bonds under new mortgage, through competitive bidding. Probable bidders include Harriman, Ripley & Co., Inc.; Lee Higginson Corp., and Halsey, Stuart & Co. Inc.

"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.

Bobbi Motor Car Corp.

Aug. 27, corporation organized to produce a small, low-priced automobile, announced that it would move its plant from San Diego to Birmingham, Ala. Said Company proposes to lease the Becntel-McCone plant in Birmingham from the War Assets Administration. Company proposes to finance its expansion through the issuance of capital stock. Reported Floyd D. Cerf Co., Chicago may be underwriters.

• Booth (F. E.) Co., Inc.

Aug. 28 The California Corporation Commissioner authorized company to offer a new $4 cumulative preferred stock on a share for share exchange basis for its $3 cumulative preferred, on which accumulations are $14.75 a share. Redemption and liquidation price of the new issue will be $65, against $55 for the present shares.

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 accrue to Electric 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).

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.; The First Boston Corp., and Halsey, Stuart & Co.

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.

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.

• Consolidated Edison Co. of New York, Inc.

Oct. 8 stockholders will authorize 2,200,000 shares of new cumulative preferred stock to be later issued in one or more series. For the purpose of saving taxes on the authorization of new shares, it is proposed to reclassify 811,110 shares of old preferred stock and 1,388,890 shares of common stock, which are authorized but unissued, into the 2,200,000 shares of new preferred. Company plans to issue approximately 2,000,000 shares of the new preferred at not less than $100 a share. The precise method of refinancing the present $5 preferred stock and of issuing new shares of preferred has not been determined and will depend on market conditions prevailing at the time of issue. If approved these steps would be undertaken after completion of $290,000,000 bond refunding. Probable bidders include Morgan Stanley & Co.

• Corey Corp.

Aug. 29 reported that plans were under way to register 177,000 shares of common stockholders on behalf of selling stockholders, with Glore, Forgan & Co. as principal underwriter.

Coty, Inc.

It is reported that company intends to sell 20,000 shares of treasury stock in near future.

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: 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.

• Duluth, Missabe & Iron Range Ry.

Sept. 3 company, a subsidiary of the United States Steel Corp., is planning to issue $19,200,000 of serial bonds maturing over 16 years, in connection with the retirement on Nov. 1 of the road's first mortgage 3½s of 1962. Bonds will be sold through competitive bidding. Probable bidders include Morgan, Stanley & Co.

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.

● **El Paso Electric Co.**
Sept 3 company, a subsidiary of Engineers Public Service Co., Inc., is considering refunding its $6,500,000 first mortgage 3¼% bonds, series A, due 1970. Present plans call for the issuance of new 30-year first mortgage bonds, with the interest rate to be determined by competitive bidding. Among the banking firms expected to form groups to bid for the bonds are Halsey, Stuart & Co., Inc., and Stone & Webster Securities Corp.

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 expected at $5 per share 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 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.

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.

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.; 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.

● **Le Danne Footwear Inc., Boston**
Sept. 4 expected early filing by notification of 59,500 shares of 35c cumulative preferred stock and 59,500 shares of common stock, to be offered in units of one share of each of $5 per unit, with B. G. Cantor & Co., New York, as underwriter. Company manufactures ladies' shoes.

● **Lytton's, Henry C. Lytton & Co.**
Aug. 28 stockholders voted to create an authorized issue of 100,000 shares of preferred stock (no par) issuable in series and increased authorized common (no par) from 500,000 to 1,000,000 shares. Company plans initially to issue 50,000 shares of preferred, proceeds to be used for expansion. Probable underwriter, Allen & Co.

● **Magma Copper Co.**
Aug. 29 stockholders voted to increase 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.

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.

Missouri Public Service Co.
Aug. 27 reported company plans to issue $750,000 of 2⅞% 30-year first mortgage bonds. Proceeds to be used for improvement of plant facilities. May be placed privately.

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.

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. Probable underwriter, Riter & Co.

