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Britain's "Battle of Steel"

By PAUL EINZIG

Noting split in British Cabinet regarding proposals to nationalize steel industry, Dr. Einzig points out "a compromise" has been offered, whereby Government would secure controlling stock interest in leading steel companies, thus deferring complete acquisition.

Paul Einzig

LONDON, ENG.—The government has decided to introduce next year a bill authorizing it to

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Section Two Omitted

Paper Still in Short Supply for This Issue

Although partial settlement of the truck strike indicates that additional supplies of paper may be available to us shortly, the amount at hand at press time left no alternative but to again cut the size of today's issue. Accordingly, we are forced to eliminate Section Two, for the second successive week, and once again materially restrict the department devoted to "Prospective Security Offerings."—Editor.

Important Changes Instituted In German Economy

By HERBERT M. BRATTER

Special Correspondent of the "Chronicle"

New monetary scrip system represents mixture of dollar and reichsmark economies. Black currency market eliminated. Cigarettes still most desired medium of exchange. Inflation prospects a worry. Important decisions on cartelization pending, with English and Americans now differing about policy. Work and individual security issues in October elections. Writer deplores fear of Russians.

BERLIN, GERMANY, Sept. 18 (by wireless)—In Berlin, where Americans have been using cumbersome chit books along with AMG notes in trading in American installations, as described in last week's cable, the new scrip system represents welcome simplification. While the American community here has long expected the scrip, the exact date was unknown and today's sudden closing of American post offices, post exchanges, and finance offices, rendering exchange of currencies and cashing of travellers checks impossible, causes a temporary travel impasse. Your correspondent in the midst of concluding arrangements for an immediate trip to the Ruhr, was unable to buy in the American sector the needed British military currency. Fortunately a British officer was willing to cut the red tape and personally advance the funds, thereby forestalling the necessity for rearranging his travel schedule.

Herbert M. Bratter

The new currency, officially called military payment certificates, represents the introduction into Germany of a dollar econ-

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Haven't You Had Enough?

By DR. HARLEY LUTZ

Professor of Public Finance, Princeton University

Economist, in calling attention to goods shortages, strikes and other economic postwar disturbances, contends that the cause of the unhappy situation is the exemption of labor organizations from monopoly laws. This, he claims, gives labor right to exploit and intimidate capital, a right reenforced by Federal labor legislation. Says struggle now is between Collectivism and Individualism, and urges termination of violence and mass picketing in labor disputes as well as abolition of monopoly privileges to labor unions.

A candidate for a prominent office in a mid-western state has announced as his platform the question—"Haven't you had enough?" This man should win, hands down, against any and all opponents!

Dr. Harley Lutz

There are many directions in which this question could appropriately be pointed. We have had enough of burdensome taxation, and excessive spending, and inflation, and price controls, and shortages of every sort, and so on. The present crisis on the labor front provides warrant, however, for aiming it in that direction. As this is being written a strike of truck drivers is steadily and thoroughly strangling the economic life of the greatest city in the country. But the current strike is only one in a long series of such episodes, which in one year have included strikes by elevator operators, barge operators, coal miners, railroad men, and now the truck drivers. These grave inter-

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Stop Obstructing Russia: Wallace

Cabinet member causes crisis at home and abroad by criticism of Administration's foreign policy. Relinquishing his former "One-World" philosophy, he urges that we and Soviet mutually mind our own business. Warns against "tough policy" toward Russians, or they will get equally tough. Declares we must free our foreign policy from Britain's "balance-of-power manipulation" and "imperialistic" oil interests. Mr. Wallace charges Republican election victory, because of party's economic policies, would bring us to war, already being provoked by pro-Axis reactionaries and large segment of our press. Delivery of address departs from prepared text.

Henry A. Wallace

Speaking at a "Beat Dewey" political rally held at Madison Square Garden in New York City, Sept. 12, under the joint auspices of the National Citizens Political Action Committee and the Independent Citizens Committee of the Arts, Sciences and Professions, Secretary of Commerce Henry A. Wallace publicly stated his disagreement with his Administration's post-Roosevelt conduct of foreign policy, as it concerned Russia.

According to the transcript of the President's press conference held several hours before delivery of the speech, Mr. Truman stated that he had read it and approved it in full; further stating that he considered the address to be in line with the policies of Secretary Byrnes.

However, in a second press conference of Sept. 15, the President qualified his previous approval, in the following formal statement:

"There has been a natural misunderstanding regarding the answer I made to a question asked at the press conference on Thursday, Sept. 12, with reference to the speech of the Secretary of Commerce

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The Goal of Steady Employment

By HENRY FORD II*
President, Ford Motor Company

Leading automobile executive, in commenting on desire of wage-earner for security through steady employment, points out impracticability of obtaining it by a guaranteed annual wage. Cites seasonal demand for automobiles and decentralization of producers of parts as factors making an annual wage inapplicable to automobile industry, and asserts any sound plan to provide stable employment must increase production and lower costs. Sees need of new viewpoints by both management and labor, particularly in field of more cooperation and human engineering, as well as more judicious use of strikes. Calls for more productivity by both men and machines and denounces "feather-bedding."

National surveys show that well up at the top of the list of what the American wage-earner wants—perhaps at the very top of his list—is *security*. By "security" he means, more than anything else, steady employment—the chance to work continuously at good wages.

Henry Ford, 2nd

Of course, the American wage earner wants to own his own home. He wants life insurance and savings accounts. He wants his children to have a chance to educate themselves for better opportunities. But steady employment is a prime consideration to 10 times as many workers as "high pay," and steady employment is a prime consideration to 25 times as many workers as "short hours."

The security which the American wage earner wants is not tied to any official scheme of government, the unions, management or anyone else. It is a broad and comprehensive desire. As a matter of fact, the surveys show that the average American worker would prefer to work out his own problem of security in his own way without help from employer, the state, or his union—provided only that he has steady work at good wages.

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*Address by Mr. Ford before the Economic Club, Detroit, Mich., Sept. 16, 1946.

Today's Possibilities in Public Utility Stocks

By HAROLD H. YOUNG*

Analyst is enthusiastic over outlook for utility equities, because of (1) liberal yields; (2) reduction of debt ratios; (3) healthy depreciation policies; and (4) greatly increased future industrial, commercial, and domestic power usage. Sees great rural expansion. Believes these factors, plus increasing efficiency, will overcome labor and regulatory difficulties. Stresses dealer opportunities for distributing the liberal-yielding, sound, common stocks—examples of which he lists.

When I was a neophyte in the investment business in 1925 one of the first "rules of thumb" I learned was that common stocks of public utility operating companies were evaluated at ten times their earnings. At that time public utility bonds were sold on a yield bases of 5¼% to 5½% and the going rate on preferred stocks was 7%. To-day, utility bonds are yielding 2½% to 2¾% and preferred stocks return from 3½% to 3¾%; yet, we have many utility common stocks available on the ten-times-earnings basis of twenty-one years ago. There is something in this situation that does not make sense, especially because in the intervening years much has been done to make utility equities better and stronger investments.

Harold H. Young

*Address by Mr. Young, Public Utility Analyst for Eastman, Dillon & Co., before the Ohio Valley Group of the Investment Bankers Association of America, at Columbus, Ohio, Sept. 13, 1946.

I would like to take a little time to explain why I regard utility stocks highly as investments and why I think many of them are on the bargain counter today. Obviously, I hold no brief for utility shares as being immune in a falling market. That would indeed be naive. If the general market goes lower utility stocks will go along with the rest. However, I feel a better case can be made for utilities than for almost any other group as to the sound investment value offered at prevailing levels.

Regulation Has Increased Soundness of Operating Co. Equities

Reverting to the comparison of the present situation with that prevailing twenty years ago, I wish to emphasize the strengthening of regulation with corresponding improvement in the soundness of operating company stocks. We have witnessed the passage of the Public Utility Holding Company Act and its administration by the SEC, the creation of the Federal Power Commission, and a general tightening of regulation by the various state commissions. Twenty years ago, it was still a popular trick for holding companies to buy operating companies, write up the assets on their books, and then sell bonds and preferred stock enough to retrieve the amount of the investment. Of course, this left the common stock as representing no cash stake as far as the holding company was concerned. This sort of thing has long since become impossible. Some common stocks of today probably have as much back of them in real assets and earning power as some of these preferred stocks had twenty years ago.

Advantage of Original Cost Accounting

In the interim the original cost

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Articles and News Page

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A Look Into the Future

By RAYMOND RODGERS*

Professor of Banking, New York University

Professor Rodgers warns "very vulnerable" price structure constitutes important threat to business activity. Recalls booms follow busts, nation's productive capacity exceeds consumption ability, and in long run buyers control both consumption and production. As additional deflationary elements he lists probable balanced budget, continuing contraction of bank deposits, firming interest rates, and individuals' propensity to preserve past savings.

Even the atomic bomb bows to the basic principle of the natural sciences, that "for every action there is an equal and opposite reaction." In the social sciences there are similar principles which businessmen overlook at their peril — and, I might add, in these days, at the peril of their customers, employees and society itself! For example, "boom" is followed by "bust" just so surely as night follows the day. Furthermore, the intensity and the pattern of the depression are largely determined during the "boom" phase of the cycle.

Raymond Rodgers

Anyone who will take the trouble to look around can see that we are on the crest of the greatest "boom" the world has ever known. When there is not enough of anything, except money and other purchasing power, things are indeed, as Shakespeare put it, "out of joint." When busi-

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*Address by Mr. Rodgers before the 15th Annual Meeting, Controllers Institute of America, Sept. 17, 1946, Hotel Commodore, New York.

German Economy Must Be Revived, General Clay Declares

Military Governor of U. S. Zone, in "Chronicle" interview, states monetary and fiscal reform are urgently needed to provide adequate living standard.

FRANKFURT, GERMANY.—In an exclusive interview with the "Chronicle's" correspondent in Berlin on Sept. 12, Lt. Gen. Lucius D. Clay, Deputy Military Governor of the U. S. Zone, discussed the economic problems of Germany as follows:

"A reasonable economic revival of Germany is needed so that the country can be self-sustaining and provide the standard of living contemplated at Potsdam. Such a standard of living is essential to political stability in Germany, to the growth of democracy in Germany, and as well to the surrounding European countries. It is therefore a matter of urgency in the interests of Europe as a whole to bring the German economy up to the agreed standard with the utmost dispatch.

"Our ability to revive the German economy will depend in considerable measure on the success we have in developing an export trade to the United States which would compensate in dollars for the food we must buy for Germany.

"Monetary and fiscal reform is also a matter of urgency, because we are threatened with runaway inflation here. We'll not develop a real export-import program without a stable monetary unit with an international exchange value. Manifestly, the German mark can have no realistic foreign exchange value unless German finances are put in order through drastic fiscal reform. On that particular question I am not anticipating too much difficulty, although the reform itself, once agreed upon, will take time to work out. Should it involve putting out a new currency, it would take many months."

* * *

In American circles here the

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How Much Can Be Sold?

By D. W. MICHENER*

Associate Research Director, Chase National Bank

Mr. Michener points out current sellers' market is based on inflated purchasing power coupled with drastic postwar reduction in production. With both wholesale and retail inventories now steadily increasing, he recalls 1920 price decline in face of high purchasing power. Irrespective of timing, he warns "the important thing is for the driver to keep in mind that there is a turn ahead."

For some five years, the major question before our economy has been, "How much can be produced?" The producer got most of the attention; merchandising and selling of consumer goods were almost taken for granted. I am convinced that, before long, the big question will be, "How much can be sold?"

D. W. Michener

If this conclusion is correct, it will mean a change of great importance. The Second World War had two major effects on the position of the retailer. In the first place, it greatly expanded the ability of the consuming public to purchase the goods which the retailer had to offer, and in the second place, it reduced the amount of goods available for purchase. Let us notice first the extent to which ability to purchase has been expanded. This came about largely as a result of government borrowing from the commercial banking system. When the Federal Government borrows from the commercial banking system, its bonds become the assets of the banks, and new deposits of similar amount come into being. Wartime expenditures caused a great acceleration in the rate of advance, so that at the

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*An address by Mr. Michener before the Smaller Stores Dinner Meeting of the National Retail Dry Goods Association, New York, City, Sept. 11, 1946.

NYSE Governors Defer Decision On Permissive Incorporation Issue

Majority of board members, evidently feeling there was more important work for it to do at this time, voted last Thursday to defer until Nov. 7 question of whether to put matter of permissive incorporation up to members for a vote. This delay will give Stock Exchange members extra time in which to study proposition and for this reason "Chronicle" welcomes additional expressions both pro and con on issue.

The Board of Governors of the New York Stock Exchange last Thursday voted to defer until Nov. 7 the question of whether to put the matter of permissive incorporation up to the members for a vote. Unanimity was lacking in the vote but it is evident that majority of the board members felt there was more impelling and so consequently more important work for it to do at this time.

The delay will give the Stock Exchange members extra time in which to study the proposition, however, and for this reason the "Chronicle" will continue to make its columns available for further comment on the issue.

There are many angles to permissive incorporation, as anyone who has given any thought to the question realizes, and it is important to the brokerage business and the money and securities industry in general that all the Stock Exchange members clearly understand the implications inherent in the question. It is to throw needed light on the matter that the "Chronicle" welcomes additional expressions both pro and con on the issue. All communications should be addressed to the Editor, The Commercial and Financial Chronicle, 25 Park Place,

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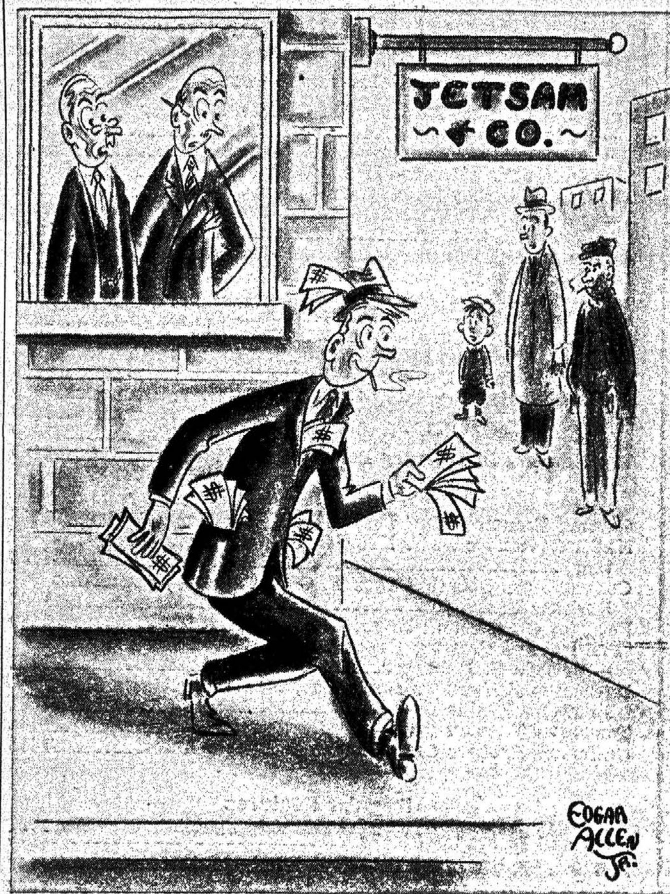
BUSINESS BUZZ



"Sometimes I Think Fenwick Should Use Another Method For Our Weekly Deposit!"

Congressman Sabath Urges SEC to Investigate Odd-Lot Business

Democratic leader insists that short selling and political motivation constituted major causes of stock market break. Threatens Congressional investigation in absence of SEC study of following points in addition to "abuses in odd-lot trading": (1) Artificial disturbance to the national economy to affect November elections, and to eliminate margin restrictions; (2) violation of shcrt sellng laws; (3) violation of margin prohibitions; (4) influences from foreign accounts.

In the following letter to SEC Chairman James J. Caffrey, in replying to his communication of Sept. 4 (published in the "Chronicle" of Sept. 12), Representative A. J. Sabath, Democrat of Illinois, stated that he remains unconvinced concerning the explanations made of points he had made in fixing responsibility for the stock market break:

A. J. Sabath

My dear Mr. Caffrey:

Thank you for your prompt answer on Sept. 4 to my telegram of the same date.

I appreciate the points you make.

Nevertheless, I remain unconvinced on several major possibilities in the sustained break in the securities markets of recent weeks: I believe that political motivations and implications are a major factor; I believe that short selling pressure is a major factor; I do not believe that any simple and superficial theory can explain the continued hammering of leading industrials largely exempt from the easy reasoning of many apologists for Wall Street.

Speculative trading in securities is a sterile economic process. No wealth is produced. No substantial contribution is made to the general economic welfare. Under the wise legislation adopted by Democratic Administrations which created the Federal Reserve System and the Securities and Exchange Commission, supervision and controls of trading, banking and credit facilities have provided a cushion against the shock of wild market fluctuations against the national economy. Even so, the shock remains and can be quickly felt.

The repeated assaults on the securities of sound, flourishing, well-managed companies, at a time when every economic barometer suggests a long and sustained period of high production, high earnings, high employment, and high return on legitimate invest-

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From Washington Ahead of the News

By CARLISLE BARGERON

Wallace's foreign policy speech demonstrates continuance of lack of discipline among public officials that marked Roosevelt regime, thus making for "mobocracy" in government. Commerce Department Secretary seen as tool of left-wing element which is desperately trying to retain prestige acquired under FDR. Net effect of policy advocated by Wallace would be destruction of Democratic party and extinction of his fellow-thinkers.

What Henry Wallace seems to have accomplished under Truman with his New York City speech on our foreign policy and his subsequent attitude, is that the Roosevelt policy of unadulterated democracy among Government employes is to continue to prevail. Under Roosevelt our Government employes, even those in the lowliest ranks, came to be undisciplined and utterly free to have their own individual policies towards every question under the sun that came up, and to express these policies.

Carlisle Bargeron

In this wise, Roosevelt had about the same command over the hordes of those whom he brought into the Government as he did over his own family. There are many who attended family dinners at the White House who were downright shocked at the lack of respect which his youngsters, now mostly all making money by writing about him, gave him. It was a frequent stunt for these youngsters, when he started to tell a

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Selecting Stocks

By ROGER W. BABSON

Asserting stock market "averages" are becoming obsolete, Mr. Babson holds we are now facing a selective market, and though volume of investment will continue, it will be shifted from one field to another. Notes switching from rails to certain industrial and merchandising concerns, and urges selecting issues of industries using little labor and that could not be readily destroyed by another war.

We hear much about stock market "averages"—especially the Dow-Jones Industrial Averages which are pretty much the standard. This average was 381 early in 1929; it fell to 41 in 1932; since then it has gradually crawled back (with a break in 1937) to a 212 high in May, 1946. Since then there has been a decline, so that the average today is about 181.

Roger W. Babson

The Dow Theory

In addition to watching these averages, many investors are believers in the "Dow Theory" so-called. This is that a change in the cyclical trend of the market is indicated when there is confirmation in the individual price movements of the industrial group and the railroad group of stocks. Such a change of trend is said to have taken place when both groups break through an earlier fairly recent top or bottom of the group's averages.

My own opinion is that in the years ahead, between now and World War III, much less attention will be given to these or any

(Continued on page 1480)

New York Stock Exchange Weekly Firm Changes

The New York Stock Exchange has announced the following firm changes:

John Parkinson, Jr., limited partner in Hutchins & Parkinson, will become a general partner, effective Oct. 1.

Leonard B. Keiffer, New York, partner in Beer & Company, died on Sept. 7.

V. Russell Leavitt, Hartford, partner in Paine, Webber, Jackson & Curtis, died on Sept. 12.

Observations . . . .

By A. WILFRED MAY

Where Do We Go From Here?
From Phoney-Peace—to Peace or War?

The question as to what we are headed for in the international situation, is far different than it was before World War I. In the first place, then we had been and still were, in a status that could be legitimately termed "peace"—so the query merely was whether there was going to be another war. Now, on the other hand, we are in a twilight "phoney" zone, making the question climactic, that is, *which* alternative way we are actually going—toward war or toward real peace. From here on we cannot remain static where we are.

A. Wilfred May

In the second place, the question is far more important now than it was in the 1930's. Then it was likely to be rather an indoor sport for Americans to guess—and possibly to bet—whether Hitler's dramatic machinations would actually lead to military conflict. Then our forecasts and thinking were done in an atmosphere of aloofness, based on the expectation that at least the United States would not become embroiled again. And the calculations of the 1930's of course occurred in the absence of the completely devastating atom.

The answer to the question whither we are progressing, and by what forces we are driven, is needed to cut short our growing internal political dissensions—as evidenced by Secretary Wallace's and Senator Pepper's pronouncements of last week, whose aftermath left Acting Secretary of State Clayton in self-ascribed bewilderment over what the nation's policy really is. According to Messrs. Wallace and Pepper and their segment of the community, there would be no thought of war in the world were it not for British and American "Interventionists," wicked Imperialists, pro-Nazi reactionaries, and the newspapers who are all allegedly agitating to blitzkrieg Moscow. If the American people cannot have a unified, realistic national conception of what the actual situation among the so-called United Nations is, then we are all lost—be we liberals, "pinks," Republicans, or Democrats!

Another element of confusion is introduced in the situation by the American unique interjection of ideology into political affairs. For example, if England is discussing the Spanish question, it is quite obvious and openly acknowledged that the root of her concern is territorial protection in the strategically important Mediterranean—not an ideological choice between Fascism and Communism. The American habit of confusing ideology and politics was epitomized in our participation in the last War—we *still* don't know which element motivated us into fighting Germany. Now the extent of our confusion from our ideological professions is sensationally demonstrated by Secretary Wallace. Fresh from having been an arch-interventionist and international humanitarian, pleading to give a quart of milk to all in the entire world, now all of a sudden, when confronted by a *Russian* menace, he performs as Isolationist Number One, contending that what happens in Europe is none of our business, and that the two hemispheres should remain aloof from each other. Now when Stalin, and not Hitler, is the problem, Mr. Wallace and our left-wing group have changed their minds about this being "One-World"—and instead plead for compartmentalized spheres of influence (a wholly

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First California and Nelson Douglass Merge

SAN FRANCISCO, CALIF.—Nelson Douglass & Co. will be merged with the First California Co., under the name of the latter, according to an announcement by Earl Lee Kelly, Chairman of the board of the First California Co.

Two Join Cooley Staff

(Special to THE FINANCIAL CHRONICLE)

HARTFORD, CONN.—George F. Baine, Jr., and William J. Hassley, Jr., are now with Cooley & Co., 100 Pearl Street, members of the New York Stock Exchange.

Settle Industrial Disputes by Peaceful, Legal Means

By RAYMOND S. SMETHURST*
Counsel, NAM

Mr. Smethurst points to labor abuses, stating collective bargaining has recently been reduced to a pretense, because of gross inequalities imposed by National Labor Relations Act. States mere creation of government machinery, in any form, cannot effectively settle disputes. Urges modernization of antiquated rules of law to recognize public's stake in industrial picture. Advocates legal safeguarding of individual workers' rights against unions, compulsion on both labor and management to refrain from violence, and protection of consumers against monopolistic unions.

"Can labor disputes be settled by peaceful, legal process?"

Too many times during the war, the public was induced by government to believe that this or that policy or procedure would prevent a recurrence of serious and wasteful strikes. Each time the situation seemed to get worse.


R. S. Smethurst

No one can guess when the public patience will reach the breaking point, or foretell what new remedy it may seize upon.

Never was the time more appropriate for the American Bar to take leadership in developing remedies which are fair, effective and in harmony with a capitalistic system and our republican form of government.

Today, there is growing support for creation of a Federal Labor Court, having jurisdiction to settle specified or even all types of labor disputes. Establishment of arbitration or mediation boards, labor tribunals, fact-finding commissions—all constitute variations of the opinion that new machinery or procedures are indispensable to the peaceful settlement of disputes.

Some visualize such a court as the exclusive tribunal for resolving questions of legal rights and liabilities of labor and management. Others see such a court as a board of arbitration to resolve all issues, including broad

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*An address by Mr. Smethurst before 20th Annual Meeting of the Federation of Bar Associations of Western New York, Jamestown, N. Y., Sept. 7, 1946.

The Financial Situation

Regardless of its merits, furore created by Wallace foreign policy speech points up our continuing predilection for meddling in situations outside our concern, a policy that was directly responsible for our becoming embroiled in the recent war and in previous military ventures. Tendency to point finger at Russia beclouds militancy of our own acts and policies abroad, which can only be justified on doubtful assumption that preservation of British Empire is essential to our own defense. U. S. role in current European political squabbles that of amateur moralist, while Britain aggressively fights to keep her far-flung possessions and commonwealths.

Whatever one may think of the Wallace-Byrnes controversy or the issues which gave rise to it, there are certain indisputable facts which the American people will ignore or neglect at their own risk. These truths should, indeed they must, have dispassionate consideration free from partisan politics if the United States is to steer a safe course through the troubled seas which now rage around us. It is not he who dares raise questions or to speak of the politically unmentionables of the day who evinces lack of patriotism, but he who either does not take the trouble to understand what is going on or else regards silence the better part of political valor.

First of all, we must not permit ourselves to blink the fact that for a quarter century and more we have been much inclined to inject ourselves into situations in which we have no direct interest whatever. This was notably true of the World War I era in Europe, and has in one degree or another been true in Asia for a much longer period of time. For a time after the people of this country turned definitely and very decisively from the League of Nations idea (when it was obvious that our moralizations about world affairs had made no impression whatever upon the remainder of the world) we were inclined to withdraw from the European theatre, although as much can not be said of our behavior in the Pacific.

Again on the March

In any event President Roosevelt even before war broke out again in Europe was disturbing the peace of mind of informed observers everywhere with public statements which could apply only to situations far from our borders and far from any of our direct interests. Apart from the Philippines, which another war and one of our imperialistic impulses of the past had brought under our wing, and a few scattered islands which flew the American flag without any very logical reason, the Japanese, with all of their brutal strutting, had not prior to Pearl Harbor in any way threatened any direct American interests—and but for the fact that we insisted on injecting ourselves into the regions and issues of their misbehaviour on the other side of the globe, there is little likelihood that the attack on Pearl Harbor would ever have occurred. To say that we were at war

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Joseph H. Dagenais, Jr. Resuming Invest. Business

HAGERSTOWN, MD.—Joseph H. Dagenais, Jr., is resuming the investment business from offices at 74 West Washington Street. He will deal in over-the-counter securities. Mr. Dagenais for the past four years has been serving in the U. S. Army.

Pittsburgh Exch. Member

PITTSBURGH, PA.—Michael N. Miller, Jr., has been elected to membership in the Pittsburgh Stock Exchange.

What Are We Using For Money?

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

Pointing out our irredeemable paper money and bank accounts have only government's taxing power behind them, Mr. Parkinson declares it vital to all groups in community to reduce current unprecedented money supply. For such achievement he urges cut in government spending, and lightening of banks' holdings of government bonds.

"What do you use for money?" I'm told a hard-working, thrifty parent once said to his ne'er-do-well but spending son, who replied: "My wits and your credit." If a representative of the generations that have just passed and of the generation to come should ask a like question of our generation, I think our answer must be something like that of the spendthrift son. We are burning up the savings of the past and drawing on the earnings of the future.


T. I. Parkinson

If I should ask you, what are *you* using for money, you would have to say that you are using a few silver coins, a great deal of irredeemable paper, and bank accounts on which you draw by check, making transfers to others. That irredeemable paper money and those bank accounts which we shift around by check have nothing behind them except the future taxing power of the United States Government. And to be

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*Address by Mr. Parkinson to Young Men's Board of Trade, Town Hall Club Luncheon, Sept. 10, 1946.

Democratic Party Bungling

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

Republican Party spokesman attacks both foreign and domestic policies of Administration. Says Administration has failed in its foreign policy and scores continuous appeasement of Russia. Points out failure to restore a stable economy and to reduce expenditures and taxes. Claims Administration's concern about inflation is hypocritical, and scores lavish distribution of American funds abroad. Asserts Republicans will abolish war controls and agricultural subsidies, and will encourage industry and private enterprise, as well as social welfare. Holds campaign issue is "Freedom against Totalitarian Government."

I. Introduction

Fellow Republicans of Ohio, I am greatly honored by your invitation to make the keynote speech at the opening of this campaign of 1943. It is a real pleasure to be a part of that campaign and do everything I possibly can to assist the election of John Bricker to the United States Senate and Tom Herbert to be Governor of Ohio. Eight years ago we campaigned together when Republican fortunes were at their lowest ebb. With the others on that 1938 ticket, we succeeded in starting Ohio on its Republican course. Since then, with many others, including those on this year's state ticket, we have worked together every two years; and built up, I hope, a stronger, more unified and harmonious,—


Robert A. Taft

and more friendly—Republicanism than any other state in the Union.

All over the United States the Republicans are opening not only the campaign of 1946 to elect a Republican Congress, but the campaign of 1948 to elect a Republican president. It is a campaign to put the United States back on the main track of American progress, both national and international, from the deceptive sidetrack of diversion, delay and destruction. This year we propose to elect a Senate and House of Representatives with a Republican Majority to prevent a further advance toward the dangerous chasm of bankruptcy and dictatorship, and formulate a program which President Truman can approve or disapprove at his peril. In 1949 we intend to put that program into effect.

(Continued on page 1482)

*An address by Senator Taft before the Republican State Convention, Columbus, Ohio, September 11, 1946.

Coady and Woerner With Wm. E. Pollock

Edward Coady has become associated with the sales department and Charles Woerner with the trading department of Wm. E. Pollock & Co., Inc., 20 Pine Street, New York City. Mr. Coady was previously with Salomon Bros. & Hutzler and Mr. Woerner was with Discount Corp. of New York.

With Bond, Inc.

(Special to THE FINANCIAL CHRONICLE)

HARTFORD, CONN. — Albert M. Mitchell is with Bond, Inc., 49 Pearl Street.

A Stock Market Breathing Spell Ahead

By G. Y. BILLARD

Partner, J. R. Williston & Co.

Analyst, in calling attention to ebbing liquidation in stock market, contends that a reexamination of outlook indicates further moderate expansion of industrial production which points to higher earnings and larger dividend payments. Sees investment buying ahead and holds many opportunities exist to effect advantageous tax-saving transactions and improve security position.

Recurring waves of heavy and concentrated liquidation falling on thin markets caused further extensive damage during the past week.

Gordon Y. Billard

Little news was available to account for the selling other than evidence of further wage increase demands and a general lack of any decisive Administration policy for dealing effectively with either present or prospective domestic reconversion troubles. The bulk of the selling clearly reflected a fear psychology and was of sufficiently broad nature to encompass virtually the entire list, with the result that many situations appear to have been fairly oversold on the basis of any normal yardstick of value.

Following such a severe relapse, there will come an automatic recovery brought about by exhaustion of offerings and the appearance of a growing investment demand. How far or how long such recovery will carry is beyond calculation but it will at least bring a breathing spell that will permit reasoned liquidation under something less than highly emotional conditions.

Ebbing Liquidation

A picture of the present state of affairs may be seen by looking at the market in retrospect.

In the initial break in the first post-Labor Day session, the Dow-Jones Industrials dropped about 10 points on dealings involving approximately 2,900,000 shares; in the next slump, prices dropped the equivalent of about 8 points on sales of 2,830,000 shares; and in the following crack, prices dropped about 5 points on an expanded volume of dealings of around 3,300,000 shares. The last break, however, was promptly followed in the next session by a recovery of approximately equal proportions.

In other words, each succeeding liquidating wave produced declines of lesser proportions, indicating a gradually expanding demand as progressively lower prices were reached, and finally ending in a broad forward movement.

Principal Question

The principal question is whether the sharp downward lurch during recent months rep-

(Continued on page 1475)

Bear Panic

By EDSON GOULD*

Ascribing recent market decline to emotional and psychological panic in a thin market, Mr. Gould contends such recessions are usually of short duration and do not indicate major business depression. Sees cause for unbalance in present inflated costs relative to selling prices and looks for further extension of decline with a year-end rise.

There has been much casting about for reasons for the recent decline in the market. A number of causes have contributed, but what probably happened was a sudden revulsion of attitude upon the part of investors and speculators. The cumulative effect of adverse foreign and unencouraging domestic news was to overwhelm hopes based on a favorable long range outlook for business by doubt, fears, and uncertainties over nearer term developments.

Edson B. Gould

The selling that developed, coming on a very thin market resulted in a stock market panic that has been feeding upon itself. There may be a little point in attempting to apply logic or reason in the midst of a panic which is essentially emotional and psychological, but it is interesting to observe that the panicky unreasoning state of mind that occasionally overwhelms the market

*Mr. Gould is a member of the Research Staff of Smith, Barney & Co., but the views and opinions expressed by him are his own and not necessarily those of the firm.

(Continued on page 1462)

Public Utility Securities

Pennsylvania Power & Light

The President of Pennsylvania Power & Light on Sept. 10 gave an interesting luncheon talk, illustrated by pictures, maps and tables, before the New York Society of Security Analysts. The following summary is largely based on the data presented in this talk.

The company's operations are well diversified both as to character of the area and the industries served. The company furnishes electricity to a large proportion of eastern Pennsylvania, containing no very big cities but some 25 with a population of over 10,000, and more than 700 smaller communities. Thus the area conforms to the latest industrial policy of decentralization—the distribution of industrial units among the smaller cities.

Some 37% of electric revenues are residential, 17% commercial, 38% industrial and 8% miscellaneous. There are over 3,600 industrial customers and only three contribute over $500,000 a year to the company's revenues. Among the heaviest industry contributors are the anthracite coal industry, using some $6,569,000 worth of electricity per annum; steel mills, using about $2,512,000; silk mills, $1,160,000, and cement producers with $495,000. While coal contributed over one-third of industrial revenues, the industry includes many low-cost strip producers, and the area served by the company covers some 85% of the total national reserves. Electric sales to the mines are much more stable than the coal industry itself, since power is needed for pumping water even when the mines are idle.

Lancaster is the second best farming county in the United States, and also has a substantial number of small industrial units. The cement companies served by Penn. P. & L. form the largest section of the industry. Reflecting the "growth" character of this area, the company acquired during the year ending last August 121 new industrial units, contributing about $460,000 direct revenues and $260,000 indirect. The company cooperates with communities and regional units, preparing literature for distribution to companies which might be interested in entering this territory. This is not only helpful in gaining new business but improves public relations.

The company now serves some 35,000 farms and has pioneered in developing rural business, one-quarter of all customers being in rural areas. Since 1923 mileage of rural lines has increased from 1,400 to 11,800. With the exception of a small unit serving 50 customers, there is no REA competition in the company's territory. The rural program is being rapidly pushed to completion. Load building literature is distributed to farmers, many of whom use substantial amounts of power to operate farm appliances.

While the average revenue per residential KWH, 4.4c, seems fairly high compared with the U. S. average, allowance must be made for the large amount of rural and small-city distribution which is naturally more expensive than for densely populated areas. The present rates compares with 7¼c in 1931.

The company forms part of a huge "superpower" system and it interchanges power with many other companies, thereby obtaining substantial economies through the different timing of peak loads. The company has a substantial building program and some $85,000,000 plant will be replaced by 1950. Some seven or eight of the seventeen older plants will be replaced by a huge new power house on the Susquehanna River which can be enlarged in future years. Since coal mines are nearby, the company does not have the freight rate problem which many other companies face. By 1950 despite heavier current construction unit costs, only $400 per KWH will be invested in plants compared with $500 original cost in 1932.

The company's financial structure has been greatly improved and plant account has been written down substantially. Due to these write-offs the debt structure may still appear a little top-heavy—63% debt, 22% preferred and 15% common equity—but these ratios should automatically improve as the common equity is built up. Amortization items in the income account (largely Account 100.5) amount to $1.04 per share on the common stock.

Under Pennsylvania laws and present commission regulations, Pennsylvania P. & L. is allowed

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Brophy with First Mich.

CHICAGO, ILL.—First of Michigan Corp. announces that James G. Brophy, recently Captain in the U. S. Air Force, has become associated with them in their Chicago office, 135 South La Salle Street.

Reeb with Mason, Moran

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL.—James E. Reeb has become affiliated with Mason. Moran & Co., 135 South La Salle Street.

Morris Hochman Opens

NEW BEDFORD, MASS.—Morris Hochman is engaging in the securities business from offices in the Coffin Building.

London Versus New York Stock Prices

By DR. MAX WINKLER

Economist holds London market, being restricted, does not constitute dependable guide to Britishers' appraisal of international political outlook. In fact the quotation of London equities at a sharp discount in New York indicates their distruct of the international situation.

Securities analysts, bewildered by the severe decline in prices, are inclined to minimize the effect upon the market of the international tension and discord among the Big Four; or, more accurately, between the Big Two — the U. S. A. and the U. S. S. R. They justify, or rather substantiate, their view by pointing to the relative firmness of the London market which they contend is abundant proof that the apprehension on the part of the American public over the international situation is not shared by the British who are admittedly better informed in regard to world problems.

Dr. Max Winkler

Careful examination reveals that the international market action of British equities actually affords proof that the British investor is apprehensive over the foreign situation, and, as a consequence, over the ability of Great Britain to maintain the stability of her exchange. While London quotations have risen, it should be remembered that the corresponding prices in New York are substantially below the London price, computed on the basis of the prevailing official rate of about $4.02½ per pound. To illustrate: Royal Dutch is quoted on the London market at £33 per share, equivalent to about $133. In the New York market, the shares are quoted $99 - $105. On the basis of the bid price of 99, the buyer is purchasing sterling at $3 instead of the $4.02½ which is the official rate. In other words, it is the former, rather than the latter rate which is the true rate. If the investor had more confidence in the future of sterling,

(Continued on page 1477)

The New Era in Treasury Policy

By DEAN JOHN T. MADDEN

Director of Institute of International Finance, N. Y. University

Dean Madden notes Administration's postwar reversal in fundamental credit policy. Cites Reserve authorities' deflationary moves in tightening money market and curtailing bank deposits. Anticipates a return flow of currency, accompanied by an inflow of gold, which will cause rapid increase in reserve ratio.

The end of the war, with the consequent reduction in the government deficit and the Treasury policy of redeeming its obligations held primarily by the banks, has marked the beginning of a new fiscal — and credit—policy era, according to a bulletin entitled "How To Read The New York Money Market," issued by Dean John T. Madden, Director of the Institute of International Finance of New York University.

Dean J. T. Madden

In view of the fact that the fiscal policy of the Treasury has undergone a considerable change, that short-term money rates are stiffening, and that the decline in long-term interest rates has come to an end, a proper understanding of the money market is now of greater importance than before. Moreover, the credit policy of the monetary authorities is bound to undergo further changes to adapt itself to prevailing business conditions. Obviously, in a period of inflation when commodity prices are rising rapidly, it is the duty of the monetary authorities to prevent the use of bank credit for unsound or speculative purposes. Since the volume both of currency in circulation and of bank deposits is exceedingly large as a result of war financing, it is incumbent upon the monetary authorities to do everything within their power to reduce the volume of bank deposits created through the acquisition of government securities by the banks. On the other hand, when the inflationary forces have run their course and business activity and commodity prices begin to decline, the policy of the monetary authorities will again undergo a change. The Reserve authorities will undoubtedly then endeavor to broaden the credit base of the country and stimulate the use of bank credit, thus creating new deposits that constitute purchasing power in the hands of their owners. It is evident, therefore, that the money market is subject to constant and, at times rapid changes.

In studying the money market, the fact must not be overlooked that all countries equipped with modern central and commercial banking systems operate on what is commonly called a managed-currency system. This, generally speaking, implies an effort of the government to influence business activity and the movement of commodity prices through credit and fiscal policies. Hence, the student of the money market must not only consider the forces of supply and demand operating in the money and capital markets, but also must ascertain what policies the monetary authorities might adopt. It is, of course, easier to evaluate the forces of demand and supply than anticipate the policies of the monetary authorities, which are subject to constant changes and are often under the influence of the needs of the Treasury. However, by analyzing these needs, business activity, and the use of bank credit for speculative or other purposes, certain definite conclusions can be reached.

The Great Power of Our Monetary Authorities

The monetary authorities, i.e., the Federal Reserve System and the Treasury, have very great powers over the money market.

(Continued on page 1480)

Potsdam On Election Day

Special to the "Chronicle"

Blitzed city, midst electioneering for Socialist Unity Party, elicits poignant memories of Frederick the Great and Sans Souci.

POTSDAM, GERMANY, Sept. 15—(By wireless)—This city was the capital of whimsical Frederick the Great, a royal retreat Sans Souci as he willed it. Potsdam was a city of historic palaces and churches, a cultural center of renown. But when the blitz came to Berlin, Potsdam was made a Nazi government seat. Potsdam lies physically and otherwise with its heart broken. The windmill, which Frederick couldn't still, our fliers stopped and it no longer exists. The blood is gone from the wrecked tanks and cars strewn about Potsdam's squares and along its streets, and roads, and parks. Overhead everywhere in Potsdam today flies a bloodred flag, for Potsdam is in the Russian zone.

That Sept. 15 was election day could be overlooked by no one in town. Everywhere, mingled with songs in Russian, were posters and banners urging the people to vote for S. E. D. These are the initials for the Socialist Unity Party of Germany. They are pronounced "SED" but they mean "RED." The S. E. D. waves a one-colored flag in a land which no longer boasts a flag. I saw a S. E. D. electioneering truck touring the town under four crimson flags. On all sides one could see election posters making liberal use of red ink, urging votes for SED and at every voting place the

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Smith, Moore & Co. Adds

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, MO.—William D. Fuller, Jr. is now with Smith, Moore & Co., 509 Olive Street, members of the St. Louis Stock Exchange.

With Robert Schweser Co.

(Special to THE FINANCIAL CHRONICLE)

OMAHA, NEB.—Frank E. Williams has joined the staff of Robert E. Schweser Company, 208 South 19th Street.

"Political and Pressure Group Tactics Caused Stock Break"

Reconversion delays constitute more important factor than international situation, says M. S. Rukeyser. Full production delayed.

Even more important than jitters over the foreign situation as a cause of the stock market crash was the belated recognition of the extent to which reconversion has been frustrated by political and pressure group tactics. This view was expressed at the annual banquet of the West Virginia Bankers Association at Huntington, W. Va., on Sept. 13 by Merryle Stanley Rukeyser, of New York, economic columnist for International News Service and well-known radio commentator.

Merryle S. Rukeyser

"More than a year after V-J Day," Mr. Rukeyser declared, "the transition from a war economy to a peacetime economy has been slowed up by overemphasizing putting names on payrolls and understressing production. While physical reconversion is well within the know-how of management engineers, the difficult problem has been psychological reconversion, shifting men's minds to the new situation in which production is again related to lifting the material well-being of 35,000,000 American families.

"Time will correct the maladjustments and disparities, but the issue is whether we should forehandedly eliminate the abuses through voluntary constructive action, or whether we should wait for brutal events in the competitive situation ruthlessly to liquidate the current faults."