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.**
Sept. 3 company's recapitalization plan filed with New York P. S. Commission proposes the issuance of $13,000,000 1st mtge. bonds due 1976, interest not to exceed 2⅞% and $12,000,000 preferred stock, dividend rate not to exceed 4%, the proceeds to be used to retire $13,000,000 3¾% bonds and $12,000,000 5.10% preferred stock. Plan also provides for issuance of an additional $3,-

(Continued on page 1306)

(Continued from page 1305)

000,000 preferred to be applied against cost of new construction.

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.

Ohrbach's, New York
Aug. 26 reported that present stockholders may dispose of some of their shares, with A. G. Becker & Co. as underwriters.

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.**
Aug. 29 California Railroad Commission authorized the issuance of $75,000,000 40-year debentures but postponed action on company's proposal 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.

● **Pantasote Plastics, Inc., Toledo, O.**
Sept. 3 company is to be formed through merger of Pantasote Co. and Textileather Corp. Authorized capitalization of Pantasote Plastics will consist of 2,000,000 shares ($1 par) common stock, 150,000 shares of ($20 par) $1.125 cumulative convertible preferred stock and 50,000 shares ($10 par) 4½% cumulative B preferred stock. Of these, 20,000 B preferred shares would be purchased at par, or an aggregate of $200,000, by the principal stockholders of Pantasote Co. Share exchanges, following effectiveness of a registration statement soon to be filed, contemplate the issuance, in addition to the B preferred stock, of 1,183,917 common shares and 47,146 4/5 convertible preferred shares, as follows: Pantasote's 385,158 outstanding common shares would be exchangeable for a total of 770,316 Pantasote Plastics common shares in the ratio of one share of the former for two the latter. Textileather's 117,867 outstanding common shares would be exchangeable for a total of 353,601 common shares and 47,146, 4/5 convertible preferred shares of Pantasote Plastics in the ratio of one share of the former for three common shares and 2/5-share of preferred stock of the latter. Astra Realty's 5,000 outstanding common shares would be exchangeable for a total of 60,000 Pantasote Plastics common shares in the ratio of one share of the former for twelve of the latter.

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. Probable underwriters Van Alstyne, Noel & Co. and G. L. Ohrstrom & Co.

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.

● **Republic Aviation Corp.**
Sept. 27 stockholders will vote on authorized new issue of 200,000 shares (par $50) preferred stock; increasing common from 2,000,000 to 2,500,000 shares and eliminating 72,000 authorized but unissued convertible first preferred stock.

Republic Natural Gas Co.
Aug. 29 reported directors considering refinancing of the present long term debt to provide additional funds for property development.

● **Roos Brothers, San Francisco, Calif.**
Sept. 3 reported company plans sale of preferred shares in the amount of $2,000,000, with Lehman Brothers as probable underwriters. Company operates department stores in the West Coast.

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.

St. Regis Paper Co.
Sept. 18 stockholders will vote on proposed changes in the capital, structure designed to provide funds for financing expansion program and increasing working capital. As an initial step in refinancing program, directors have called for redemption on Oct. 1 all of the company's outstanding 5% cumulative second preferred stock. Stockholders will be asked to authorize an issue of 250,000 shares of new first preferred stock, ($100 par) to be issuable in series, as the directors may determine. Proable underwriters, White Weld & Co.

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.

● **Savoy Plaza, Inc., New York (9/20)**
Sept. 4 the Sheraton Corp. of America announced that it will sell at public auction on Sept. 20 a block of 1,944 shares of class A common stock and 27,350 shares of class B stock of Savoy Plaza, Inc. According to the court order permitting the sale the securities must bring in at least $677,863. There also will be granted to the purchaser of the A shares an irrevocable option to purchase an additional 2,346 shares of the A stock owned by Sheraton.

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.