Talking about inflation, Mr. Rukeyser urged the immediate reversal of the 16-year trend toward Federal deficit financing. He asked that the Federal Government drastically reduce expenditures below computed tax revenues, so that the excess of receipts could promptly be devoted to Federal debt reduction. He pointed out that net reduction of that portion of the debt which is now in the portfolio of checking banks was especially desirable, as this type of operation would not only curtail the total debt but also the excessive money supply.

"This," Mr. Rukeyser, who is author of "Financial Security in a Changing World," declared, "calls for a sufficiently high rate of interest to stimulate bank depositors to buy bank holdings of government paper. During the war, emotions of patriotism tended to overshadow the factors of self-interest. While men were dying for American principles, many citizens ignored the rate of return and bought government securities as a means of contributing to victory. As the fighting phase of the war sinks further into the past, it is well for those in charge of fiscal policy to think in economic terms of supply and demand."

Coons, Milton Admits

SAN FRANCISCO, CALIF.—Coons, Milton & Co., 232 Montgomery Street, members of the San Francisco Stock Exchange, have admitted Joseph A. Nelson to limited partnership; Mr. Nelson has been with the firm for some time as Cashier. Robert B. Coons, formerly a general partner in the firm, is now a limited partner.

Intl. Fund to Begin Exchange Transactions Early in 1947

Managing Director Gutt notifies members to communicate within 30 days their currencies' par value, expressed in gold or dollars.

Mr. Camille Gutt, Managing Director of the International Monetary Fund, announced Sept. 12 that the 39 members of the Fund have been notified to communicate to the Fund, within 30 days, the par values of their currencies. After the Fund and the members have agreed on the par values, the Fund will begin exchange transactions.

Camille Gutt

The par values of their currencies which members will communicate to the Fund must be expressed in gold or U. S. dollars and be based on the rates of exchange that prevailed 60 days before the Fund Agreement went into effect. According to the Articles of Agreement, the Fund may notify a member or a member may notify the Fund, within a period of 90 days, that the communicated par value is unsatisfactory and cannot be maintained without excessive dependence on the Fund. In such a case, the Fund and the member must agree on a suitable par value for the currency within a reasonable period determined by the Fund. Special arrangements may be made to extend the period of 90 days for agreeing on the par value of the currency of any member which was occupied by the enemy.

The object of the Fund, Mr. Gutt explained, will be to agree with members on par values for their currencies which will enable them to balance their international transactions. The members of the Fund are obligated under the Articles of Agreement to keep the foreign exchange rates for their currencies within 1% of the par value that is established by agreement with the Fund. A change in the par value may be made by a member only after consultation with the Fund, and only if it is necessary to correct a fundamental disequilibrium in the international balance of payments. Establishment of suitable and definitive par values will be a big step toward restoring normal commercial relations and the expansion of world trade.

After agreement has been reached on the par values of the currencies of countries having quotas aggregating $5,720,000,000, the Fund will be in a position to begin exchange operations, probably early in 1947. The Fund will sell to a member for its own currency, or for gold, the foreign exchange in needs to make payments for imports and other current transactions. The foreign exchange sold by the Fund for a member's currency will be repurchased by the member under specified conditions. In this way the Fund will help members to maintain stable and orderly exchange arrangements.

Tomorrow Without Fear

By Chester Bowles, Simon and Schuster, New York, p. 88, $1. Also in cloth and boards at $2.50.

(Book Review)

If there is one man in all the world who has a wider and more thorough knowledge than any other of all that has been said and written about business cycles — or what Mr. Bowles prefers to call "booms and busts"—that man is Wesley C. Mitchell. Writing in 1944 Professor Mitchell had this to say:

Chester Bowles

"The number and diversity of the diagnoses and prescriptions offered, long a reproach to economics, stems from the inability of investigators to determine how adequately their own and one another's explanations account for what actually happens during a business cycle. Even the 'theories' most fashionable today are really untested hypotheses. Yet some of their advocates offer practical guidance to government and public with an assurance that contrasts painfully with the caution of responsible physicians in treating imperfectly understood disorders of the body."

We are quite certain in our own minds that Professor Mitchell, writing on the same subject today, would not alter his conclusions one jot or one tittle as a result of Mr. Bowles' book.

Conversely, Mr. Bowles does not appear to be at all troubled by the vast difficulties which have caused far better minds than his to recognize how relatively little is really understood about these "booms and busts," and how utterly foolish it is to suppose that some simple formula can be conjured up to abolish them.

Mr. Bowles' book is "popularly written"—which, as usual, means that its thinking is fuzzy. The reader is quite unable to be certain of the precise reasoning upon which conclusions rest—or for that matter, precisely what the conclusions are at all points. It is obvious, however, that the author is an ardent advocate of managed economy and that he is a somewhat amateurish follower of Maynard Keynes. Apparently, to him the real cause of depressions is to be found in unsatisfactory distribution of income. He goes almost, if not quite, to the point of saying that the 1929 depression would not have occurred had wages been higher and profits lower. He would prevent future depressions by a more even distribution of "spending power."

At one point, indeed, he says in so many words that "it is in the increase of consumer spending on the things that consumers want and need that we must look for the basic and lasting solution of our economic future. We must all learn to live constantly better, a lot better." Apparently, we must consume more in order to have more to consume!

There is a good deal more philosophizing of the same sort, or at all events of the same caliber, and, as is so common in this day and time, the argument presently gets around to the conclusion that government must see to it that spending is kept at the proper level. It is not a book for thoughtful readers, and little would be gained by further accounts of its rather tangled and confused reasoning.

The present reviewer would be something less than candid if he did not add that the book has many of the earmarks of a carefully planned political document and that, in his opinion, it is in this connection only that "Tomorrow Without Fear" attains importance.

Wall Street Cashiers to Hold Annual Outing

The Cashiers' Association of Wall Street, Inc., announces that its annual outing will be held on Saturday, Sept. 21, at 1 p.m., at Schmidt's Farm in Scarsdale, New York.

Estabrook Adds Smith

(Special to THE FINANCIAL CHRONICLE)

BOSTON, MASS.—Harold A. Smith has been added to the staff of Estabrook & Co., 15 State Street, members of the New York and Boston Stock Exchange.

Dealer-Broker Investment Recommendations and Literature

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

Airlines 1946—Study of financial position and outlook for the industry with individual surveys of the potentialities of eighteen different companies — Merrill Lynch, Pierce, Fenner & Beane, 70 Pine Street, New York 5, N. Y.

Business and Financial Digest—News of developments in the field —Loewi & Co., 225 East Mason Street, Milwaukee 2, Wis.

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

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.

Wall Street Commentator—Digest of current events in the financial markets of North America together with reviews and analysis of specific situations—Bennett, Spanier & Co., Inc., 105 South La Salle Street, Chicago 3, Ill.

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.

Arden Farms Company—Analysis—New York Hanseatic Corporation, 120 Broadway, New York 5, N. Y.

Also available is a study of **A. S. Campbell Co., Inc.**

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.**

Central Public Utility Corp.—Recent revised projections of work-out values — Brailsford & Co., 208 South La Salle Street, Chicago 4, Ill.

Central Public Utility 5½s of '52 and Consolidated Electric and Gas Pfd. — Comprehensive study and analysis in brochure form—Fred W. Fairman & Co., 208 South La Salle Street, Chicago 4, Ill.

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

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

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.**

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

Also available are memoranda on **Gruen Watch Co.** and **American Pulley.**

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

Great Lakes Plating Company—Brochure—Dempsey & Co., 135 South La Salle Street, Chicago 3, Ill.

Gulf, Mobile & Ohio Railroad—Analysis—R. H. Johnson & Co., 64 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.

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

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

Old Ben Coal—Descriptive data —Scherck, Richter Co., Landreth Building, St. Louis 2, Mo.

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

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

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.

Seaboard Air Line—Study of situation in a railroad equity with speculative possibilities — R. M. Horner & Co., 30 Broad Street, New York 4, 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.

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

T. W. A.—Current analysis—John J. O'Brien & Co., 209 South La Salle Street, Chicago 4, Ill.

Business Man's Bookshelf

Earnings & Expenses of All Insured Commercial Banks in 1945 —American Bankers Association, 12 East 36th Street, New York City—paper.

For This We Fought—The aftermath of war—Stuart Chase—Twentieth Century Fund, 330 West 42nd Street, New York 18, N. Y.—cloth—$1.00.

Going Abroad for Business—Edmund B. Besselievre—Reinhold Publishing Corporation, 330 West 42nd Street, New York 18, N. Y. —cloth—$4.00.

Roofs or Ceilings?—The Current Housing Problem—Milton Friedman and George J. Stigler — The Foundation for Economic Education, Inc., Irvington-on-Hudson, N. Y.—paper—25c (lower price on quantity orders).

German Economy Must Be Revived: Gen. Clay

(Continued from page 1455)

hope is expressed that the Council of Foreign Ministers in its next meeting will solve in principle the German problem, which has been stalemated in quadripartite meetings by one party or another. As pointed out by the writer in an earlier article, the difficulties which the United States has encountered in furthering its ideas for the German economy have not been due exclusively to the Russians. Indeed, the French veto power has been the major stumbling block in a great many important instances. The point is not that the French Zone is of dominant importance in German's economy, but that the French veto stymies action elsewhere. The Control Council must act unanimously. Thus far the French have blocked every measure looking toward economic, financial or administrative unification of Germany until their demands as to the political status of the Rhineland are met.

That Russia, on the other hand, has not joined its zone to the others is based on the Russian objection to exclusion of the Saar, which the American Government on the other hand accepts. In other words, the Russians want Germany treated as a political whole as well as an economic whole.

With Ball, Burge & Kraus

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, OHIO — Charles I. Marston has become affiliated with Ball, Burge & Kraus, Union Commerce Building, members of the New York and Cleveland Stock Exchanges. He was with Hornblower & Weeks in the past.

Bear Panic

(Continued from page 1459)

seldom lasts more than about a month. Since this is the third week of this particular decline, it seems reasonable to believe that the urgent liquidation may soon have spent its force.

Thin Market

An important contribution to the speed of decline to date has been the thinness of the market. In discussing this phase of the market in the memorandum, "Wage-Price Garrotte," dated June 25, 1946, it was stated:

"We have already seen, in the February decline and in the recent minor decline, how thin are modern restricted markets, how utterly incapable of absorbing any large quantity of offerings without sizable price concessions.

"Such selling as the market has been called upon to absorb for the past six or seven months appears to have been largely professional, from large holders and institutions. At no time has there been evidence of large scale panicky selling on the part of the public. It is sincerely to be hoped that such a situation will not develop, but the risk that the market may face such a juncture has increased, particularly in view of the relatively large volume of new security issues that must have consumed a fair portion of public buying power for securities."

We are now witnessing the response of the market to heavy public selling and the liquidation will run its course until the more timid holdings of stocks are eliminated and until prices attract large scale buying.

Depression Ahead?

Investors are naturally concerned as to whether or not the decline in quotations is indicative of a prolonged period of business recession and liquidation. Similarity of the decline to date to what took place in 1929 and 1937 naturally recalls to mind the deflation of business that occurred after those breaks.

It would be folly to maintain that a decline of the magnitude witnessed by the market will not have its effect upon business sentiment and business conditions. Nevertheless, there is little reason for believing that we are on the threshold of a major business depression. Depressions result from a preceding lack of balance in the economic structure. The function the depression serves is to restore balance by deflation of the inflated elements. In 1919, heavy inventories were the chief cause of unbalance; in 1929 it was credits; in 1937 it was a combination of inventories, wage costs, war fears and concern over governmental interference. ("We planned it that way.")

The chief causes of unbalance in the present situation are inflated costs in relation to selling prices. It has long been apparent that some period of recession in business would be required to bring better balance into the economy before taking off into the widely expected several years of general prosperity and that is what the market is probably in process of discounting. War fears also have played their part in unsettling the market, but these seem ill-founded.

Timing

In commenting upon the market and business outlook in a memorandum, "Market Outlook—1946 and Beyond," dated Dec. 14, 1945, it was stated: "The intermediate term outlook (for stock prices) suggests a further rise into 1946 with the risk of a substantial intermediate decline of some consequence.

"The vision of four, five or more years of relative world prosperity is very likely to be realized, but it does not follow that beginning forthwith we will take off into that much-desired state or that the road thereto will be without many turns and rough spots. Time will be required for workable international agreements, for elimination of impediments all along the line, for the resumption of foreign trade and of building activity. Expectation of the beginning of this period of world-wide activity by late 1947 or early 1948 seems more reasonable that belief in an earlier date."

There seems no reason for changing this view which was based on the expectation that production would reach a high late this year and be followed by a recession that would (1) reduce employment sufficiently to restore labor productivity and bring a greater degree of stability into the whole labor situation and (2) force a realistic policy of governmental regulation of business. Because the problems of business tend to be psychological, social and political rather than essentially financial and economic and because important elements of strength are still present in the form of large demands and substantial savings the readjustment period need not be prolonged. And just as the market may be currently discounting well in advance some deflation in the economy, so may it be expected to anticipate a later change for the better. If that turn is to occur in late 1947 or early 1948 the market may be expected to begin to reflect the betterment during the first half of 1947.

Thus a reasonable course for stock prices to pursue over the intermediate term would be some further extension of the recent decline, followed by a fourth-quarter and year-end rise, in turn followed by another decline that will probably not endure beyond the second quarter of next year. Whether such a move is called a bear market or a major intermediate correction is a question of terminology, but at least to date reasons are lacking for believing that the recent decline in the market signals a major downward spiral of business and stock prices, lasting over a long period of months and cancelling the prospect of a later period of world-wide activity and prosperity.

NSTA Notes

ANNUAL MUNICIPAL MEETING OF THE NSTA

The 13th Annual Municipal Meeting of the National Security Traders Association will be held today at the Association's Convention in Seattle.

Russell M. Dotts, Bioren & Co., Philadelphia, Vice-Chairman of the municipal bond Committee will read the Committee's report for J. W. Kingsbury, Kingsbury & Alvis, New Orleans, the Chairman.

Dr. Paul J. Raver, administrator of the Bonneville Power Authority, will be introduced by C. W. Easter, Blyth & Co., Inc., Seattle. Dr. Raver will speak on "Public Power Development in the Pacific Northwest."

Thomas Graham, Bankers Bond Company, Louisville, Ky., President of the NSTA will introduce Robie L. Mitchell of Masslich and Mitchell, New York City, who will have for his subject "Sewer Revenue Financing."

Following the addresses there will be an open discussion and brief remarks by John Stevenson of Dun & Bradstreet.

Members of the Municipal Committee are: J. W. Kingsbury, Chairman; Russell M. Dotts, Vice-Chairman; F. Monroe Alleman, Leedy, Wheeler & Co., Orlando, Fla.; Edwin R. Foley, Kaiser & Co., San Francisco, Calif.; Stanley G. McKie, Weil, Roth & Irving Co., Cincinnati; and A. A. Sullivan, Equitable Securities Corp., New York City.

Two Denver Investment Banking Houses Merge

DENVER, COLO.—Arthur H. Bosworth, President of Bosworth, Chanute, Loughridge & Co. and John J. Sullivan, President of Sullivan & Company, announced Sept. 18 that effective Nov. 1, 1946, the businesses now conducted by the two firms will be merged into a new corporation to be known as Bosworth, Sullivan & Co., of which Mr. Bosworth will be Chairman of the Board and Mr. Sullivan, President.

Both of these firms have been leaders in the investment banking business in this area for many years. Bosworth, Chanute, Loughridge & Co. commenced business in 1916 as a corporation composed of Arthur H. Bosworth, W. Octave Chanute and Paul Loughridge. Dudley F. Baker and J. Wallace Coxhead, who are officers of Bosworth, Chanute, Loughridge & Co., will be officers of the new firm.

Sullivan & Co. started in business in 1927 as an individual proprietorship and was later changed to a partnership with Mrs. Sullivan and Paul E. Youmans as general partners and Mrs. Anne O'Neill Sullivan as a limited partner.

Both firms have been very prominently identified with the financing of many of the most successful commercial organizations of this western area in addition to participating in a major way in large municipal and corporation underwritings originating in other parts of the country.

The two companies hold memberships in the Chicago Stock Exchange, the Investment Bankers Association of America, the National Association of Securities Dealers, Inc., and other trade organizations.

The new firm which will combine the personnel of both of the present firms, will, after Nov. 1, conduct business in enlarged quarters on the ground floor of the Security Building.

The merger of the two firms will give Denver its largest investment banking house and one of the largest in the country.

Now Woodruff, Sholten & Co.

CHICAGO, ILL. — The firm name of Woodruff, Hayes & Sholten, 135 South La Salle Street, has been changed to Woodruff, Sholten & Co. Douglas Hayes has withdrawn from partnership in the firm, the other members remaining the same.

Tobias with Westheimer

(Special to THE FINANCIAL CHRONICLE)

CINCINNATI, OHIO—John E. Tobias is now affiliated with Westheimer & Co., 326 Walnut Street, members of the New York and Cincinnati Stock Exchanges.

Witter Adds Felchlin

(Special to THE FINANCIAL CHRONICLE)

OAKLAND, CALIF.—James A. Felchlin is with Dean Witter & Co., 409 14th Street.

With Herrick Waddell

KANSAS CITY, MO.—Roy S. Cole is with Herrick, Waddell & Co., Inc., 102 Baltimore Avenue.

Markley & Co. Formed In Poughkeepsie, N. Y.

POUGHKEEPSIE, N. Y.—Markley & Co., Inc. has been formed with offices at 2 Wood Lane to engage in the securities business. Officers of the firm are Raymond M. Markley, President; Vincent La Femina, and Samuel Pedolsky Vice-Presidents; William R. Allaire, Secretary and Treasurer; and J. Clark Work, Assistant Secretary.

Mr. Markley was formerly with Security Adjustment Corp., of Brooklyn. Mr. La Femina was with Edward A. Purcell & Co., New York City, and Mr. Pedolsky has been doing business as an individual dealer.

Michigan Brevities

Michigan Consolidated Gas Co. has filed an application with the SEC seeking approval of its proposed acquisition of assets of West Michigan Consumers Co. West Michigan has authorized stock of 5,000 shares, no par value, of which 4,182 shares are issued and outstanding.

Car & Co., Detroit, and Dudley H. Waters & Co., Grand Rapids, underwriters of a new issue of 175,000 shares of stock ($1.25 a share) of Metal-Glass Products Co., Belding, Mich., announced that the issue was "well oversubscribed." Proceeds will be used to retire a bank loan and to add to working capital.

Aeronautical Products, Inc., common stock will be traded on the Detroit Stock Exchange, it was disclosed following approval of the company's application to list by the exchange's board of governors. It was said the registration is expected to become effective in 15 days.

The Industrial National Bank, Detroit reports that to date ex-servicemen have borrowed more than $1,375,000 under the banks GI loan program.

The Detroit Stock Exchange paid tribute to Shader-Winckler Co. on the firm's 25th anniversary as a member of the exchange. "Your record of continuous service since September, 1921, has been invaluable to the exchange and has been a distinct contribution to our progress," Charles A. Parcells, exchange President, stated in a congratulatory message to the firm. Fred J. Winckler, speaking for his partner, Frank J. Shader, said a large measure of the house's success was due to the firm's sales organization.

Stockholders of Consumers Power Company have approved financing plans which include the sale at competitive bidding of sufficient common stock to produce $20,000,000 in cash. Several syndicates have been formed to bid on the offering, expected the last week in September.

Veteran Griswold Streeter Pierce A. Hastings has been named manager of the trading department of White, Noble & Co., Detroit Stock Exchange members. He has been active in brokerage circles here since 1919.

The Detroit Stock Exchange has approved an application to list 29,283 shares of Walker & Co. class B no par value stock. The company proposes to issue warrants to class B holders of record Sept. 16 for rights to subscribe to the additional shares on the basis of one new share at $10 for each 7 shares held.

Several Detroiters left this week to attend the National Security Traders Convention in Seattle Sept. 17-21. They are: Paul I. Moreland of Moreland & Co. and President of the local group, with Mrs. Moreland; George J. Elder and C. Edwin Mercier of Mercier, McDowell & Dolphyn; Frank H. Kemp of R. C. O'Donnell & Co., with Mrs. Kemp; Bert F. Lundington of Baker, Simonds & Co.; Don W. Miller of McDonald-Moore & Co. with Mrs. Miller and John K. Roney of Wm. C. Roney & Co.

An application to list 429,960 shares of $2 par value common stock of American Metal Products Co. on the Detroit Stock Exchange has been okayed. Trade will start in October.

Edw. Hoover Director of First of Michigan

DETROIT, MICH.—The First of Michigan Corp., Buhl Building, members of the Detroit Stock Exchange, announces the election of Edwin K. Hoover as a member of the board of directors. Mr. Hoover was one of the organizers of this corporation and served as a director of the company from 1933, the year of its incorporation, until January, 1943. At that time he was appointed Michigan regional manager of the Victory Fund Committee and later became executive director of the banking division of U. S. Treasury War Finance Committee for Michigan.

Having recently completed his duties as a committee member, he has again assumed his directorship with the First of Michigan Corp.

First Colony Corp Offers Metal Forming Stock

An offering of 50,000 shares of $1 par value common stock of Metal Forming Corp., Elkhart, Indiana, was made September 18 by First Colony Corp. and Buckley Brothers. The stock was priced to the public at $7.50 a share. This sale does not constitute new financing by the company but represents shares already outstanding and owned by certain stockholders.

Metal Forming Corp., a pioneer in the field of manufacturing welded tubing and light weight metal mouldings, was incorporated under the laws of the State of Indiana on March 29, 1917. The company also makes posture chairs. The metal mouldings and welded tubing are sold under the trade-name "MEFCO". All the products are made for others and the company generally makes no sales to consumers.

The company and its wholly-owned subsidiary show a net profit, after deductions for Federal income taxes, for the four months ended April 30, 1946, of $55,361 accruing from net sales of $626,290. Net sales for the year ended Dec. 31, 1945 were $1,263,119, and net profit, after provision for Federal income taxes, was $45,504.

Connecticut Brevities

Veeder-Root, Inc., has acquired all the outstanding stock of Holo-Krome Screw Corp. which was formerly 80% owned. In exchange for these shares, Veeder-Root directors voted to issue 7,300 shares of the company's authorized but unissued stock.

* * *

For the year ended June 30, 1946, Hartman Tobacco Co. showed net income of $193,167 against $137,997 for the preceding 12 months. Earnings on the prior preferred were $13.62 against $9.73, and on the $3 preference stock $9.62 against $5.73 respectively.

* * *

For the fiscal year ended June 30, 1946, North & Judd Manufacturing Co. reported net income of $328,464, or $3.41 a share against $334,621, or $3.47 the preceding year.

The balance sheet showed total current assets of $3,352,300 against $3,304,139 a year ago. Net working capital totaled $3,142,033 against $2,892,244 at the end of the preceding fiscal year. Equity per share as of June 30, 1946, was $47.74 as compared with $46.52 a year ago.

During the year the company set aside $76,053.85 for the employees' benefit under the terms of the Retirement and Benefit Fund, which represents 10% of the year's net earnings before taxes.

* * *

On Oct. 10 the stockholders of Bristol Brass Corp. will vote on the directors' recommendation to split the common stock 2-for-1. There are currently outstanding 60,000 shares.

* * *

Stockholders of Taylor & Fenn Co. approved a proposal to increase the authorized capital from $500,000 to $796,880, which is represented by 11,250 shares of $25 par preferred stock and 51,563 shares of $10 par common.

Stockholders of record Sept. 4 were given the privilege of subscribing to the new issue of 4.32% preferred in the ratio of three preferred for each old $100 par common share held, at $26.50 a share.

The new preferred will pay an annual dividend of $1.08, payable in quarterly instalments. The stock is redeemable at a gradually declining scale of prices and convertible into 1.25 shares of common up to and including Sept. 15, 1949; into 1.125 shares to Sept. 15, 1952; and one share to Sept. 15, 1956, after which the conversion privilege expires.

The unsubscribed portion of the preferred shares were sold to the public by Putnam & Co. Sufficient new common stock will be reserved by the company for the conversion of 11,250 shares of preferred.

It is expected that funds derived from the sale of the preferred after deducting expenses, together with other funds, will be used to construct a new foundry at Windsor, Conn.

* * *

Morgan, Stanley & Co. recently headed an underwriting group which offered to the public 100,000 shares of $100 par 3.65% cumulative preferred stock of the Scovill Manufacturing Co. at $102.25 a share. Scovill is offering its present stockholders the right to subscribe at $30 a share to 149,548 shares of the company's common stock at the ratio of one for each seven shares held. Rights expire Sept. 30.

Proceeds derived from this financing are to be used to pay off a $4,000,000 bank loan, and the purchase and construction of additional machinery, equipment and buildings for the main plant at Waterbury and its various divisions.

For the 28 weeks ended July 13, 1946, Billings and Spencer reported a net addition to surplus of $46,440, equivalent to 25c per share. This is a result of an estimated Federal tax refund of $105,000 under "carryback" provisions, operations for this period having resulted in a net loss of $58,560 before taxes.

* * *

American Paper Goods Co. of Kensington, Conn., has offered to its stockholders for subscription 6,000 shares of the company's $25 par common stock on the basis of one new share for each five shares now held at $48 a share.

Proceeds will be used for expansion and additional working capital. The operation of a new factory building, together with added equipment, will require an increased investment of approximately $750,000 by the end of the year.

* * *

At the annual meeting of the stockholders of Torrington Co., the by-laws were amended to provide for the creation of the office of Chairman of the Board. The board of directors have elected President William R. Reid to that office and Lester J. Ross, Executive Vice-President, will succeed Mr. Reid as President.

Elder, Wheeler Offers Gloria Vanderbilt Stock

An issue of 300,000 shares of common stock, par $1 each, of Gloria Vanderbilt Corp., is being offered today by Elder, Wheeler & Co., New York. The price to the public is $3 per share. The net proceeds will be used for remodeling and equipping a manufacturing plant, for purchase of inventory and for financing a promotional campaign.

T. A. Bradford in Washington, D. C.

WASHINGTON, D. C.—T. A. Bradford has formed T. A. Bradford & Co. with offices at 1322 G Street, N. E. to engage in the securities business.

Chas. F. Ware Opens

LODI, CALIF. — Charles F. Ware is engaging in the securities business from offices at 20 West Oak Street.

Congressman Sabath Urges SEC to Investigate Odd-Lot Business

(Continued from page 1456)

ments, cannot be rationalized away in simple terms of emotion.

Since my telegram to you, and your answer, I have been deluged by letters, telegrams, and telephone calls, most of them sustaining my position.

Threatens House Investigation

I trust that the "routine" studies of the Securities and Exchange Commission will take full cognizance of all the pertinent factors; in the absence of some assurance from you for comprehensive studies of stock movements in the last two months I shall feel impelled to urge the necessity of a complete investigation by the House Banking and Currency Committee as soon as the Congress convenes.

Without pretending to offer a comprehensive list of all factors involved, I should like to draw to your attention certain fields which would seem to justify special study.

1. The extent to which a deliberate desire to affect the outcome of the November elections by artificially disturbing the national economy played a part in the heavy selling climaxed by the present slump; and, as a corollary, whether this was part of a campaign to remove margin limitations.

2. Careful examination to determine if any violation of law or of regulations occurred through short selling in prohibited categories.

3. Careful examination to determine if any violations of Federal Reserve margin rules through prohibited bank loans for speculative stock purchases on margin occurred, with consequent unsettling of the market by forced liquidation of margin accounts.

4. The extent, if any, to which operations from foreign accounts, particularly from areas where gold differentials favor speculative activity in the American market, adversely affected the market here, and whether it is wise or feasible to devise legislative or regulatory safeguards in this field.

5. The extent to which odd-lot trading, not reportable as short selling under present rules, adversely affected the market, with a detailed study of practices in this field, and whether or not it is wise or feasible to devise legislation, or regulations under existing law, for additional safeguards in this field.

Possible Danger From Odd-Lot Transactions

I should like to amplify this last paragraph. The borrowing of stock by odd-lot dealers to fulfil commitments, the substantial profits accruing from such practices both to odd-lot and round-lot houses (but not to the customer, who gains nothing and can lose substantially), and the constant danger to a stabilized market from the speculative nature of odd-lot transactions, make these practices a matter of practical concern to the American public and clothe them with public interest. A completely stable market is, of course, no market, where profits depend principally on speculative buying and selling, and as long as stock exchanges exist I am not proposing that they be so regulated and regimented that no business can be done.

I am suggesting that existing regulations and the organic law under which they are promulgated constitute a fairly effective hedge against the wild speculative fluctuations characteristic of the boom-and-bust philosophy of the Republican party in so far as round-lot sales are concerned; but those very regulations have encouraged the growth of volume of odd-lot transactions because in that field there is wider freedom and less publicity.

In the nature of their operations, odd-lot traders must be long or short of the market. Their profits depend, not on commissions alone, but on actual trading *with other peoples' shares.* I am not overlooking the large capital required for odd-lot operations; the capital required is so large, in fact, that there is a virtual monopoly in the field which might well be examined by the antitrust division of the Department of Justice.

The Premium Practice

It would seem that the practice of "borrowing" shares of stock and the payment of premiums for its use, without the personal knowledge of the bona fide owner of the stock, would justify the most careful scrutiny of the SEC with a view to possible regulation or prohibition; at the same time, a very heavy volume of odd-lot trading, in proportion to total transactions—sometimes amounting to 40% or more in an active day—and the relatively invisible nature of such trading which is inherently short of the market, make it imperative that the whole system of odd-lot brokerage should be carefully examined.

It seems to me a virtual certainty that urgent selling by odd-lot traders in order to cover short sale commitments was a major factor in the sharp decline of exchange prices; and the timing makes it equally probable that political repercussions were carefully calculated and premeditated.

Because I believe that the American people deserve to be fully informed, I am making this letter public. I shall look forward with anticipation to your reply.

Sincerely yours,
A. J. SABATH.

Bond Club of N. J. Will Hold Field Day

The Bond Club of New Jersey will hold its annual Fall Field Day for members only at the Rock Spring Club, West Orange, N. J., on Sept. 27. The day's events will feature golf, riding, swimming, soft ball, horseshoes, card games, luncheon and dinner.

The Field Day Committee is composed of J. William Roos, MacBride, Miller & Co., Chairman; W. H. Boland, Boland, Saffin & Co.; C. R. Currier, Mueller & Currier; J. B. Kirk, Harris, Upham & Co.; J. F. Musson, B. J. Van Ingen & Co.; F. W. Porter, Estabrook & Co.; J. J. Ryan & Co.; J. R. Schermerhorn, Milliken & Pell, and C. W. Smith, Smith, Barney & Co.

Cleveland Bond Club to Hold Annual Fall Fete

CLEVELAND, OHIO—The Annual Fall Party of the Bond Club of Cleveland will be held on Friday, Sept. 20 at the Oakwood Country Club. The outing, which will feature golf, will be climaxed by a dinner free to members Limited facilities will not permit guests.

Guest speakers will include a sports editor and a player manager of the Cleveland Indians.

Missouri Brevities

Chase Candy Co., St. Joseph, Mo., last week filed a registration statement with the Securities and Exchange Commission for $2,500,000 of 4% 15-year sinking fund debentures, 100,000 shares of $20 par 5% convertible preferred stock and 170,000 shares of $1 par common stock. It is expected that F. S. Yantis & Co. of Chicago will head a group of underwriters who will offer these securities. The net proceeds, estimated at $5,856,125, will be used by Chase Candy Co. to complete the purchase of the candy manufacturing business operated by Clinton Industries, Inc. (which see below).

* * *

On Sept. 10, the directors of Clinton Industries, Inc. declared a quarterly dividend of 40 cents per share on the $1 par value capital stock, payable Oct. 1, next, to holders of record Sept. 20, 1946. This is an increase of 15 cents over the rate paid on April 1 and July 1, this year, when 25 cents per share was distributed on each of those dates.

Clinton Industries, Inc. has agreed, subject to stockholders' approval, to sell the plants, machinery and inventories used in its National Candy Company division to Chase Candy Co. of St. Joseph, Mo. This includes the two candy factories in Chicago, and the St. Louis factory. These plants, it was stated, have a capacity to produce 75,000,000 pounds of candy annually. It is estimated that the aggregate purchase price will be in excess of $4,900,000 after broker's commission and taxes on profit realized on the sale. The stockholders will vote on the agreement on Sept. 26, and it is contemplated that the sale will be consummated about Oct. 15, 1946.

* * *

The George Muehlebach Brewing Co. is reported to be contemplating some financing and a registration statement is expected to be filed in the near future.

* * *

Drexel & Co. and Glore, Forgan & Co., on Sept. 17 reoffered an issue of $5,000,000 airport bonds of the City of St. Louis, Mo., at prices to yield 1.05% to 1.125% for the maturities March 1, 1954-1956. The group's high bid for the issue at Tuesday morning's competitive sale was 100.638 for a 1¼% coupon.

* * *

Federal District Judge George H. Moore at St. Louis, Mo., on Sept. 13 approved the payment of $17,218,520 in accrued interest on four bond issues of the Missouri Pacific RR. Co. and its subsidiaries and at the same time dismissed reorganization proceedings of the Missouri Illinois RR. Co. Guy A. Thompson was discharged as trustee for the latter railroad and the bankruptcy was ordered terminated as of May 31, 1944, the date upon which the Missouri Illinois RR. and its rolling stock was turned back to its owners.

The largest payment approved by Judge Moore was $11,159,525 which retires two six-month interest instalments due in 1938-1939 on the Missouri Pacific first and refunding mortgage bonds. A total of $4,331,290 interest due in 1944-1945 was ordered paid on the New Orleans, Texas & Mexico Ry. first mortgage bonds. The order also included payment of $117,705 on the New Orleans, Texas & Mexico income bonds, representing two six-month payments which brought interest on this issue up to date. A total of $1,610,000 was ordered paid on the International Great Northern RR. first mortgage bonds, representing two six-month payments for the period 1937-1938.

* * *

R. E. Funsten Co., St. Louis, Mo., has declared a dividend of 15 cents per share on the $1 par common stock and a regular quarterly dividend of 56¼ cents per share on the $50 par 4½% cumulative convertible preferred stock, both payable Oct. 1 to holders of record Sept. 20. The company's capital structure was revamped and public offering made a little over two months ago.

Eversharp Program of Newspaper Advertising

A $227,000 program of newspaper advertising, supplementing the company's regular newspaper, magazine and radio budgets, has been announced by Martin L. Straus II, President of Eversharp, Inc.

The additional placements represent a substantial increase in advertising on the Eversharp CA 'Magic Sphere" writing instrument. The ads will appear in newspapers throughout the country during the months of October, November and December.

During October, 127 newspapers in 123 cities will display the first of the series of supplemental advertisements. In November, 164 newspapers in 160 cities will carry the second ad, and in December 138 newspapers in 121 cities will publish the third.

As part of its general expansion program, Eversharp has acquired additional plant facilities in Chicago, New York and Canada and has greatly broadened its sales organization.

To Be Dealer Firm

GREENSBURG, IND.—Greensburg Development Corp. is engaging in the securities business from offices in the News Building.

Wm. C. Davis with Merrill Lynch Firm

ATLANTA, GA.—William C. Davis Jr. has become associated with Merrill Lynch, Pierce, Fenner & Beane's Atlanta office, 25 North Pryor Street, after completing attendance at the firm's training school.

Mr. Davis enlisted in the Marine Corps in 1942 and was assigned to the Fourth Marine Division as an anti-tank officer. He was awarded the Bronze Star for action on Saipan and the Purple Heart for wounds received on Iwo Jima.

Real Estate Securities

Payment of All Interest Arrears— $364,000 Sinking Fund on Savoy-Plaza

Savoy-Plaza, Inc., will mail checks Oct. 1 to holders of its second income 3s-6s of 1956 on record as of Sept. 20, covering a payment of $83 on each $1,000 bond. The payment, to be made out of earnings for the fiscal year ended last July 31, will clear all arrears on the issue. In making the announcement, Hunter S. Marston, Chairman, stated that in spite of sharply increased costs and no compensating increases in hotel or restaurant prices, the company's gross in the 12 months ended July 31 reached $4,001,480 and there was available, before Federal income taxes, a profit of $1,093,833. This compared with a gross of $3,650,308 and a profit before taxes, of $938,261, reported in the preceding 12 months. Mr. Marston added that the rate of occupancy was 91.41%, that there is no let-down in the demand for accomodations and that the future seems to indicate "a continuing degree of profitable operations." Directors have ordered that $364,205 be used to purchase bonds for the sinking fund at prices not to exceed principal amount, plus interest to the date of purchase.

Municipal Bond Course Offered at N. Y. U.

The Graduate School of Business Administration, New York University, 90 Trinity Place, New York City, will present, beginning Sept. 26, a study course on general obligation State and municipal bonds. Registration for the course formerly was open only to those heretofore enrolled in the school, but a limited number of additional students will now be accepted.

The course will consist of a series of weekly lectures on Thursday from 5:30 p.m. to 7:15 p.m. Cushman McGee of R. W. Pressprich & Co., who conducted a similar course at the University last year, will be lecturer.

Students completing the course for graduate credit will receive two hours credit. Applications for admission should be made promptly at 90 Trinity Place.

B. G. Cantor & Co. to Open New Boston Branch

BOSTON, MASS.—B. G. Cantor & Co., New York securities firm, will open a branch at 161 Devonshire Street.

The Goal of Steady Employment

(Continued from page 1454)

The Guaranteed Annual Wage

The idea of steady employment is sometimes discussed these days under the title "The Guaranteed Annual Wage." In a great many ways this seems to me a poor choice of words. It is misleading. It comes a little too close to being a political phony. It suggests that someone is in a position to guarantee an annual wage and is merely refusing to do so. I doubt very much whether the American wage earner really believes that anybody can guarantee security in this world. What he really wants is steady employment at a fair rate of pay.

This normal human desire on the part of our employees for greater stability in their jobs is a challenge to mass production management. The production record during the first year of peace has turned the spotlight on some of the great difficulties to be overcome. We at Ford Motor Company are certainly not today in any position to "guarantee an annual wage." But progress toward more stable employment is greatly to be desired, and I would like to discuss briefly some of the considerations we face when we start thinking about what can be done toward a more stabilized employment in the automobile industry.

Before I do so, however, let's take a look at the problem.

When the first mild days of March come around each year, the American people begin to think about travel, vacations and the open road. They head for automobile salesrooms and start shopping for cars.

It is unlikely that people are going to change much in this respect. In 1935 the automobile industry tried to lead human nature into a different path by moving its annual presentation of new models from the first week in January to the early part of November. This produced some change in buying habits, but people for the most part have continued to buy their cars when winter begins to thaw out and spring is in the air.

This understandable custom is one fundamental cause of our problem. It makes the manufacturing of automobiles a seasonal business.

The American consumer—without whom there would be no automobile industry—has another peculiarity. Given a choice of a new car just like the one he had last year or a new and improved model, he will regularly prefer the new model. He likes a change, and unless someone is prepared to take away from him his freedom of choice and force him into a uniform mold, he is going to continue to cast his vote as a free American in favor of a new and better car.

It will be obvious that this preference on the part of the free American tends further to concentrate automobile production in one part of the year. Furthermore, it makes it necessary for the industry to stop working while it installs new machines, tools and dies to produce the new models.

Both of these things work against level employment. Both of them work toward peak employment—and when you have a situation of that kind, you must tend in the direction of employing a larger number of people for shorter periods rather than a smaller number of people for longer periods. Seasonal demand creates seasonal production, which results in seasonal employment.

Decentralization of Parts Producers

There is another factor. An automobile manufacturer is, to a very large extent, an assembler. The automobile company really makes few of all the things that go into a car. It buys a great many parts from others.

For example, the Ford Motor Company has 2,853 major suppliers from whom it buys a great variety of materials and parts that go into its cars. Another 3,000 suppliers furnish it a variety of the goods and services necessary to run its business—everything from toothpicks to locomotives. And at least 85% of all these suppliers can definitely be classified as small businesses.

Many of these suppliers are, in turn, served by other suppliers. One of the companies which makes our speedometers, for example, is itself an assembler, buying such things as gears and cables from other manufacturers. This speedometer company alone is served by some 200 suppliers.

When you begin to add it all up, you discover that the problem of stable employment in the automobile industry really involves a whole cross-section of American industry. We are not dealing with one big business, but with a great many little businesses—thousands of them. We are dealing with what is, in effect, a great market place for American products. The Ford Motor Company is itself a market for 600 to 700 million dollars worth of materials, supplies and services furnished each year by thousands of small business men.

I, for one, think that this decentralization is a fine thing. I believe in the encouragement of the small, independent business because I believe in the great productive power of individual initiative.

But we at Ford Motor Company are not allowed to forget for one minute that what we do and can do depends upon the performance of thousands of other businesses—large and small. For example, it is not "labor trouble" in our own plants which has prevented our making the number of cars and trucks we planned to make during the past year. Strikes in the plants of our suppliers have kept our production throttled down to low-gear stops and starts. At no time have we reached more than about sixty percent of our capacity. Everybody has suffered as a result. Our employees have lost millions of dollars in wages, the company has lost millions of dollars, and the American people have gone without new cars.

Now this problem, which I have over-simplified in order to be brief, is too important to all of us to be treated in any way except with the utmost respect. No engineering problem in the history of the automobile industry was ever solved by catchwords or by ignoring the difficulties—and I am sure no human relations problem will be solved that way either.

It calls for hardheaded thinking. Any softheaded idea which promises what it cannot deliver and merely makes political capital of the deep human anxiety of all of us for greater personal security can only lead to delay and disappointment.

The Role of Increased Production

We will need to experiment and to make difficult decisions. But I think we should have two practical considerations constantly in mind:

First, any sound plan to provide more stable employment must increase production and reduce the cost of cars to the American people.

I consider this of the greatest importance.

If what we do is to be in the public interest it must mean lower costs. For if it increases the cost of producing automobiles, it will lower the standard of living by reducing the number of people who can afford to buy motor cars. The market for our products will shrink — and employment will shrink.

The fault with most plans I have seen for a so-called "Guaranteed Annual Wage" in the automobile business is simply that they guarantee an increase in manufacturing costs. Unless such a plan would clearly insure a substantial increase in *productivity* or in economies to offset the increase in costs, it is obvious that the result would be simply to increase the cost of automobiles. To that extent, the standard of living of all Americans would be reduced — including those who would seem to benefit from such a plan.

It is sometimes argued that if all competing automobile companies were required to do the same thing, no one would be hurt and everyone would benefit. I do not think the American people would ever accept any plan which would regiment the automobile industry and thus destroy the tremendous benefits to the public of tough competition. Instead of producing more and more cars at lower and lower costs for more and more people, we would find ourselves producing fewer and fewer cars at higher and higher costs for fewer and fewer people.

Success in the field of mass production depends upon ever lower costs. Lower costs make possible greater quantity production and greater quantity production makes possible lower prices. No manufacturer in a mass production industry is interested in any program involving higher prices for fewer products. Nothing gives the mass production manufacturer greater *dis*-satisfaction than rising costs and rising prices.