● **Standard Brands, Inc.**
Oct. 2 stockholders will vote on approval of the creation of 350,000 shares of new preferred stock. Company intends to issue an initial series of the new preferred consisting of 220,000 shares with a dividend rate not above $3.50 a share. Company plans to refund outstanding 200,000 shares of $4.50 preferred. Holders of present $4.50 preferred would be given an opportunity to exchange their stock for the new preferred on an equitable basis. Arrangements will be made with underwriters for the sale of shares not taken by holders of the outstanding preferred. Probable underwriters Dillon, Read & Co. Inc., and Blyth & Co., Inc.

Stetson (John B.) Co., Philadelphia
July 5 company was reported negotiating for the purchase of Mallory Hat Co. This transaction and other phases of the company's expansion program will, it is said, necessitate a long-term loan of $2,500,000.

● **Texas Gulf Producing Co.**
Sept. 27 stockholders will vote on creating 50,000 shares ($100 par) convertible preferred stock and on approving the merger of Fohs Oil Co. into the Texas Gulf Producing. The new preferred will be issued to retire $9,757,667 of indebtedness to the Guaranty Trust Co. It is expected that Lehman Brothers, and Kebbon, McCormick & Co. will underwrite the preferred.

Thatcher Glass Manufacturing Co.
Aug. 29 stockholders of Thatcher Mfg. voted to change name to Thatcher Glass Mfg. Co. and increased authorized capital stock from 750,000 shares (no par) to 1,500,000 shares (par $5) and the exchange of 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.

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.

● **Westinghouse Electric Corp.**
Sept. 5 corporation, as a final step in its current financing plans, proposes to issue and offer to the public at a future date an issue of approximately $50,000,000 of new preferred stock. Traditional underwriter, Kuhn, Loeb & Co.

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.

Steelman Reports on Year's Gains

A victory day statement by Reconversion Director John L. Steelman on Aug. 13 declared that the United States had achieved "substantially full employment" and record profits during the year following the cessation of hostilities. Warning that the "threat of inflation still casts a shadow over the future," Mr. Steelman went on to assert, according to Associated Press Washington advices, that "a fiscal policy of high taxes, reduced public expenditures, credit controls and debt retirement," must be maintained. The Associated Press further said:

The yearly production rate of goods and services for civilians has soared more than $30,000,000,000 since V-J Day, the anniversary report stated, while total construction has jumped almost four times.

Nearly 250,000 new businesses were established in the last half of 1945, Steelman continued, and there is reason to expect the birth of new concerns at a high rate.

As foreseen, the profits of heavy industry sagged sharply because of the loss of war contracts and the high cost of reconversion, but in the rest of the economy "profits after taxes were at the highest levels on record."

"Total income payments to individuals today equal or exceed the war peak of $163,000,000,000 and have climbed more than 60% over the peacetime peak of 1929.

Despite the high production level attained, supplies are not sufficient to meet demands for most consumers' items. In the case of automobiles, many other goods using steel, some types of clothing, and housing, prewar volume of output still has not been reached.

"Some shortages will continue the rest of this year, and longer," the reconversion director predicted.

The proportion of unemployed is "probably the lowest for any peacetime year since we became an industrial nation," the report stated, adding that no significant increase in joblessness is expected for the rest of this year."

The same advices summarized the leading features of the report on other gains in 12 months of peace, as follows:

Agriculture — "Farmers are looking forward to bumper crops and can sell at good prices all the foods and fibers they can grow."

Federal Controls — The only ones remaining, Steelman asserted, are those "necessary to increase production and to combat inflation."

Demobilization—The absorption of 10,400,000 veterans into the economy since V-J Day has "generally been smooth and rapid."

Housing — Despite considerable progress in the emergency housing program, the shortage in many areas today is more acute than at any time during the war.

Fiscal Policy—The government is depending on cutting public construction projects as the major means of reducing Federal spending by $2,200,000,000 in the fiscal year ending next June 30, but other means of reducing Federal expenditures will be developed."