The tragedy of the period of strikes through which we are still struggling is the very fact that spokesmen for labor, anxious to show their ability to force concessions, have succeeded. But, in the process, they have stifled production—and it is production, more than anything else, that has always lowered prices, always increased buying power, always defeated inflation. The competitive scramble to reduce the cost of things so that more and bigger markets can be won is the force which leads to an increase in the standard of living of the wage earner and all the rest of us. When a scramble to increase wages is accompanied by a cut in production, it leads to inflation, lower standards of living and the kind of boom that busts.

We need constantly to be reminded how well off we are in this country as a result of our capacity to produce. One out of every five Americans owned an automobile prior to the war, whereas only one person out of 22 owned a car in France, and only one in 23 in England.

One in every five persons in this country has a telephone. Prior to the war only one person in 18 had a phone in England and there was only one telephone for every 30 people in France.

Turn the statistics over and look at them from the other side. Before the war, an Englishman had to work five times as long as an American to buy a radio. The Frenchman had to work four-and-a-half times as long.

The reason is that we are greater producers than either of those nations. We produce more of the world's goods. Therefore, we have more of the world's goods to divide.

Furthermore, this is not a completed process—even in America. In 1914 the average man in this country had to work 15 minutes to earn enough to buy a loaf of bread. By 1946 he needed to work less than five minutes.

In 1914 a man had to work an hour and 31 minutes to earn enough to buy a dozen eggs. By 1946 he had to work less than half an hour.

Real wages, in short, are directly proportionate to the wealth of the nation—to the total amount of things we have to divide.

The second thing which it seems to me we must keep in mind is:

Any sound plan to provide more stable employment will require fresh thinking on the part of all of us.

When a complex and difficult engineering problem seems to have no solution, the fault may lie in the fact that we keep starting from the same premises and thus keep reaching the same conclusions.

Both management and labor will undoubtedly have to adopt new points of view if we are to approach even in one industry, new horizons in level employment.

The problem, as we have seen, boils down to this: We must learn how to increase production efficiency so that we can make more motor cars at lower cost and thus earn the money to do what we want to do.

The solution to the problem seems to lie in two related goals: There must be great forward steps in the productivity of *machines*, and there must be an increase in the productivity of *men*.

The first of these goals is obviously the responsibility of management.

The productivity of this nation, which has made it richer than the dreams of men 50 or 100 years ago, has been chiefly a result of our development in this country of mass production techniques—notably the assembly line idea; special-purpose and multiple-operation machines; and standardization, leading to inter-changeability of parts. America turned to the machine to increase its capacity to produce goods and have more things.

It is in the manufacture of automobiles that we can see most clearly what the techniques of mass production have done, for the 50-year history of the automobile industry *is* the history of the assembly line. But we face today the need for vigorous fresh thought and ingenuity in our production patterns. Through new approaches to automotive engineering and design, and through invention and refinements in manufacturing techniques we must somehow find the road to lower-cost motor cars.

Just how this will be done, I do not know. But we at the Ford Motor Company consider the problem so challenging that we plan, as you know, to invest millions of dollars in a new Research and Engineering Center.

But improvement in the *machinery* of production will not be enough. We must solve the pressing prboblems of the *human* factor in production. And here, again, vigorous fresh thought is needed.

I expressed early this year the opinion that if we in this country would give to human relationships the same hardheaded, objective consideration which we have given to engineering problems, we might do as much to raise the standard of living in this country during the next 10 to 25 years as we were able to accomplish during the past 25 years through developments in the field of machine technology.

Management can take the initiative in this field of human engineering, but labor must make a major contribution. Labor leaders, too, must apply fresh thinking to their policies and programs. Such familiar practices as featherbedding, and the slow-down lead to *decreased* production—exactly the opposite direction from the one we must take if we are to achieve our goals. They spring from reactionary thinking. They are based on the assumption that we have gone as far as we can go and that security lies in "made" work. Actually, it is increased output per man through the efficient use of machines which has always brought higher wages and shorter hours and has created more jobs by opening up new markets for what we make.

The Use of the Strike

It also seems to me that organized labor must apply fresh thought to its use of the strike. There is no longer any question of the *right* of organized workers to strike. But the right is being widely misused. It has become today a political weapon for the acquisition of power. It has become a method for establishing or entrenching labor monopolies. It has been and is being used by enemies of American freedom to cause domestic unrest and to cut our productivity. The indiscriminate use of the strike must certainly have the effect of reducing the standard of living of the wage earner by raising costs.

As we approach this problem there is a final over-riding consideration which I think is of the utmost importance:

Any sound plan for a highly desirable goal like more stable employment will be reached only through honest, straight-forward effort.

None of us—in management or labor or government—can afford to lose the democratic art of getting along with each other—of hopefully working toward common goals through compromise and agreement. We cannot afford to substitute for a frank, honest approach to our problems, the political habit of painting situations either entirely black or entirely white, depending on who is doing the painting. Points of view can be honest disagreements of good Americans without becoming ballyhooed emotional differences of partisans.

Such problems as the need for a more stable employment cannot, it seems to me, be solved in any atmosphere of hysteria and prejudice. They call, rather, for an honest and sincere determination to work out our difficulties together as free Americans.

Freedom vs. Promises of Security

Unless we are willing to give up a substantial part of our freedom, we cannot expect the "Government" or "The Public" or some fact-finding board to come up with a solution to our problems. As free Americans we cannot shirk the responsibility, however burdensome and irritating it may sometimes appear, of working out our own answers.

There is at stake the very force which has made this nation great—the tremendous power of competition in a nation of free people. The strength of America *is* the strength of free men and women competing fairly with all their energy and ingenuity for the great rewards which are to be gained by the production of goods and services—goods and services that other free men and women want and can afford.

Throughout history it has been necessary for people to make the choice between freedom and seductive promises of security. To give up freedom for these seductive promises has always been a bad bargain. When freedom goes, security goes with it. The offer of every tyrant and every tyranny is security in exchange for personal freedom. We would make a bad bargain indeed if we as a nation ever lost sight of the fact that it is freedom which has made us strong; that it is freedom which has given more real security to more millions of people than enjoy it in any great country in the world.

Anyone who deals bluntly with the problem of steady employment will quickly face a sobering realization that the task is great and the difficulties many. I have expressed my feeling that three of the honest specifications for such a plan are that it must have the effect of increasing production, it must be approached with an open mind, and *it must be entered into in the spirit of sincerity and cooperation.*

American ingenuity has faced problems quite as difficult in the field of technology and has found answers of great value and importance to all of us.

Railroad Securities

As is usual after a sharp rise or sharp decline in prices for securities the recent break in the market has uncovered a number of opportunities for switching. Such switching may be done to improve price enhancement potentialities, to improve quality without sacrifice of market prospects and yield, or to increase yield without sacrifice of quality. Moreover, tax considerations have in recent years made the prospect of switching much more attractive to the average investor or speculator. There may be considerable advantage to taking short-term losses if you can turn right around and purchase a security of nearly similar characteristics at an equally attractive price level.

One of the switch recommendations that has been recommended by a number of rail analysts in the past week or so has been from Southern Pacific common into Southern Railway common with a takeout, as of the close last week, of some seven points. The exchange does involve some sacrifice in income return on the basis of the present dividend rates. On a $4 rate the Southern Pacific shares at last week's close afforded a return of 8.33%. On its $3 rate the Southern Railway stock afforded a return of only 7.32%. As an offset, however, a recovery to the year's top would mean an advance of 58.5% for the Southern Railway shares as compared with an advance of 45.8% for the Southern Pacific stock. Rail analysts generally consider that Southern Railway has at least as good chances of hitting its old high as has Southern Pacific.

The question of possible tax carryback credits naturally almost completely obscures any estimates as to the probable 1946 earnings of any individual railroad. Even with this unknown factor, however, it seems fairly certain that earnings on Southern Railway common will be well in excess of those on the Southern Pacific stock. For the first six months of 1946 Southern Pacific showed a decline of 94.4% in income available for charges before Federal income taxes and amortization of defense projects. On a similar basis Southern Railway showed a decline of 78.0%.

Southern Pacific took a Federal income tax credit of $16,480,000 and even with that was able to show only $2.36 a share available for the 3,772,763 shares of stock outstanding. In other words, if Southern Pacific had not had a tax credit and had had to rely solely on its operations it would have shown a deficit equivalent to about $2 a share for the half year. Southern Railway, on the other hand, accrued Federal income taxes of $1,635,000 for the six months and still came out with share earnings of $1.21 on the common. Naturally, earnings represented entirely by the non-recurring item of tax credits are not entitled to the same market appraisal of those represented by operating profits.

Both Southern Pacific and Southern Railway have engaged in aggressive debt retirement programs for a number of years. In this respect Southern Pacific has been the more successful. It had the advantage of a large number of callable issues while the extremely high coupon bonds of Southern are non-callable. Over the last ten years or so Southern Pacific has been able to cut its fixed charges about 38%, compared with a reduction of 28.4% on the part of Southern. Both of the roads are considered by now to have assumed the characteristics of good credits in the industry. The one great advantage of the Southern Railway stock is that in 1946 it will presumably report share earnings close to double those of Southern Pacific even though this differential is not expected to be of long duration.

How Much Can Be Sold?

(Continued from page 1456)

present time, it is approximately $103 billion.

Inflationary Purchasing Power

Largely as a result of the advance in government borrowing from the commercial banking system, we have had the increase of liquid assets in the hands of the public. The total of these assets in 1937 was about $65 billions. At the time of the attack on Pearl Harbor, these liquid assets totaled something like $85 billions. Since then, the total has expanded to about $227 billions at the present time. Notice that the increase from 1937 to the present was about 300%.

In addition, the influence of consumer credit must not be overlooked. This was greatly reduced during the war. The total never got much below $5 billions. The present total is nearly $8 billions. This consumer credit outstanding has had the same effect, from the point of view of retail sales, as additional purchasing power in the hands of the public.

Then let us notice the second major effect of the Second World War on the position of the retailer, that is, the reduction in the amount of available consumer goods. The total volume of goods produced increased to a new high point during the war, but the actual amount available for consumer purchases was probably less than in former years.

Immediately following the end of the war came the most pronounced decline in business activity which the country has ever experienced. In contrast with a wartime peak of 247 (1935-39 =100) the index fell to 152 in February of 1946. Following the decline, production was redirected into the output of consumer goods, and the current level of the production of these goods is now not far different from that at the time of the attack on Pearl Harbor.

Relatively short supplies and greatly expanded purchasing power have given us the strong upward pressure on prices which we have experienced since 1941. However, the advance during the Second World War was not as great as that of earlier wartime periods. This was due to various causes, among them being the fact that this price index is made up of "official" prices, not including black market prices. Also, many goods were not available during the war, and thus no price changes were recorded. Other goods were rationed and, during the war at least, the attempts of the OPA to control prices were, in some degree, successful.

Since the war, while we have been calling upon the producer to produce extraordinary amounts of consumer goods, he has been plagued by problems of cost, problems of shortages of materials, labor problems and price maladjustments. Goods which could be produced were eagerly taken by merchants and easily sold by them to consumers.

The Hunger for Merchandise

Under these circumstances retailing has followed procedures in keeping with the times. It has had to place great emphasis upon the securing of merchandise. Buying became largely a process of "getting whatever you can, when and where you can". Quality standards had to be reduced. The gradual upward trend in prices has placed a premium on carrying larger and larger stocks in order to take advantage of price appreciation. Hand-to-mouth buying practices had, in many cases, to be given up because local dealers were unable to carry stocks. Because of the relative ease in selling goods, there has been a tendency to neglect the training of sales forces for skilled, personalized selling. If retailers make mistakes during the next few years, they probably will make them by allowing one or more of these practices to continue after the situation changes. For I am convinced that the time is coming when selling will be a less easy process, when 30-50% increases in monthly sales over the figures of a year earlier will not be common, when consumer preferences will have to be watched more closely, and when competition to get the consumer's dollar will be more severe.

Insofar as the volume of credit and related purchasing power are concerned, it does not appear that appreciable reduction will take place in the near future. It seems likely that liquid funds in the hands of the public will tend to increase rather than to decrease.

Prolonged Shortages of Some Goods

With regard to the production of goods, a rise to anything like the wartime peak in total production seems unlikely. Many materials are still in extremely short supply. Further rises in wage costs, should they be forced by the unions, combined with delay by the OPA in price adjustments, will prolong shortages of many raw materials and many finished products.

Despite the disappointment which we are now experiencing in the volume of goods being produced, the volume moving through our trade channels is expected to be too large for the capacity of our railroads during the fall. Freight demand is expected to step up to one million cars a week next month. This means that our trade highways are soon going to be well filled. This is, of course, what we want, but we want to make sure that this traffic is not going to clog up at the retail end.

The Inventory Situation

This leads up to the inventory situation. Here, let us notice some of the facts. It would appear that current wholesale and retail inventories are also steadily increasing. Department store inventories are now more than 100% higher than they were in 1939-1940.

Manufacturers' inventories are reported to have increased largely as a result of accumulation of semi-finished goods. As these goods are completed, they may move along to merchants at a rate even greater than normal.

The 1919-1920 Experience

This general situation, in many respects, reminds one of that which followed the First World War. The typical retailer was building up stocks as fast as he could in 1919. Selling was easy. At the end of the year, the prospect before the retailer was very good, and many firms were increasing dividends. Holiday sales at the end of 1919 were the largest ever experienced and they were interpreted as a verification of the predictions that retail business was going to continue to be very good. As a matter of fact, consumer purchasing power did increase well into the year 1920.

An abrupt change in consumer sentiment came in the spring of 1920. The policy of extravagant purchases changed to conservative, if not frugal, buying. Before long, the general price level was declining.

It seems to me that three helpful observations may be made. Inventories can be "low" or "high," depending upon the volume of sales and the trend of prices. In the second place, consumer attitudes toward buying can change very rapidly. Here I should like to offer one illustration of the suddenness of the change which took place in 1920. In late 1919, and early 1920, we had the silk shirt craze in this country. Some six months later, some of you will recall, we had the demonstrations against the high price of men's clothing, taking the nature of "overalls clubs" among young men who agreed not to buy more clothing until prices declined.

In the third place, the experience following the First World War made it clear that a general decline in prices can occur while purchasing power remains very high. Consumers did decide greatly to reduce their buying without first exhausting their liquid funds.

This is not to suggest that the 1919-1920 situation was an exact parallel to the present. Nevertheless, such fundamental factors as the expansion of credit, inventory trends, price trends and consumer psychology seem to be very similar, and we should take advantage of every opportunity to profit by earlier experiences.

Relative to sales, department store inventories are not high at the present time. Since the end of the war last August, department store inventories have apparently risen about 33%. Should timing in the present situation be similar to that which followed the First World War, the reversal in consumer attitudes would come in March, 1947. Thus, if you feel that present developments are following the exact 1919-1920 pattern, you should, in the words of those who warned Caesar, "Beware the ides of March."

Timing May Be Different

Some analysts feel that since recent wartime changes have been greater than those of the period of the First World War, the reaction of prices, sales volume, etc., will be somewhat delayed. Despite the fact that more than twelve months have elapsed since the end of the war, shortages still persist, and even yet, many of them are far more acute than they were immediately after the First World War. In view of these considerations, one might put the reaction from three to six months later than that in the pattern of 1919-1920. In other words, it would be delayed from the first quarter of 1947 to the third or fourth quarter.

From the point of view of the retailer, the important point is that, sooner or later, goods are going to be harder to sell. Adequate living profit margins are going to be harder to maintain. Standards of merchandising skill good enough for the war period are not going to be good enough for the period of more strenuous competition ahead of us.

At the moment, retail business is traveling at a good rate of speed on a smooth highway. How far it is to the turn representing the change in consumer buying cannot be determined. The important thing is for the driver to keep in mind that there is a turn ahead and never to be traveling too fast to make that turn when he comes to it.

Ball Burge to Admit

CLEVELAND, OHIO—Ball, Burge & Kraus, Union Commerce Building, members of the New York and Cleveland Stock Exchanges, will admit John M. Marston to limited partnership in the firm as of Sept. 19.

Thomas L. Parkes With Newman Co. in Colo.

(Special to THE FINANCIAL CHRONICLE)

COLORADO SPRINGS, COLO. —Thomas L. Parkes has become associated with Newman & Co., Mining Exchange Building. Mr. Parkes in the past was Vice-President of Thomas H. Temple & Co. of Nashville, Tenn.

Owen Ely Now With Carl M. Loeb Rhoades

Owen Ely has become associated with Carl M. Loeb, Rhoades & Co., 61 Broadway, New York City, members of the New York Stock Exchange as utility analyst in their Research Department. Mr. Ely was formerly with Shields & Co.

Mutual Funds

THE BREAK

Now that the smoke has begun to clear from the 45-point crash in stock prices, it might be well to see how the mutual funds have fared. In the main, they have done well—certainly a lot better than we suspect to be the case of the average investor in individual securities. Most of the balanced funds began to "pull in their horns" several months ago. The ones we have been able to check on had increased their holdings of cash and its equivalent to 20%-30% of total portfolio long before the break came. Outright equity holdings ranged between 40% and 60%. This, of course, gives the balanced funds a substantial amount of buying power with which to take advantage of lower equity prices.

A few of the cross-section funds had built up fairly large cash positions but, in general, this category had maintained its traditional fully-invested-position in equity-type securities. The specialty funds—those representing an industry or type of security—also remained more or less fully invested.

It is undoubtedly true that few, if any, of the mutual fund managers foresaw the extent or speed of the sell-off. (Who did?) Their creditable performance lies in the fact that the balanced fund managers had taken substantial steps in preparation for such an eventuality and that some of the cross-section fund managers had established substantial cash positions for the same reason.

The specialty type funds, by their very nature, cannot be judged by these standards. For example, when an investor buys shares of a high-grade bond fund or of a fund representing an investment in the steel industry, he has the right to expect that the nature of his investment will be maintained as stated in the prospectus. If he should awake some morning to discover that his investment in the steel industry had suddenly become in substantial part a liquidated position—i.e., an investment in cash, he would have good legal grounds for attacking the management.

Apparently this divergent nature and purpose of the various funds is not too well understood by many investment dealers. In our conversations with dealers during the past 10 days, we have met with some criticism of mutual funds managements for not having liquidated in advance of the break, regardless of the nature of the fund in question. Perhaps the mutual fund sponsors are at fault for not having done a better job of clarifying the nature, purposes, and objectives of their particular wares in the minds of investment dealers.

Another point which came up frequently in our discussions with dealers was the need for the establishment of closer, more frequent and franker contact with the investment managements of the various mutual funds. Dealers are appreciative of factual investment literature which helps them in their business. But they are resentful of any tendency on the part of mutual fund sponsors to exert continuing sales pressure that is not in harmony with the judgment of their investment managements.

In short, the investment dealers we have talked with are willing to overlook honest mistakes in judgment because they are quite aware that in this business we are dealing with probabilities rather than scientifically determinable results. But they don't want to be kidded. Despite all the progress that has been made in recent years there still appears to be room for improvement in the liaison between the investment fund managers and the dealers. Both need to develop a better understanding of the other's aims and problems.

Part of HOLC Act Held Unconstitutional

Part of the Home Owners Loan Act has been held unconstitutional by a three-judge Federal Statutory Court at Los Angeles in voiding the Government's seizure of the Long Beach, Cal., Federal Savings and Loan Association. Advices to this effect (Associated Press) from Los Angeles Sept. 6 had the following to say regarding the ruling:

"The Association was taken over last May by Chairman John H. Fahey of the Federal Home Loan Bank Board, but U. S. Circuit Judge William Orr, who wrote the opinion, concurred in by Judges Pierson M. Hall and Dave Ling, said the action was taken without notice or a hearing.

"The Statutory Court pointed out that no notice or hearing is required by the statute, 'and herein lies a fatal defect as to its constitutionality.'

"The Court said that at the time the Association was incorporated its assets were valued at $7,500 and since 1934 it had the same President and board under whose management it expanded to a point where its assets were valued at $26,000,000 when it was seized, being entirely solvent."

Today's Possibilities in Public Utility Stocks

(Continued from page 1454)

theory of accounting has been adopted. We may or may not agree with the principal of forcing assets to be carried at original cost but there is the advantage to the investor of knowing where he stands. There is no longer the possibility of distorting accounts by fictitious writeups. Not only must the property accounts on the books today represent honest-to-goodness assets but the common stocks must have a good equity in these assets. The SEC has been insistent on common stock equities representing a minimum of 25% of the capital structure. If an equity of this amount does not exist, they have usually imposed dividend restrictions which operate until the equity has been built up to this 25% figure.

Debt ratios have been reduced. Almost all companies have been showing a big increase in business with little or no increase in their debt. You can open a public utility manual, almost at random, and the chances are that the company you find will show in the last few years a consistently decreasing ratio of debt to operating revenues. This is especially true in respect to mortgage debt because many companies have not cut down their mortgage bonds and have taken up the slack with serial notes which are gradually being retired.

Depreciation policies are now much sounder than in the past and increasingly we find companies reporting to their stockholders depreciation charges on virtually the same basis as they are reported for income tax purposes.

The Growth Factor

These are only some of the high spots of the improved protection which has come through regulation. I turn now to what I regard as the big feature of strength and protection for utility stocks—the growth characteristics of the utility business. If an industry is growing there is a much better chance of meeting and overcoming its difficulties than there is if it is stagnant or cyclical. The impressive history of growth which the utilities have shown up to this point is altogether too well known to need rehearsing. At the same time, rates have been consistently reduced and electricity is one of the few items in the family budget which today is at an all-time low cost. The obvious question becomes then "what is the outlook for continued growth from this point?" The answer is that the outlook is excellent.

After the defeat of Japan in 1945 there began to be a decrease in kilowatt-hour output due to the closing of war plants. Interestingly enough, this did not mean a corresponding decrease in revenues. This is explained by the fact that the domestic and commercial business, which is by far the most remunerative type, picked up remarkably as the low-return industrial business fell off. Accordingly, the revenues held up very well although kwh output was decreasing. In August of this year, however, the tide turned and kwh output is again showing a good increase. For the week ending August 31 it was 6.5% ahead of the same week a year ago.

There are many indications that load is going to grow importantly from this point. Utility company executives are making their plans and preparations to this end. Some companies which thought they had adequate aggregate capacity for considerable time to come already are making their plans for additional installations. The head of one of the largest manufacturers of electric equipment recently expressed the opinion that there would be an increase of 30% in the generating capacity of the industry by 1950. The installed generating capacity of the country today is around 51,000,000 kw as against 44,000,000 in 1941. Estimated totals for 1950 run from 65,700,000 to 67,500,000 kw.

The construction budget of the electric companies for 1946 called for the second largest outlay for any year in the industry's history. The budget will not be met by actual expenditures because of inability to get materials and equipment but the need is there.

New Industrial Load

The need for this new equipment grown out of the increased usage in all three of the major categories, industrial, commercial and domestic. The utility companies will get new load in the industrial field irrespective of the general business level. New manufacturing processes are being evolved which use electricity. New manufacturing plants are being constructed in many parts of the country and additions to existing plants are projected. Just to cite one illustration—officials of the Consumers Power Company at a recent meeting in New York stated that whereas their industrial load was now around 325,000 kilowatts they expected in the next two or three years to have 96,000 additional kilowatts on the line from eighty seven different customers.

Furthermore, many industrial companies are giving up their own generating equipment to go on the line of the central station companies. In presenting the stock of Scranton Electric Company a few months ago it was pointed out that while the anthracite industry is not a growing one, Scranton Electric Company is counting on the load from that industry expanding for some time, due to increasing mechanization and the closing down by the coal mines of their own power plants to go on the lines of the company.

The commercial load is increasing as stores and plants closed for the war are reopening. New enterprises are being started. Better standards of lighting are being adopted. Modernization programs are being carried on, as for example in the restaurants where they want better lighting, better refrigeration, better cooking facilities.

New Appliances

The possibilities of increased domestic load are the most obvious as all of us are domestic customers and nearly every one of us have some unfilled needs or desires in the field of appliances. Only a trickle of new appliances have come on the market thus far and there is a tremendous amount of new load to be added. Not only will there be an increasing saturation of appliances which have been on the market for some time but many new appliances have been and are being developed. Some of these are big users of current as, for example, the home-freezer units, air-conditioning, attic fans, electric bed blankets, clothes dryers, and the new types of individual room heaters.

There is still a lot of new business to be obtained in the rural field. Good work has been done in getting electric service to the farmers but the program has been delayed by difficulty in getting the necessary materials and manpower. As fast as these became available the companies are pushing ahead. Generally speaking, the rural customers use more current than their city cousins, especially when the farmers take advantage of the many available devices for saving labor.

An aggressive campaign is being carried on to improve street and highway lighting with the idea of making communities more attractive and, more especially, of cutting down highway accidents and crime.

Gas Companies Are Highly Regarded

While I have been talking primarily about the electric companies it would be possible to cover a good deal of the same ground in relation to the gas companies. For example, I might mention that Brooklyn Union Gas Company has just had to issue a notice that no additional applications for house-heating installations could be accepted this season because of capacity limitations. This is in spite of the fact that facilities were substantially expanded just a short time ago.

There are new appliances in the gas field as well as the electric, one of the most interesting of which is a unit which will heat homes in the winter, cool them in the summer and properly humidify them all the year round. This, of course, provides just the kind of a load factor which the companies are seeking. Many new uses for gas in industry have been developed during the war.

Considerable remains to be done in changing over manufactured gas operations to natural gas and this is continuing as new pipe lines are being built while capacity of present lines is increasing. Wherever manufactured gas operations have been converted to natural gas the result has been a stimulation of business.

The Alleged Negative Factors

I would like to take a minute to comment on some of the negative propaganda which has been going around as to the outlook for utility securities. Even before the open break in the general market, utility stocks had not been acting well. Much emphasis was being laid on the fact that the companies were faced with the squeeze between inflexible rate structures on the one hand and increasing operating costs on the other. To be sure, the utility industry is a regulated business and there are definite ceilings on earnings. However, the same regulation which prevents unconscionable profits also offers protection to companies in assuring them a fair return.

Because the line of reasoning about poor prospects for utilities was being stressed in so many quarters, I felt I would like to have an opportunity to talk with some of the men in the industry. Accordingly, my firm allowed me to take two weeks for a swing through the Middle West and Southwest to talk with utility company executives and to learn at first-hand of their problems and of their views on the industry outlook. In the course of the two weeks I visited between fifteen and twenty different companies, widely diversified as to size, location, and type of service rendered. I received expressions from these executives which were virtually 100% optimistic. I do not mean to infer that they are not well aware of the problems they are facing but in general, they felt that the increases in their business which are already in sight are ample to offset any reasonable amount of increased costs.

Favorable Federal Tax Status

The repeal of the excess profits tax has done much to help the companies, not only to maintain their earnings, but to show some very nice increases. There are some mitigating factors even in respect to the important items of rising costs. For example, in respect to higher fuel prices, most of the companies have a measure of protection in the form of fuel clauses in their rate structures which permit them to pass along higher fuel costs to their industrial customers. The installation of new and efficient generating equipment is helping to promote fuel economy. For example, one utility executive explained that his company expected to have to pay 30¢ a ton more for coal than they had been paying. However, this company has a lot of relatively new generating equipment with which it is possible to produce one kwh of electricity from about $1\frac{1}{8}$ pounds of coal. This means that the fuel cost of generating electricity is going to be stepped up in these plants only about one-fifth of one mill per kwh. Certainly, this is not serious. Many of the companies in the West and Southwest use natural gas for boiler fuel and do not have to worry about the price of coal. Of course, hydro-electric companies also are not concerned with this item.

The Threatening Labor Problem

The labor problem is one which cannot be belittled. Not only are wages trending higher but there is an increasing amount of "feather-bedding" which has been a curse to the railroads and now is creeping into the utility industry. On the other hand, even as to wages there are compensating factors, important among them the increased efficiency of operations which utilities are developing in many departments. I have been in large generating plants where it was almost necessary to make a search to find the men working —so small is the staff in a modern plant which is making full use of labor-saving devices. Then take the item of reading meters. Formerly, a meter reader had to find his way to the cellar or some out-of-the-way part of a house; now companies are putting meters on the outside of houses. Thus, the meter reader can do his work as fast as he can go from one house to another.

Only recently, I saw a very enlightening study of the labor costs of setting poles by a company in the Middle West. In 1915 a line crew received a pay of $28 a day, and by 1940, the latest year covered by the study, this same crew received a daily wage of $64. However, in 1915, the labor costs of building a mile of line exceeded $700 and by 1940 it had been reduced to $150. Incidentally, it is interesting to see that the wages paid these crews showed a particularly big increase after the last war but the company survived. Sometimes we might be less concerned about these things if we made a more careful review of what has happened in the days gone by.

I returned from this trip I mentioned, convinced in my own mind that utility companies can still look forward to good earnings. In many cases dividend rates can be increased in the next year or two. Already, there has been a long list of dividend increases but still more are to come. Some companies have delayed making increases which earnings would warrant because of particular demands which they have for cash at the moment or technical reasons which will be overcome in due course.

Dealers Opportunities In Common Stocks

In my opinion there is a broad and fertile field for dealers in offering some of these utility operating companies' commons at the bargain-counter prices which prevail today. In view of the low yields obtainable for senior securities, I am finding that institutions which can buy common stocks are increasingly receptive to offerings of the better utility issues. Trust officers of banks tell me they are using these more and more in accounts where they are not restricted by law to senior securities. However, there is much more business that can be done along this particular line with a little educational work and salesmanship. For example, I noticed recently an analysis of the composite investment funds of twenty-five colleges and universities. Of the total investments, 25% was in common stocks but less than 3% was in utility common stock. This does not make sense because the utility commons are just the type of issue that these institutions should be buying in big quantity for the yield they afford.

Liberal Yields Obtainable By Institutional Buyers

If an institution is just starting on a program of buying these equities, it will probably want to look at some of the highest grade seasoned issues. Recently, it has been possible to obtain from $4\frac{1}{2}$% to 5% from these stocks. I have in mind such shares as those of Commonwealth Edison, Pacific Gas & Electric, Southern California Edison, Philadelphia Electric, Boston Edison and Detroit Edison. The two latter do not appeal to me as much as a lot of others but I mention them because some buyers like stocks that have a large equity and which do not have preferred stocks ahead of them. In my opinion, however, neither Boston nor Detroit have as promising futures, as far as growth is concerned, as do some parts of the country which are profiting from decentralization of industry.

For the buyer who is not insistent on companies with top investment standing there are a lot of stocks around which are well worth considering. You have right here in Ohio four large companies whose shares have been offered to the public in recent months. In the case of the three companies where the distribution has been completed all the stocks are selling at substantial discounts from original offering prices. For example, right here in the city where we are meeting is the Columbus & Southern Ohio Electric Company. The common stock of this company can be bought to yield close to 6% and the price is only about ten times the earnings which are anticipated this year. In neighboring territory is Dayton Power & Light Co., whose common stock is new to the investing public, but its bonds and preferred stocks have long been regarded as some of the more desirable issues which could be purchased. The Dayton stock also has been yielding nearly 6%, based on an assumed dividend rate of $1.80 and this is not necessarily the maximum that can be paid. Ohio Edison stock has been yielding from $5\frac{1}{4}$% to $5\frac{1}{2}$%. The Cincinnati Gas & Electric common is just now coming into the hands of the public for the first time and has not yet been fully distributed. The stock is intrinsically desirable and has one or two features which might make it increase in value in interesting fashion. I am thinking especially of the rate litigation in which the company is engaged and which conceivably might release to the company some funds at present impounded but even without this the stock has merit.

Some Attractive Issues

Some of the other comparatively recent offerings have not fared very well in the market and have declined to good buying levels. Scranton Electric stock looked reasonably priced when it was offered in May on a yield basis of about 4.4%. Recently, we have been able to buy it to yield 6%. This is an old line company with a very conservative capital structure. Such issues as Public Service of New Hampshire and Central Maine Power are considerably cheaper than their offering price of only a little while ago.

Looking for a moment at some of the stocks which have been on the market still longer, there are a lot of cheap issues. For example, Public Service of Colorado earned $3.85 for the 12 months ending June and could recently have been bought (on the New York Stock Exchange) for only eight or nine times that figure on a yield basis of around 5%. This company serves a territory with better-than-average growth prospects and the earnings are large enough to warrant talking about a dividend increase in due course. In your neighboring state of Indiana is a utility whose stock I regard very highly. I refer to Public Service of Indiana whose shares are traded over-the-counter. With earnings of its water and gas subsidiary included, I believe this company can show this year from $4 to $4.25, and here again, recent prices have been only eight or nine times this figure and the yield has been well over 5%.

An even lower price-earnings ratio has been prevailing with Empire District Electric Company stock. This company earned $2.65 in the 12 months ending June and has been selling for only seven or eight times this figure. The yield in this case has been between $5\frac{1}{2}$% and 6%. There has been some prejudice against this issue because of the fact that the company has always had a heavy load from lead and zinc mines. I put in a couple of days in this company's territory this summer and came away convinced that this lead and zinc angle have been over-emphasized as the relative importance of this load has tended to decrease and that territory is very aggressively bringing in new and diversified industries.

Another good stock recently available with a dividend yield of about 6% is Southwestern Public Service Co. Earning capacity for this stock, once excess profits taxes are entirely eliminated from the 12 months' statement, should be around $3 a share and the recent price has been around ten times this figure. This company is located in western Texas and New Mexico—areas having much better than average growth prospects. This is one of the companies using natural gas for boiler fuel and I learned recently they have contracts with an average life of about seven years for natural gas at around 7¢ per thousand feet.

Two of the three stocks recently distributed by National Power & Light have promise for the future. These are Carolina Power & Light selling for only 11 or 12 times anticipated earnings and Pennsylvania Power & Light now yielding close to 6% and selling about ten times expected earnings for this year. As to the third stock in the distribution, Birmingham Electric, I am less enthusiastic.

Central Illinois Electric & Gas, paying a dividend of $1.30 per annum, has recently been available on close to a 6% basis and at only about nine times most recently reported earnings. This company is putting in a lot of new generating equipment, which will materially reduce costs, and has completed the conversion of its artificial gas properties to natural gas. This is always a source of additional profit.

I could go on at length naming companies whose shares are interesting and attractive and the fact that I have not mentioned a particular company is by no means an indication that I am not interested in it. Obviously, limitations of time make it impossible to discuss all the good stocks which are around.

I have also laid stress on the opportunities in the operating company field. Of course, there is still a lot of money to be made in holding company securities. However, the recent break in the market has temporarily thrown into confusion the liquidation and integration plans of some of these companies. In this field I have consistently tried to keep away from shares that might be adversely affected by the operation of leverage i.e., I have avoided the heavily pyramided structures. Among the better grade of holding company issues, there are many attractive opportunities but these would constitute material for a talk in itself.

Conclusion

I would like to conclude merely by saying that I feel the outlook for the utility companies is promising and that the low-price-earnings ratios and unusually high yields from utility stocks should create many opportunities for dealers to do business and at the same time do favors for their clients.

Securities Salesman's Corner

By JOHN DUTTON

After periods when security prices have experienced a sharp decline, such as has transpired during the past three months, many investors become so timid and afraid that they assume a do nothing attitude. In order to handle an investment account successfully, **prudence** is always justified; but fear which brings about complete rigidity, and the so-called withdrawal to the sidelines, is just the opposite of what is necessary in order to weather re-occurring reversals in price trends that come about from time to time.

Some investors **think** they are doing nothing when they refrain from adding **new** securities to their portfolio at lower levels, or averaging those which they have acquired at higher prices; or, where justified, switching weaker securities into those in more strongly situated companies. They confuse a do nothing policy with a withdrawal to the side lines. There is only one way to retire to the sidelines if that is your purpose, and that is to liquidate all holdings and acquire cash. As long as you are the owner of securities you are NOT ON THE SIDELINES—YOU ARE RIGHT IN THE MIDDLE OF ALL THE CHANGING FLUCTUATING CIRCUMSTANCES THAT TRANSPIRE FROM DAY TO DAY, BOTH IN BULL MARKETS AND IN BEAR MARKETS. Just because you are not doing any buying or selling for the moment is of no consequence—as long as you own securities you must WATCH OVER THEM.

In order to bring this point home to those of your customers who may be loathe to do any business at this time, it is necessary to convince them that the only thing that counts in the long run is **not** whether you are somewhat richer on paper one month, and poorer the next, BUT WHERE ARE YOU GOING TO BE OVER THE LONGER TERM.

The following analogy seems to express this idea well, and if you think it fits the point you can use it to suit yourself. In other words, it is not who wins a succession of battles that is important, **but who wins the war.** A good general conducts his campaigns with the combined uses of his troops, tanks, aircraft, artillery, etc. During the past four and a half years of advancing security prices many investors have been like the general who has met success at every turn of the road. No matter what he purchased advances were made. The result has been that some security buyers are like the general who has forged ahead for so long that he has forgotten how to retreat. Some stocks have been suited to the advance of the past several years, but today they should be discarded and replaced by others.

When Bradley found that the tanks which were so successful on the plains of North Africa were unsuitable for mountain warfare, he sent the tanks around the mountains and used another strategy to accomplish final victory. So it is with the securities you now own. They are your battle troops, and in order to meet the ever-changing realities of the times it is necessary to do the same as the successful general who does not take a static position, but who uses his resources in such a way as to preserve their effectiveness and their value. . . .

From here on you can apply this thought to specific securities which you know are held by your clients and make suggestions for switches out of weaker situations into those which are stronger. What may have been a very attractive speculation six months ago may not be suitable for long term holding today . . . here then is the opportunity to serve your customers and to maintain sales volume despite the lower prices which now prevail.

E Bond Redemptions at Record Low in August

War bond cash-ins during August dropped to the lowest figure for any month this year, the Treasury reported on Sept. 6. Associated Press advices from Washington reporting this, added:

"At $397,392,000, redemptions still exceeded new purchases of the E Bond series by $50,114,000, but that is the narrowest margin in seven months. The cash-in total was 28% below the peak reached in March.

"New purchases of all savings bonds—the F and G counted in with the E series—totaled $590,022,000 during August, exceeding cash-ins of the three series by $141,514,000.

"That brought total sales for the first eight months of 1946 to $5,384,673,000, topping redemptions by $1,103,624,000."

Settlement of Industrial Disputes by Legal Process

(Continued from page 1458)

economic questions which constantly arise in labor disputes.

Putting aside discussion of the difficulties involved in establishing a court that would be truly impartial and qualified to regulate a large part of the economic life of the nation, let us consider first where this source will lead.

The War Labor Board was a form of labor court. It became a substitute for voluntary collective bargaining. Since it seemed more partial to labor, labor was willing to by-pass negotiations to get disputes before that Board. The same would result if we had a labor court. If it showed partiality toward employers, no doubt employers would be as willing as labor has been to use it as an escape from genuine bargaining.

Consequently, before accepting the idea of a labor court, or for that matter, any new form of government machinery, we should decide whether we want increased government control of management and labor or whether national policy should encourage settlement of disputes by voluntary agreement.

Temporizing With the Real Issues

Also, let us not overlook that such proposals are merely temporizing with the real issues and delegating their determination to the discretion of some new public agency. Ultimately, public policies must be established for the guidance of these agencies. Uncertain, indefinite policies, as we have seen in the vacillating federal wage policies of recent months, can cause more disputes than the adjustment boards can settle. Therefore, whether or not additional governmental machinery is established, this policy-making is an indispensable first step. It is my conviction that if properly developed, these policies alone could accomplish so much toward encouraging the peaceful settlement of disputes that we might easily obviate the necessity for creating any new government machinery or procedures.

We hear it said on all sides that what is needed is a federal or national labor policy. The fact is we already have a national labor policy. The difficulty is that this policy has become confused, contradictory and ineffective by grossly inept government administration.

We started with a definite national labor policy embodied in two important statutes enacted by the Congress: the Norris-LaGuardia Anti-Injunction Act of 1932, and the National Labor Relations Act of 1935.

These two statutes committed the federal government to the practice of collective bargaining as the best means to industrial peace.

As a step toward effectuating that policy, the Norris-LaGuardia Act was designed to curb employer interference with self-organization and collective bargaining by limiting the use of injunctions in labor disputes.

The National Labor Relations Act extended that policy by prohibiting certain other conduct by employers which might interfere with the practice of collective bargaining.

These two statutes combined were intended to establish an equality of bargaining power between labor and management, and thereby promote the peaceful settlement of disputes by negotiation and agreement.

While this federal policy succeeded in building large labor organizations and in establishing widespread collective bargaining relationships, the number of disputes and strikes has steadily increased.

The United States Conciliation Service alone handled approximately 18,000 disputes in 1945 compared with 752 disputes in 1932, and there were approximately 5,000 strikes in 1945 compared to 841 in 1932. The average number of strikes for this five-year period ending in 1945 was more than double the average for the five years ending in 1935.

The loss measured in lost days of production is equally startling, advancing from approximately 10 million in 1932 to over 38 million in 1945. The loss for 1946 has already exceeded that for 1945.

Charges are frequently made that failure of federal policy has been due to the refusal of employers to accept collective bargaining. That fiction long ago should have received a decent burial. As early as 1939, the Committee on Labor of the American Bar Association reported:

"The year 1938 saw substantial progress toward sounder bases for industrial relationships in the United States. A greater number of employers came to understand and accept collective bargaining without reservations of any kind."

Later in 1939, Mr. Madden, then Chairman of the National Labor Relations Board, said:

"In most sections of the country most employers are now obeying the law (NLRA)."

In the Ninth Annual Report of the NLRB, the Board declared:

"The preponderance of representation cases, for the time being is an indication of the current acceptance of the Act by employers."

If further evidence were needed, the record of wage increases voluntarily offered by employers during 1946 should be sufficient to overcome any lingering suspicion as to management's hostility to collective bargaining. It is also significant that during this period, almost without exception, no effort whatever was made in any major strike to reopen the plant and attempt to operate in the face of a strike or picket-line. The failure of national policy to produce industrial peace cannot be so easily explained by charging employer resistance or hostility. More basic causes must be examined.

The key to this national policy was equality of bargaining power. This equality presupposed that parties given equal rights and obligations would act as a check or restraint upon each other. If either should disregard the legitimate rights of the other, it presumed either an ability to retaliate through self-help or the existence of equal remedies through peaceful legal processes. It contemplated that labor would be strong enough to resist unfair or oppressive treatment by employers, and that management would be able, equally, to resist arbitrary demands or activities of labor.

To what extent has that basic condition been realized?

Inequality in Bargaining Power

The National Labor Relations Act sought to reestablish equality by depriving employers of advantages which tipped the scales too heavily in their favor. In its administration, however, these restraints on employers were carried far beyond the original purpose. Employers were under a legal obligation to recognize bargaining representatives selected by a majority of employees. They were and are compelled by law to negotiate in good faith.

Points agreed upon must be reduced to written agreement. No similar obligations are imposed upon labor organizations. Unions may refuse to deal with an employer.

They are free to negotiate or not to negotiate. They may negotiate in good faith or are free to use negotiations as a "maneuver," like in the recent "look at the books" episode involving General Motors.

While the law has given tangible protection to the right to strike, the employer's counter-weapon—the lockout—has been made an unfair labor practice and has practically disappeared from use.