Individual Incomes in 1945 Equal 1944

Despite the sharp contraction of war production following the surrender of Japan, the volume of income payments to individuals in 1945 approximated the 1944 levels in all regions of the nation, the Department of Commerce said on Aug. 25. In every region except the Far West the individual incomes in 1945 either matched or slightly exceeded the 1944 record, the Department says. It adds that "even in the Far West, where tremendous growth of shipbuilding and aircraft production was the predominant factor in a spectacular war-period expansion of individual income, the income decline from 1944 to 1945 was slight." The Department further reports:

Included in the income payments are wages and salaries, income from unincorporated business and farms, net rents, interest, dividends, royalties and other items such as veterans' benefits, military family-allowance and dependency allotments.

For the nation as a whole the total income payments in the fourth quarter of 1945, after seasonal adjustment, were equivalent to an annual rate of $151 billion. This was slightly higher than the total for the year 1944, but it was $4 billion less than the quarterly peak rate in early 1945. In all areas except the Far West, the fourth quarter 1945 rate of income payments approximated the 1944 annual total. In the Far West the decline was only 5%. The three states sustaining the largest relative decline from 1944 to the last quarter of 1945 were Washington, Oregon and Michigan. In each state the decline was approximately one-tenth. These were among the five states where the role of war production in swelling the volume of individual incomes after 1940 was greatest. The other two states were Connecticut and New Jersey. In all other states where war production was exceptionally important in contributing to the war-period expansion of total income payments, the rate of income payments in the fourth quarter of 1945 was likewise below the 1944 total. States in this category Connecticut, Maine, Maryland, New Jersey, Indiana, Ohio, Kansas and California. However, the decline of total incomes in those states was no larger than 3 to 6%.

The high levels of fourth quarter 1945 income payments resulted from mustering out payments to discharged servicemen and unemployment benefits, a sharp rise in income paid out by trade and service establishments stemming from record consumer spending, and a continued advance in income payments by other private non-agricultural industries.

The Department of Commerce pointed out that the state and regional income totals conceal the severity of readjustment problems in some local areas. Also, since they represent the average experience of all income groups, they do not reveal the differing experiences of various classes of the populations. For example, although in most states the total income of all individuals in the fourth quarter 1945 was as high as in 1944, to hundreds of thousands of war-plant employees and their families these three months brought—if only for a short time—unemployment and reduced average income.

An item bearing on the average per capita annual income of individuals appeared in our issue of Aug. 29, page 1182.

Universities to Give Life Ins. Course

Marking an important development in the history of life insurance training, five major American universities will hold a one-year course in life insurance marketing beginning this fall. They are the University of Alabama, University of Connecticut, Purdue University, Southern Methodist University and Texas Christian University, according to an announcement made jointly by the Life Insurance Agency Management Association and the National Association of Life Underwriters on Aug. 30.

Business Man's Bookshelf

Allocation of Income in State Taxation—George T. Altman and Frank M. Keesling — Commerce Clearing House, Inc., 214 North Michigan Avenue, Chicago 1, Ill. —fabrikoid (board covers)—$4.00.

Aircraft Manufacturing Industry —Present and Future Prospects—Lt. Col. George Bryant Woods — White, Weld & Co., 40 Wall Street, New York 5, N. Y.—cloth— $5.00.

Profits and the Ability to Pay Wages—Fred Rogers Fairchild—Foundation for Economic Education, Inc., Irvington-on-Hudson, New York—paper—50¢ (reduction on quantity orders).

Wages Under National and Regional Collective Bargaining—Experience in Seven Industries—Industrial Relations Section, Department of Economics and Social Institutions, Princeton University, Princeton, N. J.—paper—$1.50

DIVIDEND NOTICES

TEXTILES
PLASTICS
CHEMICALS

CELANESE
CORPORATION OF AMERICA
180 Madison Avenue, New York 16, N. Y.

THE Board of Directors has this day declared the following dividends:

FIRST PREFERRED STOCK
$4.75 SERIES

The regular quarterly dividend for the current quarter of $1.18¾ per share, payable October 1, 1946 to holders of record at the close of business September 16, 1946.

7% SECOND PREFERRED STOCK

The regular quarterly dividend for the current quarter of $1.75 per share, payable October 1, 1946 to holders of record at the close of business September 16, 1946.