The collective agreement is binding upon and enforceable against the employer. It may, and has been treated by labor too often as a mere scrap of paper.

Early efforts to insist upon contract provisions guaranteeing monetary damages for breach were defeated by decisions holding that such demands by employers constituted a refusal to bargain in good faith.

While labor was free to resort to unfair and untruthful attacks upon employers, an equal right of free speech was, and still is, denied to employers.

While a tribunal was established to provide labor a remedy against unfair employer practices, no similar tribunal or remedies were made available to employers. In fact, even access to the courts to enforce old remedies were practically barred.

Unfairness of the NLR Act

Examples could be multiplied to indicate the extremes to which the National Labor Relations Act has been carried. Many of these rules were obviously unfair. More important, however, is the fact that they tipped the scales too far against employers and thereby nullified that equality of bargaining power so essential to the success of collective bargaining.

This inequality has been accentuated in other branches of law outside the scope of the National Labor Relations Act.

Before this audience, there is little need to develop in detail the course of judicial decision which has developed the so-called labor law of today. Certainly most of you are familiar with its broad outline.

When the National Labor Relations Act became law, there existed a large body of law dealing with lawful and unlawful strikes, picketing, boycotts, and other incidents of labor disputes.

Had this general law been permitted to develop to meet deficiencies of the National Labor Relations Act, it is probable a sound balance of rights and obligations would have resulted. Unfortunately, however, this body of general law evolved in only one direction; namely, to enlarge upon the rights and privileges of labor, to restrict the rights and remedies of employers.

Judicial construction of the Norris-LaGuardia Act illustrates the point. That law was intended to safeguard, not forbid, the issuance of injunctions in labor disputes.

It was intended to regulate the injunctive process alone, not to affect other remedies, civil or criminal.

Finally, its declared purpose was not to change in any respect the power of federal courts to issue injunctions where fraud or violence was involved. In other words, the law defined certain legitimate activities and provided for their protection against interference by injunction.

Supreme Court's Interpretation

You are familiar with this law as it has now been interpreted by the Supreme Court.

First, it was construed not as a mere limitation on equity powers of federal courts, but as a statement of policy against the issuance of injunctions in any labor case.

Second, it nullified the equity power of the courts even in cases involving fraud or violence, by ruling that in no case should an injunction issue if the employer had failed to offer to submit the dispute to arbitration.

Third, the court construed the Act as expressing the national labor policy of the country which should also control civil or criminal proceedings. In the famous Hutcheson case, the court held that this procedural statute was intended to amend the anti-trust laws and bar criminal or civil actions for conduct clearly in restraint of interstate commerce.

Since the only federal law restricting unlawful union activity had developed in cases arising under the anti-trust laws, that body of law was, in effect, repealed by this one decision.

Organized labor needed no further evidence of its freedom from legal restraints, when the Court concluded:

"So long as a union acts in its self-interest . . . the licit and the illicit under Section 20 are not to be distinguished by any judgment regarding the wisdom or unwisdom, the rightness or wrongness, the selfishness or unselfishness of the end of which the particular union activities are the means."

Few people realize the effect of this decision on the ability of the federal government itself to cope with strikes which have threatened national safety and health. In the spring, the coal and railroad strikes threatened to stop our entire economic machine. The President had to resort to seizure of the mines and railroads—and to recommend legislation to confer even more drastic powers of seizure and government operations.

In the 1920's there was a similar coal strike, affecting only a segment of the industry. It was held by the Supreme Court then to constitute a combination in restraint of trade. The Hutcheson case changed that. It deprived the government itself of a legal remedy against a strike which stopped the production of coal more completely and effectively than any business combination or monopoly had ever even dreamed.

There is little need to trace here the results of this one decision. They were epitomized four years later by Mr. Justice Jackson, who, dissenting in the case of *Hunt v. Crumboch*, said:

"*With this decision, the labor movement has come full circle.* . . . This court now sustains the claim of a union to the right to deny participation in the economic world to an employer simply because the union dislikes him. This Court permits to employees the same arbitrary dominance over the economic sphere which they control that labor so long, so bitterly and so rightly asserted should belong to no man."

Revolutionary Changes in Picketing

The law regulating picketing has passed through a similar period of revolutionary change. Prior to 1921, the legality of any form of picketing was in serious question. In that year, the Supreme Court held that peaceful picketing was a legitimate labor activity and prescribed the conditions under which it would be considered peaceful.

In 1932, picketing unaccompanied by fraud or violence, was declared immune from judicial interference by injunction. Within 10 years, picketing became established as a constitutional right of free speech.

Picketing was protected in the interest of permitting persuasion to a point of view. Mass picketing is not persuasion. It is coercion. There is no persuasion in a practice which allows a third party no choice but to comply with the demands of those displaying a physical ability to enforce their views. The law, so intent on protecting the right to peacefully picket, has been slow to protect the legitimate rights of the public, as well as the rights of those who are the object of the persuasion.

So, too, the law has been slow to recognize any valid distinction between picketing a place of employment—and picketing a person's home. The lapse, apparently, arises from our inability to decide whether the right of privacy in the home is entitled to protection, at least equal to that given the right of persuasion at the place of employment. There is no doubt in my mind about the results of this collision of interest. Until the right of privacy is fully asserted and settled, however, this uncertainty also contributes to the inequality of bargaining power which underlies failure of our national policy.

The law has been equally behind in establishing the collective agreement as a valid binding document. Since federal law requires employers to sign written collective bargaining agreements, is it not reasonable to assume that these binding agreements were to be enforceable—like other contracts? Yet there was nothing placed in federal law to make them legally enforceable. While the common law has developed to a point where, either the individual worker or the union may secure redress against an employer's violation, the law has not developed any clear rule giving the employer redress if the agreement is violated either by an individual worker or the union which became a party to the contract.

Many states still consider the union as a voluntary association not suable as an entity, and therefore judgment proof.

Many states, in fact, still do not consider the collective agreement even as a binding contract.

In the event of breach, liability is difficult to establish—even when the agreement is enforceable—and even when the union can be sued as an entity. The federal rule, written into the Norris-LaGuardia Act and followed in the anti-injunction laws of some 20 industrial states, specifies a doctrine of agency liability which makes legal responsibility a pure fiction.

In the case of a corporation, breach of an agreement by any agent acting under color of authority is normally sufficient to establish corporate liability. In the case of a union, however, proof of authorization or subsequent ratification is fast becoming the test.

As lawyers, you are not shocked when a rule or principle of law becomes distorted to the point of defeating the very purpose for which the rule was developed. Originally, the keystone of our national labor policy was to protect the rights of individual workers—to join or not to join a labor union. The rights, the welfare, the interest of the individual was the paramount concern of the Congress in enacting the N.L.R.A.

Neglect of the Individual

Almost unnoticed, the emphasis today is upon the rights and privileges of the labor organization—not the individual. The trend toward national unions, national bargaining and national standards not only subordinates the individual's welfare and interest, but the interest and welfare of all his associates in the community. It is the same trend towards *bigness*, toward absentee, or undemocratic control that is so frequently criticized on the part of business. Laws protecting stockholders, however, as well as enforcement of the anti-trust laws, offer a remedy against undesirable business concentration. There is no law to protect the interest of the individual worker against similar domination by powerful unions.

As one dissenting member of the Court said in the case of *Wallace v. N.L.R.B.*:

"The struggle of the unions for recognition and rights to bargain, and of workmen for the right to join without interference, seems to be culminating in a victory for labor forces. We appear now to be entering the phase of struggle to reconcile the rights of individuals and minorities with the power of those who control collective bargaining groups."

Relying on the platitude that "labor is not a commodity," we have developed such unrealistic law and more loose thinking on the status of labor organizations under laws designed to protect consumers against restraints of trade or monopolies.

When labor acted primarily through autonomous local unions, each bargaining individually, this problem was not too pressing. Today, as witnessed by industry-wide strikes in the coal, steel, railroad and oil industries, the problem will require prompt attention.

The anti-trust laws were intended to assure to the consumer every opportunity to buy in a competitive market. Wages—labor costs—production standards have a direct effect on price. Even Washington now seems to realize that. If established on an industry-wide basis, they are bound to affect the level of competition and price in that industry.

Industry-wide bargaining itself poses dangers to the public welfare, even where there is no collusive agreement detrimental to the consumer. Already the public is paying for royalties collected by Lewis on coal and Petrillo on recordings. Let us not overlook, also, that in every major coal strike in the past several years, the industry-wide stoppage has inevitably brought direct government intervention, and generally, a government dictated settlement. If other industries follow the same pattern of national, industry bargaining, the same procedure is sure to follow. It is a sure invitation to more government interference on a political basis.

Many large international unions today closely resemble some of the early trade associations of business men once involved in proceedings under the anti-trust laws. These loose combinations have been denied use of royalty assessments, restrictive membership rules, blacklists and boycotts—practices not uncommon in labor organizations today. Many of these labor organizations today represent a much larger percentage of workers in their industry, and, as indicated in recent industry-wide strikes, they possess a power to restrain trade, whether or not it is so used, far beyond the power or ability which the Supreme Court, in recent business cases, has held monopolistic.

Time does not permit any detailed suggestion as to those rules now applicable to business combinations which would be equally pertinent to labor. It is an area in which the rules must be fixed in establishing the environment for successful collective bargaining. It is not enough to say, as did President Truman in vetoing the Case Bill, that the anti-trust laws are not designed to solve the labor abuses which that legislation attempted to meet. It is not too material whether we use the framework of the anti-trust laws or something else. The important thing is to meet the problem before it becomes unmanageable.

One would be an extremist to suggest that any one of these deficiencies in the law has caused the failure of collective bargaining. In combination, they are a formidable obstacle.

Unless modernized to give both parties equal rights and equal responsibilities, then collective bargaining cannot possibly become the road to industrial peace.

This readjustment—or balancing—of legal rights and obligations is not a dramatic course. It has but little public appeal. Yet, it is the most important step that can be taken to facilitate the settlement of labor disputes by peaceful means. It is the surest step to restrain—voluntarily—that arbitrary action by either management or labor which so frequently underlies those disputes which bring about serious strikes. It can be done to permit a maximum of self-regulation, a minimum of bureaucratic government interference. It is not anti-labor—in spite of hysterical cries to the contrary—for no proper or legitimate right or activity of labor need be weakened in the slightest degree.

Conclusion

If the law is brought into reasonable balance, we will see much greater progress toward the solution of other problems now accentuated by lack of balance in the law. This is particularly true of biased government administration and the political handling of disputes which has been so evident in recent months. It is true, also, of many of the problems considered at the President's Labor-Management Conference last year.

Agreement was reached on voluntary procedures to reduce disputes over the making and renewal of contracts, and the use of government conciliation and private arbitration.

Agreement was reached on procedures for settling disputes or grievances arising over the meaning or application of agreements. Agreement was reached on some steps needed to improve and make more impartial the Federal Conciliation Service.

True, no agreement was reached on procedures for settling jurisdictional disputes and strikes.

Likewise, labor would not agree to any real recognition of management rights or functions, or even to any voluntary limitation on the right to strike.

Certainly these problems also are important sources of conflict and strikes. They, too, must be resolved. Their solution, however, would be greatly facilitated by developing the balance of legal rights and duties so necessary to equality of bargaining power. In summary, may I suggest:

1. The basic cause of disruptive strikes is failure of the law to establish a real equality of bargaining power essential to genuine collective bargaining.
2. The mere creation of new government machinery, whether called a court, board or commission, can give no real assurance of the peaceful adjustment of disputes.
3. Equalizing the legal rights, obligations and remedies of labor and management is essential to establishment of that equality of bargaining power without which collective bargaining becomes another form of industrial warfare.
4. Requiring both labor and management to refrain from use of violence, or threats of violence in labor disputes.
5. After careful investigation, the enactment of legal safeguards protecting individual workers against arbitrary domination by labor organizations.
6. Protection of consumers against "big unions" by applying to labor organizations the basic principles of law designed to prevent monopolies and restraints of interstate trade.

As members of the legal profession, you are more qualified than any other single group to lead this effort. There could be no greater opportunity for public service.

Treasury Ends Freezing In Philippines

At the request of President Roxas and concurrently with the establishment by the Philippine Government of its own Foreign Funds Control, the U. S. Treasury Department announced on Aug. 31 the termination of its freezing controls in the Philippines and the closing of its Foreign Funds Control Office in Manila. In addition, the blocking controls over Philippine property in the United States were lifted. The Treasury Department's announcement in the matter further said:

"Treasury officials pointed out that the freezing controls were re-established in the Philippines shortly after their liberation to assist in controlling enemy-owned assets and the activities of suspected collaborators.

"General Ruling No. 18, as amended today (Aug. 31) provides that for the purposes of the freezing regulations the Philippines shall be treated as an unblocked country and as a part of the generally licensed trade area, as defined in General License No. 53. Thus all licenses applicable to the generally licensed trade area, including General Licenses Nos. 53 and 53A, are automatically extended to the Philippines.

"The amendment also waives the provisions of General Ruling No. 5 with respect to importations of securities and currency from the Philipines."

Canadian Securities

By WILLIAM McKAY

Encouraging news about business conditions in Canada which continues to come from the Dominion Bureau of Statistics and other sources close to the industrial scene tend to counterbalance, and perhaps even more than counterbalance, the less cheering reports which have been emanating from the stock markets in recent weeks.

The Bureau reports, for instance, that wholesale sales in July were 22% greater than for the corresponding period in 1945. The general unadjusted index of wholesale sales on the base 1945-1939 equals 100—stood at 249.3 in July, whereas in July last year it was 203.7. Retail sales in July were reported at 15% above the level for the same month last year. The Bureau also revealed that the index of the physical volume of business in July rose nearly 1% to 180.3. During the first half of the year, too, the Bureau announced, business failures declined to 113, compared with 147, the previous minimum recorded for the corresponding period in 1945.

Canada's central electric stations in July, the Dominion Bureau of Statistics also revealed, produced 3,422,826,000 kilowatt hours—the highest July production on record. In 1945, the Bureau also announced, domestic sale of farm implements and equipment, mainly at wholesale prices to dealers or agents, totaled $63,781,105, the largest figure since 1936. Hourly-rated employees in 6,124 manufacturing plants earned an average of $29.68 a week at July, compared to $29.02 at June 1 and $31.05 at July 1, 1945, the Bureau also reported. The number of such workers increased 1.2% in June, while hours worked were 2.1%. Twenty per cent fewer persons were receiving unemployment insurance benefits in Canada at the end of July than at the end of June, the government figures also showed.

About 22,000,000 tourists, mostly from the United States, spent approximately $233,000,000 in Canada this summer, D. Leo Doland of Ottawa, chief of the Canadian Tourist Bureau, told the annual convention of the Canadian Weekly Newspapers Association last Friday. The Newsprint Association of Canada has revealed that Canadian production of newsprint in August totaled 370,670 tons, an increase of 83,648 tons over August of last year and of 13,649 tons over the previous month. The Renaissance Film Distribution, Inc., plans to construct what will probably be the third largest movie studio in all the British Empire on 300,000 square feet of land adjoining the former site of Dominion Park in Montreal. The Winnipeg Free Press predicts a grain crop of 441,100,000 bushels, 10,000,000 bushels above the estimate of the "Winnipeg Tribune" two weeks ago.

Military Forces Plan Joint Cold Weather Exercises

The Canadian Navy, Army and Air Forces are planning joint cold weather exercises in the area around Churchill, Manitoba, where the U. S. Army operated a wartime air base, it was announced at Ottawa last Thursday. About 5,000 Canadians — and at times probably as many United States "military"—will participate in the maneuvers which will be aimed at problems of hemispheric defense, it was said. An advance party has already been sent to the area to make accommodation arrangements and establish administration offices.

Steel Strike Settlement Believed Near

Reports from the steel strike front would indicate that only a single issue—arbitration on non-wage matters—stands in the way now of a settlement of the two-months-old dispute. The Steelworkers' Union is believed to be agreeable to a wage boost of close to 12½ cents an hour across the board on the condition that other strike issues be settled by arbitration. As C. H. Millard, national director of the union, put it, if the steel companies agree to the arbitration of the non-wage issues "it would pave the way for an early settlement."

Trends on the Stock Market

Prices on the Canadian Stock Exchanges followed closely the trend in New York this past week. Features were generally lacking. Industrials gained some strength and golds and base metals improved very slightly. In New York, Canadian externals were mostly inclined to lower levels. Internals, too, were lower. The discount on the Canadian dollar in New York tended to increase slightly.

A Look Into the Future

(Continued from page 1455)

nessmen begin to talk about five and 10-year backlogs of demand for their products, sanity has reached such a low ebb that the end approaches.

True, everything is at a very high level—marriages and divorces; religion and sin; travel and auto deaths; employment and strikes; production and sales—but that is just what worries me. Long ago, down in the mountains of eastern Kenucky, I learned an old-folk saying which ran, "When things are too good to be true, they aren't true!"

Have we become so hypnotized by the present heavy demand for consumer goods that we forget the fantastic production totals of wartime? Can anyone take a serious look at the enormous productive capacity of American industry and doubt for an instant that we can produce more than we can consume at the ever lower and lower prices hitherto characteristic of American business? Even if one were hardy enough to dispute our ability to meet the demand at prices which prevailed in the past, surely he could not question our ability to do so at the mounting prices which now confront the consumer. Higher prices are bound to reduce consumption. Furthermore, buyers can go on a "slow-down" or even a "sit-down" strike. After all, the buyer controls consumption and, in the long run, production.

Communists Understand Capitalistic Productive Capacity

Even the Communists know that Capitalism can produce goods efficiently. In fact, Karl Marx's chief indictment of capitalism was that production outran consumption, causing periodic gluts and depressions. No, you don't hear the Communists talking any nonsense about five-year backlogs!

I doubt that our capitalistic economy, under present world conditions, can survive an all-out depression. Whether we will have such a depression depends on the planning of businessmen, on the leadership of labor and, to a much lesser degree, on the actions of government.

Financial Situation Bullish

I shall not analyze the financial situation, step by step, to demonstrate that there is nothing inherent in the financial factors which will make a depression inevitable. Before going any further, I am indeed happy to reassure you that the financial situation is in good shape—much better shape than we have any right to expect after a $350,000,000,000 war.

Let us take government finance first. Federal expenditures have not decreased as much as expected. Military costs remain at a level some 15 times higher than in 1939. Thus, for the 1947 fiscal year, prospective expenditures for national defense will approach $19,000,000,000. The threat of war, indeed, weighs heavily on the budget.

Likewise, total appropriations of $10,428,000,000 for veterans have been much heavier than anticipated. The $2,418,000,000 authorized for terminal leave pay for veterans is an example of an appropriation which was not expected. The 52 weeks jobless pay of $20 a week for veterans is running much heavier than estimated and will require $4,000,000,000 even if the present unemployed total of 1,700,000 ex-servicemen does not increase! Provision of another $4,000,000,000 for veterans' pensions and various other benefits is larger than anticipated.

Also, contributions to international financial reconstruction of some $4,168,000,000 are another heavy burden on the budget.

Probable budget expenditures by the Federal Government alone of $41,500,000,000 for the fiscal year 1947 are at a level which would not have been believed possible six years ago. *Nonetheless, there is still an excellent possibility that we may balance the budget on a cash basis; and, if Congress will only cooperate a little and prevent further raids on the Treasury, there should be no need for any further Federal borrowing in the next twelve months, at least.*

This means that the Treasury will no longer be a constant borrower in the capital market as it has been for the last 13 years. The end of deficit financing, even though it may be only temporary, has had a profound effect on the money market. Heretofore, the Federal Reserve banks bought short-term securities from the member banks to create reserves so that member banks could buy enough government securiites in the open market to keep the price well above par. This reserve-creation procedure became practically automatic and banks did not have to worry about their reserves. All during the war banks knew that they could buy government obligations with practically no market risk as the Treasury and the monetary authorities deliberately conducted their operations so that outstanding obligations would sell at a premium. As long as the Treasury was in the market as a borrower, government obligations could not be permitted to drop materially in price.

These positive market factors came to an end about a year ago and have been succeeded, beginning in the early part of this year, by negative factors. The Treasury no longer wants to sell bonds to the banks. It no longer wants them to buy bonds in the open market. On the contrary, both the Treasury and the monetary authorities are now very anxious to get as many government obligations out of the banks as possible. Through selective redemption, the Treasury is retiring a large volume of obligations held by banks. Through selective refunding operations, they are shifting government obligations from the banks to non-bank investors.

The Volume of Bank Deposits

This brings me to the second part of our discussion—that is, the volume of bank deposits. Here the important news is that debt redemption has succeeded deficit financing. Since the beginning of this year the Treasury has redeemed $15,485,000,000 of outstanding obligations—securities which were largely held by the commercial banks and the Federal Reserve Banks. This redemption of securities held by the banks decreased deposits, while the redemption of securities held by the Federal Reserve banks decreased reserves. In this reduction of several billions in deposits we have a direct reversal of the process of bank deposit expansion which has been in operation since 1933. *Deposit expansion has been succeeded by deposit contraction*, a fundamental change of the greatest importance.

How can this development be reconciled with the general expectation that deposits would continue to increase after the end of the war? The answer is very simple. This reduction did not just happen. It was directly caused by the selective redemption policy of the Treasury—that is, the redemption of securities held by banks. The monetary authorities are genuinely alarmed at the large volume of deposits and are determined, with Treasury cooperation, further to reduce the total.