COMMON STOCK

A dividend of $1,378,526.87½, equivalent to 62½ cents per share on the 2,205,643 shares of common stock of this corporation presently outstanding, payable on September 30, 1946 to the holders of said stock of record at the close of business on September 16, 1946.

R. O. GILBERT
Secretary

September 3, 1946.

At a meeting of Directors held August 27, 1946 in London it was decided to pay on September 30th Interim Dividend of One Shilling for each One Pound of Ordinary Stock free of income tax. This increase in the dividend is made possible by the current reduction in taxation. The Directors are of the opinion that the company has sufficient resources for the development of its business and that consequently the increase does not offend against the broad general rule laid down by the Chancellor of the Exchequer. Coupon No. 198 must be used for Dividend.

All transfers received in order at London on or before August 29th will be in time for payment of dividend to transferees.

BRITISH-AMERICAN TOBACCO COMPANY, LIMITED

August 27, 1946

Illinois Workers Prefer Compensation

Under the above head, advices to the "Wall Street Journal" of Aug. 28 from its Chicago bureau said:

Illinois industry is lacking workers for 133,940 jobs, about half of which pay 90 cents an hour or more, even though 80,000 persons are drawing unemployment compensation, the Illinois State Chamber of Commerce announced after a spot survey.

Leonard W. Stiegel, Chairman of the Chamber of Commerce Social Security Committee, pointed out that under the State Unemployment Compensation Act a jobless person may draw a maximum of $20 a week for 26 weeks. This compares with $36 for a 90-cent an hour job, from which withholding and social security taxes must be deducted.

Suggesting that many workers are taking unfair advantage of the Unemployment Compensation Act, Mr. Stiegel announced that his Committee plans an exhaustive analysis of the "suitability clause." This clause, which specifies that a person must take suitable work when offered, has been given such a liberal interpretation, he said, that it is "placing a premium on loafing."

DIVIDEND NOTICES

DU PONT **E. I. DU PONT DE NEMOURS & COMPANY**

WILMINGTON, DELAWARE: *August 19, 1946*

The Board of Directors has declared this day a dividend of $1.12½ a share on the outstanding Preferred Stock, payable October 25, 1946, to stockholders of record at the close of business on October 10, 1946; also $1.75 a share, as the third interim dividend for 1946, on the outstanding Common Stock, payable September 14, 1946, to stockholders of record at the close of business on August 26, 1946.

W. F. RASKOB, *Secretary*

IRVING TRUST COMPANY
One Wall Street, New York

August 29, 1946

The Board of Directors has this day declared a quarterly dividend of 15 cents per share on the capital stock of this Company, par $10., payable October 1, 1946, to stockholders of record at the close of business September 9, 1946.

STEPHEN G. KENT, *Secretary*

RKO
RADIO-KEITH-ORPHEUM CORPORATION

THE Board of Directors has declared a quarterly dividend of 30 cents per share on the Common Stock of the Corporation payable on October 1, 1946 to stockholders of record at the close of business on September 13, 1946.

J. MILLER WALKER
Secretary

August 27, 1946

Safeway Stores, Incorporated
Preferred and Common Stock Dividends

Notice is hereby given that the Board of Directors of Safeway Stores, Incorporated, on August 23, 1946, declared quarterly dividends of 25c per share on the Company's $5 Par Value Common Stock payable Oct. 1, 1946, to holders of such stock of record at the close of business Sept. 18, 1946, and $1.25 per share on the Company's 5% Preferred Stock, payable Oct. 1, 1946, to holders of such stock of record at the close of business Sept. 18, 1946.

MILTON L. SELBY, *Secretary.*

August 23, 1946.

DIVIDEND NOTICE
WESTERN TABLET & STATIONERY CORPORATION

Notice is hereby given that a dividend at the rate of $1.00 per share on the issued and outstanding shares without par value of the Common Stock of Western Tablet & Stationery Corporation has been declared payable on September 30, 1946, to the holders of record of such shares at the close of business on September 16, 1946.

E. H. BACH, Treasurer.

DIVIDEND NOTICES

WELLINGTON WF FUND

A MUTUAL INVESTMENT FUND
INCORPORATED 1928

67th Consecutive Quarterly Dividend

The Directors have declared a dividend of 20c per share from ordinary net income payable September 30, 1946 to stockholders of record September 18, 1946.

WALTER L. MORGAN
President

UNION CARBIDE AND CARBON CORPORATION

UCC

A cash dividend of Seventy-five cents (75¢) per share on the outstanding capital stock of this Corporation has been declared, payable October 1, 1946, to stockholders of record at the close of business September 6, 1946.

MORSE G. DIAL,
Secretary and Treasurer

The Board of Directors for a of
Wentworth Manufacturing Company
has declared an extra dividend of fifty cents (50¢) per share on the outstanding common stock of the Company, payable on September 27, 1946, to stockholders of record at the close of business September 16, 1946. Checks will be mailed.

JOHN E. McDERMOTT,
Secretary.

CANCO **AMERICAN CAN COMPANY**

PREFERRED STOCK

On July 30, 1946, a quarterly dividend of one and three-quarters per cent was declared on the Preferred Stock of this Company, payable October 1, 1946, to Stockholders of record at the close of business September 12, 1946. Transfer Books will remain open. Checks will be mailed.

R. A. BURGER, *Secretary.*

GUARANTY TRUST COMPANY OF NEW YORK

New York, September 4, 1946.

The Board of Directors has declared a quarterly dividend of Three Dollars ($3.) per share on the Capital Stock of this Company for the quarter ending September 30, 1946, payable on October 1, 1946, to stockholders of record at the close of business September 11, 1946.

MATTHEW T. MURRAY, Secretary.

HOMESTAKE MINING COMPANY
DIVIDEND NO. 861

The Board of Directors has declared dividend No. 861 of forty cents ($.40) per share of $12.50 par value Capital Stock, payable September 20, 1946 to stockholders of record 3:00 o'clock P. M. September 10, 1946.

Checks will be mailed by Irving Trust Company, Dividend Disbursing Agent.

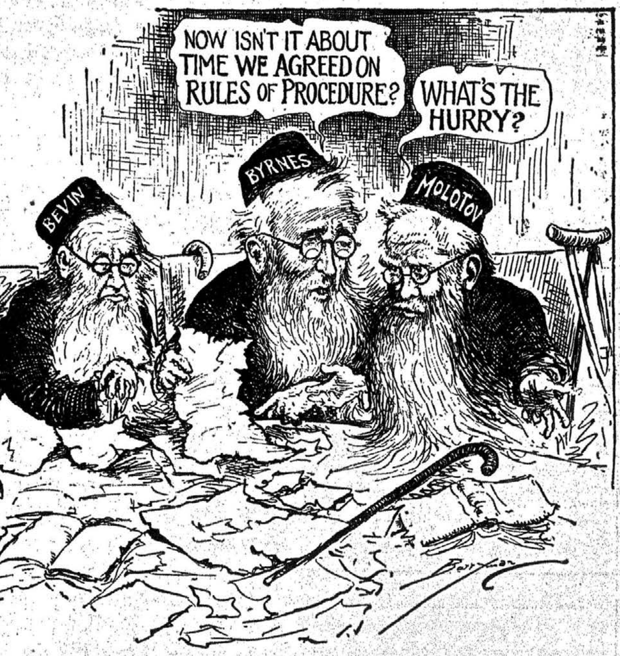
JOHN W. HAMILTON, *Secretary.*

August 27, 1946

Observations

(Continued from page 1265)

the rounds to the effect that the United States and Great Britain are already putting the screws on France to join their German zone with ours, is correct or not, Mr. Byrnes' is a wise move in anticipation of the November discussions between the Western Powers and



Looking Forward

Reprinted with permission from the Washington, D. C., "Evening Star" of Aug. 22

Russia. For these will be the first direct peace-settlement negotiations off the periphery of the location of the War.

In the definitive settlement of Germany—the genuine settlement of Europe—it must be realized that today Western civilization ends at the Elbe River, which marks the dividing line between the two sections of Europe. It also should be realized that the Russians must be put out of Eastern Germany, and out of Austria, with that country taking its place as a state in a Western union, together with Bavaria, the Rhineland, the Ruhr, and the Saar. As in other sectors, Mr. Byrnes should take a firm stand against the Soviet, and insist on a federation of Western Europe including the whole sector of Germany which she is now occupying.

* * *

Molotov Intensifies Soviet's Stalling Tactics

Surely the Soviet's tactics in delaying the peace-making look more successful than ever. Coming right after his proposal for postponing the UN General Assembly from Sept. 23 until January, M. Molotov's sensationally sudden flight from Paris to the Kremlin is ominously helpful to the Soviet's purpose of "keeping 'em talking" while intensively consolidating and infiltrating all over Europe.

While—the veto privilege not being involved—the General Assembly's meeting at Lake Success probably will open on schedule, further delay at Paris must additionally hamstring the chances for the desperately-needed peace-making results on both sides of the Atlantic.

For example, in Paris Molotov's absence has caused indefinite postponement of the Big Four Foreign Ministers' meetings, to which, because of the stalling in the open sessions, hopes for achieving some progress had been shifted. Whatever show Paris manages to put on in Molotov's absence, it is certain that no progress whatever in breaking the various stalemates can be made before his return—whether it be that over reparations; Italy; Trieste; the complaint against Greece; Yugoslavia; the United States' impounding of Danubian ships; or reorganization of the German occupation zones.

If the Paris meeting lasts until November, as seems likely, another ironic contrast in proceedings will be provided. For beginning Oct. 28 and lasting through November, the United Nations Educational, scientific, and Cultural Organization is inaugurating in Paris a series of educational, scientific, and cultural demonstrations under the name of UNESCO Month. Side by side with crucial and realistic Power Politics' wrangling there will be elaborate programs of lectures on "world problems," concerts, drama, festivals, painting exhibitions, lectures on the progress of education—and many other activities to demonstrate the supposed progress achieved in the educational, scientific and cultural life of the world.

Also in the field of atomic energy is there continuing delay. It is understood that no decision has as yet been made regarding the next meeting of the Atomic Energy Commission, because of uncertainty over availability of a place for the meeting.

John H. Goode Joins Staff of Otis & Co.

DENVER, COLO. — John H. Goode has become associated with Otis & Company, First National Bank Building. In the past Mr. Goode conducted his own investment business in Denver for many years.

A. E. Newbold, Jr. Dead

Arthur Emlen Newbold, Jr., a partner in Drexel & Co., died of a heart attack suffered while he was vacationing at his summer home in Bar Harbor. Mr. Newbold joined the Drexel Company in 1912 and had been a partner in the firm since 1922.

Geyer & Co. Expands On Pacific Coast, Opening New Branches

Geyer & Co., 67 Wall Street, New York City, has opened an office in the Russ Building, San Francisco, and on or about September 10th will open a second Pacific Coast office at 412 W. Sixth Street, Los Angeles, in order to provide more convenient facilities to dealer and institutional customers.

Walter C. Gorey, formerly Captain A. U. S. and with 15 prior years of specialized experience in the analysis and sale of bank and insurance stocks, will be in charge of the Pacific Coast offices.

Geyer & Co.'s new branches in Los Angeles and San Francisco will be connected with the firm's New York, Boston and Chicago offices by direct private wire, and also by private wires to correspondent firms with Cleveland and Philadelphia.

Geyer & Co. act as wholesale dealers only, specializing in bank stocks and insurance stocks exclusively.

James With Geyer & Co.

LOS ANGELES, CALIF.—John R. James, Jr. is now associated with Geyer & Co., Inc., 412 West Sixth Street. Mr. James was previously with Harris, Upham & Co.