In addition to these reductions in the public debt, you may expect to see attempts to shift bonds from the banks to non-bank hands in an effort to further reduce deposits. So far, no workable method of accomplishing this shift has been devised. There are many proposals under consideration, but it is going to be very difficult, if not impossible, under present legislation, to prevent the commercial banks from replacing any such redemptions through open-market purchase of bank-eligible securities now held by non-bank investors. To the extent that the redeemed securities are replaced by securities bought from other investors there is no reduction in deposits. Furthermore, the retirement of certificates and other short-term low yield obligations through the sale of higher yield obligations to non-bank investors will only increase the total interest costs of the Treasury. In other words, there is no object in the Treasury shifting securities from the banks to the market if the banks can immediately shift other and higher-yield securities from the market to their investment portfolios.

Proposals for Deposit Control

As you probably know, the Federal Reserve Board has recently forwarded to the Congress several proposals for the control of deposit expansion. Among the proposals which the Board feels worthy of consideration are the following:

1. *Security Reserve Requirement*—This proposal is for legislation authorizing the Federal Reserve Board of Governors to specify a minimum percentage of Treasury bills and certificates which commercial banks would

be required to hold as a secondary reserve against net demand deposits.

2. *Regulation of Bond Portfolios*—This proposal suggests legislation empowering the Board of Governors to place a maximum on the amounts of long-term marketable securities, both *public* and *private*, that a commercial bank may hold against net *demand* deposits.

3. *Power to Raise Reserve Requirements*—This proposal contemplates legislative authorization for the Board of Governors to limit deposit expansion by a further increase in reserve requirements. (It includes the highly questionable suggestion that *all commercial banks should be subject to the same reserve requirements.)*

The Federal Reserve Board suggests that some such measures should be passed if further monetization of the public debt is to be prevented. That is, the Board takes the position that further legislation is needed if it is to prevent further "unnecessary" expansion of deposits through the acquisition of government securities by the banks and not increase the interest cost on the public debt, in the process.

Clearly, present government policy is to continue the deposit reduction program started in February.

The Impact on Interest Rates

Now this program of deposit reduction and of narrowing the credit base through redemption and through refundings with issues under restrictions which will force the shift of securities from the commercial banks to nonbank investors has tremendous implications because it directly affects interest rates. A tightening of general interest rates inevitably follows any consequential deposit reduction unless extreme restrictions are imposed by the monetary authorities or unless comparable offsetting influences develop in the economic structure. The deposit decrease, and the reduction of excess reserves which have taken place so far, have definitely stopped the downward trend of short-term rates and started them upward. As I see it, we have, beyond question, passed the lowest point in short-term rates. Moreover, we have *probably* passed the lowest point in long-term rates. This does not mean that the government cannot force long-term rates down further; nor does it mean that we are on our way back to the 6% structure of happy memory. It does mean, however, that Federal monetary and credit policy and the various "natural" supply and demand factors indicate the probability of a slightly firmer long-term rate—but not much! Certainly, the increase will not be enough to cause lenders "to sing in the streets."

The main thing to remember in this connection is that although there has been a decline in bank credit, we still have $171 billion of deposits and money left! (And, these $171 billions are liquid *assets* in the hands of corporations and individuals — "assets" which can be used over and over again.)

Cessation of Govt. Borrowing

Furthermore, the government, which almost monopolized borrowing in recent years, will in the near future only be in the market on a refunding-shift basis. Careful analysis of the various supply and demand factors indicates that from any standpoint, the supply of capital and credit will be more than adequate for any foreseeable demands which may be placed upon it. I must point out, however, that a change in the business outlook will undoubtedly alter the policies of the Reserve authorities.

Consumer Spending Will Not Use Up Savings

Now, to take a quick look at a few of the other important financial factors. It is my opinion that savings deposits, in contrast to demand deposits, will continue to grow for some time—certainly, as long as employment and business activity continue at high levels—but the rate of growth will decline. Moreover, the return of durable consumer goods in quantity will not cause wholesale withdrawal of savings for such purchases. Those who expect this to happen overlook both the basis of saving and the basis of spending. People save for emergencies and "rainy days" no matter what the advertisements say about "saving to spend!" Spending is on the basis of the income stream and is, in general, controlled by *expectations*. That is why consumer credit is so important in the field of durable consumer goods. And, as you well know, if the borrower does not fit his spending pattern to his income expectations, the lender will do it for him. With any other policy, the lender would be out of business in short order.

The controlling importance of current income and the corollary indispensable role of consumer credit is set forth at length in *A National Survey of Liquid Assets*, a recent study of the Bureau of Agricultural Economics of the United States Department of Agriculture. A summary of the *Prospective Spending and Saving* section appears in the August issue of the Federal Reserve Bulletin. This statistical survey indicates that "The liquid assets held by the majority of people cannot be considered to constitute a reserve fund large enough for carrying on regular expenditures in the event of drastic changes in income. *Total asset holdings of three-fourths of the people amounted to less than one-fifth of their annual income.*"

The findings of this survey are at such wide variance with the "inflation gap," "inflation potential," "backlog of purchasing power," and other theories of raising ourselves to the clouds by pulling our own bootstraps, that it ought to be required reading for every bureaucrat and businessman in the country. Too many people have forgotten what happens when prices out-run income!

Prices Passed Their Peak

To say a word or two about prices, it seems to me that prices have passed their peak in many lines. The end of UNRRA buying, the filling of the pipelines of distribution, the approaching end of the inventory replacement boom, the stock market crash, and, above all, the discovery that consumer demand may not be as great as was generally thought, forecast the beginning of the end of the present high-price structure.

With respect to the widely accepted "backlog" of demand belief, let me give you just two statistics. First, the survey referred to before indicates that only 3,600,000 people in the United States definitely wanted to purchase a new or *used* car in 1946 and that there was another 1,400,000 people who *probably* would buy cars, giving an indicated maximum demand—with today's high employment and large payments to veterans—for only 5,000,000 *new and used cars!* Second, press releases say by 1947 the passenger capacity of the nation's airlines will equal that of the railroads in 1941.

In closing, may I summarize by saying that the credit and banking situation is in a strong position and management of the public debt continues to be of the utmost importance. The outlook for trade and business activity, however, deserves careful watching because of a very vulnerable price structure. My parting advice is caution; the end of the world is not coming, but it's better to be a "Gloomy Gus" than a "Sad Sack."

A Stock Market Breathing Spell Ahead

(Continued from page 1459)

resents the first leg of a prolonged bear market or largely the culmination of a correction in a long term cyclical upswing that has yet to be completed.

As far as orthodox terminology is concerned, the present market can hardly be classified as other than a full-fledged bear movement. Such periods have lasted anywhere from a few months as in 1923, to a few years as in 1929-32. With respect to the 1923 period it might be pointed out that the decline lasted for 7 months and 7 days carrying prices down approximately 20% from the peak, in the case of the Industrials; in the case of the Rails, the duration was 5 months and 1 day and the price decline amounted to approximately 15%. The answer as to the extent and duration of the present downswing will depend upon the strength or weakness of the economic situation.

Fundamentals

It stands to reason, of course, that a bear market implies that there is something to liquidate in the economic structure, such as inflated commodity prices as in 1919 or dangerously high bank credits as in 1919 or top-heavy inventories as in 1937.

With respect to such obvious factors, it might be fairly said that it is difficult to visualize any surplus of commodities likely to be pressed for sale on the market, although it is recognized that present prices may be high in the long run. Furthermore, there are no pyramided commercial borrowings to liquidate in the business picture — as a matter of fact, corporation finances were hardly ever in a stronger state. Moreover, with the acute scarcity of goods in practically every field, there can hardly be any dangerous inventory positions.

Considering financial rather than business aspects, we believe it is reasonable to conclude that a major liquidating movement in equities presupposes that there are some more attractive media available for investment. Idle cash, which is already in superabundance, is unproductive. Total bank deposits today amount to $165.4 billions as compared with $52.4 billions in 1937 and $55.3 in 1929. Practically the only other media available for the average investor are bonds. Since prime equities today yield close to 4% as contrasted with less than 3% for prime long-term bonds, there would seem to be scant prospect of any sustained mass movement from equities except on the part of speculators anticipating replacement at subsequently lower levels. Thus, it would appear that the only real basis for replacement of well-situated dividend paying equities with bonds would be on the conviction that corporation dividends will be slaughtered to a point where the yield on equities would be less than the yield on bonds. Obviously, the very level of the market indicates a forthcoming collapse in the industrial earnings picture. If this does not occur, it is clear that the market is at an extremely deflated level.

Reexamination

Reexamination of the business outlook by unbiased analysts, indicates that further moderate expansion of industrial production lies ahead within the limitations imposed by available labor supply, plant capacities, and raw materials. All of this it is anticipated will be translated into higher earnings and larger dividend payments during coming months.

With demand in many consumer lines still not satisfied and not likely to be for some time, and with capital goods expansion far from complete, a near-term depression of serious proportions hardly seems a realistic expectation. In short, the peak of the postwar boom has not been reached — and is a long way off. To develop more than a minor depression, a considerably more vulnerable business position would be required. This would normally come about only from a further prolonged period of business activity with excessive production and exhaustion of purchasing power.

Observations

Judging from first hand observations, it can be said that solid investment buying has made its appearance after the initial onslaught last week in sufficient volume to absorb offerings without further price recession. Such buying was for cash and more or less for "keeps." Plainly it was predicated on the assumption that present difficulties are of a temporary rather than a permanent nature, that the worst of the adjustment phase has taken place, and that good grade dividend paying equities are in a fundamentally sound position. Hence it is fair to conclude that further weakness, which must certainly be recognized as something more than a possibility, would be considered as a buying rather than selling opportunity.

Tax-Saving Opportunities

Many opportunities exist in the present market to effect advantageous tax-saving transactions and at the same time to improve security position.

Indiscriminate selling has caused a decline in many high grade stocks of even greater proportions than for the market as a whole. Measured by the Dow-Jones Industrials, the maximum decline thus far has been equivalent to approximately 21%, yet many well-situated stocks are down considerably more despite the fact that there has been no greater than average impairment in the earnings outlook. Restoration of more normal market conditions should be used as a period for reappraisal of individual holdings.

Named Philippine Consul-General at New York

The appointment of Jose P. Melencio as Philippine Consul General at New York was announced on Sept. 3 by President Roxas, according to Associated Press advices from Manila, which added: "Mr. Melencio was acting director of the Philippine Press Bureau at Washington in 1919. Before the war he was Associate Justice of the Philippine Supreme Court."

What Are We Using For Money?

(Continued from page 1458)

optimistic about their future value, one must be more optimistic about the tax-paying enthusiasm of the next generation than we are about the tax-paying enthusiasm of the present generation. We are all for reducing taxes now and yet our outstanding government bonds are dependent on the taxes to be paid by our own or future generations and nothing else.

We have a few millions of coins in circulation, somewhere around $26 billion of paper money in circulation, and about $140 billion in bank accounts which shifted around are the most important part of that which you and I use for money today. This total of $170 billion of money supply compares with somewhere around $60 billion in 1939 and somewhere around an average of $45 to $50 billion in the years just before this last war. You know, but nevertheless for my purposes here today I have to remind you, how that supply bulged from around $50 billion to around $170 billion. Principally, it was due to increases in bank accounts, either by direct purchases of government bonds by the banks from the Treasury or indirect purchases of government bonds by the banks on the bond market. The banks, when buying directly from the Treasury, or buying in the market, don't use, as you or I as buyers would, pre-existing money; they set up a new bank account, which pays for their purchase in favor of someone who has the power to draw on that bank account for his general purposes. The Federal Government sold its securities to the banks in large volumes, banks paid for their purchases, not by using pre-existing money but by setting up a bank account in favor of the government. The government used that bank account to pay for materials and wages, and its payees used the bank credit which they obtained from the government's payments to pay others, and so, that bank account created in favor of the Treasury in consideration of its bonds delivered to the bank was scattered through the community.

Some of the phrases that financial experts use in discussing these matters have not always been easy for me to tie down to earth for purposes of my understanding. An expansion of bank credit, they will say, has taken place in this country. I always used to think of bank credit as something that enables you to go to the bank and borrow. But the phrase has come to mean, in this modern world where semantics plays so important a part in our life, not that creditable position in the financial community which enables you to go to the bank and borrow when you need to, but that which the bank gives you when it makes a loan to you, i.e., a bank account on which you can draw. As you like, there has been an expansion of bank credit or there has been an expansion of bank accounts. The point is that somebody has the right to draw on $140 billion of bank accounts and turn them loose in the community where they are used as money.

Financing The War

The government drew on such bank accounts and paid for its instruments of war; it paid, for example, in that way for the carrier "Hornet," 60 million dollars of draft on that bank account went to the material men and the workers; the carrier went to the Pacific and did a magnificent job for a few months. Meanwhile, the government had expended all of the funds which it had obtained from the bank for payment for that great ship and its payees made use of the payments the government had made to them, and the bank account created in the first instance in favor of the government had gone out into the community and was there being shifted around from one to another as part of the then current money supply. The Hornet went to the bottom; nothing unusual about the disappearance of the wartime production with all of the human effort that went into that production. But what I want to call your attention to is that the money which started with the bank account given to the government in place of its bonds sold to the bank has been shifted out into the community, is still a part of the money supply of the country, and will remain a part of the money supply of the country, unless and until those bonds on the basis of which the bank account was originally developed are either paid off by the government or sold out of the banking system to a non-banking buyer, who uses not his power to create new money, but the existing money in his possession to pay for them. That's the way we got this huge supply of money, the greatest part of which is still in the form of bank accounts, subject to draft by someone and in this modern world the principal kind of money made use of by all of us.

Now, if by any chance, you have considered the subject of how much money is enough, I think you will be prepared for my next question which is: Assuming that we have too large a supply of money as the result of the huge bank credits given to the government for its war purposes, how can we reduce the excess money supply to a total which will be more consistent with peacetime needs and activity? Yes, you have an interest in that question, institutional and personal. I confess to a very great interest because most of my business activities are handling other people's money and to a very large extent investing other people's money for the long term. I feel the pressure of this great supply of money left to us after the war period was completed because some of it as it moves around through the population gangs up in spots where it becomes available for investment. There is so much of it compared with available investments that the competition of money seeking investment makes it difficult for me to perform my job, my principal job of investing other people's money in investments of good quality and at reasonable rates of return. But you have an interest too and so has every man and woman in the country because it is this same great supply of money which is pressing prices up and up with the resultant pressure for higher wages and with a certain trend toward higher and higher prices and wages, higher and higher living costs, lower and lower purchasing value for the unit which we call the dollar. We're in the second round of that procedure right now. Prices have been going up. Those who represent labor and who feel the crushing effect of those higher prices and the higher costs of living are moving for higher wages. And you know that when that wheel begins to turn in will take heroic efforts to stop it.

Now assuming that there is something right about my position, that $170 billion is too much money in a country which is now at least nominally at peace and which prior to the war could get along with about $50 billion of money supply, how are we going to get it down to the point where economic life and financial transactions will be stabilized and not subject to these current jumps?

Reducing The Money Supply

Well, the first way in which that money supply can be brought down, is by the process which has been going on since about the first of March. The Treasury has paid off about $15 billion of its previously outstanding debts, bringing the total down from nearly $280 billion to about $265 billion, but that very excellent way of reducing the money supply, that is, paying off the debt which created it, has so far proceeded only through using the excess proceeds of the Victory Loan last December. The public bought about $21 billion of government paper at that time, which together with non-borrowed receipts gave the Treasury a bank balance of $26 billion at the end of the year. As it turned out, the Treasury didn't need that much and it has brought its balance down to about $10 billion currently by using the excess proceeds of the Victory Loan to pay off some of its outstanding debt. That process of reducing the debt is just about concluded because there are not any more excess proceeds of previous bond sales which can be used to reduce the debt.

The second method that immediately occurs to any one thinking on this subject is to raise enough taxes, reduce expenditures enough to provide a surplus in the Treasury and use that surplus to pay off some of the maturing debt. We have $75 billion of U. S. Government obligations maturing in the next 12 or 15 months. All the Treasury needs is the means to pay that off and it can provide that means out of a surplus in the Treasury which can be had by a cut in expenditures and an excess of income. It will have plenty of opportunity to do this without going on the market to buy its outstanding obligations. Well, you know how hard it is to cut expenditures. Expenditures of the government in peace times are still running somewhere around $3,500 million a month, the deficit at the present time is just under a billion dollars a month and we've been out of the war for over a year. It isn't easy to cut expenditures and particularly public expenditures by billions. It was easy to raise them by billions during the war, but it is difficult to cut them. I don't mean difficult for a New Deal administration to cut them, I mean difficult for any administration to cut them. Everybody wants lower taxes. Politically it is now thought to be desirable to suggest lowering our taxes, but if we lower our taxes and can't cut our expenditures there's not much hope for lowering our debt, and if we can't lower our debt, we're going to have this war time money supply with us for a long time.

Stop Bank Buying of Government Bonds

Well, there's another way in which that debt and money supply could be administered a little in the direction of less rather than more and that is that the banks could be prevented by the Federal Reserve authorities from buying government bonds on the market or making long term corporate loans. Because in each instance of such purchases the banks increase the money supply. They create a bank account in favor of the other person to their deal and that bank account goes out into the money supply and remains there until the deal is reversed or is taken out of the banks. The banks bought during the last few years on the market, $50 billion of government bonds, and they're still buying them on the market. When the Treasury made a rule in 1943 that the banks would not be permitted to subscribe for new issues, the banks did their buying on the market. Had the rule also been made at that time that the banks should not be permitted to buy Treasury obligations on the market, the rule prohibiting subscriptions by banks to new issues would have taken on real meaning. I have banking responsibilities myself; I don't want you to think that I'm a rabid critic of the banks, but just for your information, $50 billion of these new bank accounts, adding to our money supply during the last few years is the result not of the Treasury's operations, but of the banks' operations. These banks were not supporting the government bond market because they were bidding up the prices of bonds. If the fiscal authorities had wanted to protect the holder of government bonds, who was in distress, they could have provided that the banks could buy government bonds but only at par, which would have protected the legitimate previous purchaser who was in some distress and needed the money. But what happened was that buying by the banks sent the 2½'s of '67/'72 up to something like 109; the 2½s of '56/'59 up around 107. Banks were buying not to relieve distress selling, but for bank earnings. What I want you to bear in mind is that, even if the Treasury should succeed in getting a surplus and paying off some of its debt, that would not reduce the money supply, if the banks are to be permitted to go into the market and, as Governor Eccles put it a short time ago, "monetize" more of the Federal debt by buying bonds held by non-banking holders. I won't go into detail as to how that could be done but I assure you that as President Sproul of the Federal Reserve Bank in this City put it a short time ago, it's the result of a triple play between the Treasury, the Federal Reserve and the banks and that triple play could be reversed to control the extent to which from this point on the banks monetize further that portion of the public debt which is in individuals' hands and life insurance hands.

The other way in which there might be some control of or reduction of this money supply would be to require the banks to sell some of the government bonds now held in their portfolios. But who is going to buy them? The banks have paid top prices for them in most instances —and I mean banks all over the country—and they could not sell them without a loss at prices which non-banking buyers would be likely to pay. Well, all of this is just to point out that if the money supply, now 3 or 3½ times what was considered to be necessary and desirable before this last war, is too large, these are some of the ways in which that supply can be brought down. And I am saying to you they are difficult procedures, difficult for ordinary business men, much more difficult for public business men because in the last analysis public business men are controlled at the polls and politics is the science of determining what public officials can do in view of that control at the polls.

Well, maybe you do not want the money supply reduced. None of us wants his own personal supply reduced. I know that. I'm not speaking now of the individual's supply of money but of the supply for the whole country and I'm speaking of it as a force in the direction of inflation which from the point of view of the public welfare, and in the long run that means the welfare of each of us, is a present danger. That great money supply is the real reason for the increase in prices, the resultant demand for increase in wages, the high prices being paid for real estate and stocks—until last week. What happened to the stock market? I do not know. I am a long term investor, not a short term speculator. The trend of the dollar's purchasing value must, as long as that money supply remains anything like what it is, be downward and the prices of the things you buy with dollars must be upward. Our friends in public office, carrying political responsibilities, and I feel sympathetic with them, know full well that they can only keep interest rates down by keeping up or increasing that money supply. They have these recurring maturities of $75 billion within the next few months and, if they are to continue to refund them at the low interest rates that they have maintained up to date, they must have a big money supply and they must be able to go to the banks in the last analysis if they can't get the people to buy their bonds. We should have done a better job of financing the deficits during the war by selling more government bonds to the people and to non-banking buyers. In Canada, where their population is about one-tenth of ours, they issued about one-fourteenth the number of government bonds that we issued here. Now, what did they do? They looked over their situation and decided what kind of a bond for what term, at what interest yield their investing public should be expected to take and, generally speaking, they issude a 3% coupon bond maturing at 15 to 18 years from date and put on the pressure to sell them to non-banking buyers. And the pressure never did the buyers any harm. We didn't do that. We started out with a smart aleck notion that the credit of this country was good for a 2½% bond and we would not sell a bond except the savings bond to finance the war deficit at an interest yield beyond 2½%. When we didn't sell enough of them to the people, then we dumped the rest of what we had for sale into the banks. What we dumped into the banks was principally short term Treasury Bills for 3 months, Certificates of Indebtedness for a year, or like short term paper, and it is the maturity of that short term paper, month after month, now and for the next few years, certainly for the next 15 months, that bedevils the Treasury operations in trying to maintain a low interest rate and at the same time refinance the maturities.

Scores Maintenance of Low Interest Rates

The Secretary of the Treasury said the other day that the Treasury would maintain its policy of low interest rates. It can't maintain its low interest policy except by maintaining an excessive supply of that which is used for money in this country and it can only maintain this excessive supply of money if the Federal Reserve authorities go along. Governor Eccles has said that the Federal Reserve authorities will go along with the Treasury in maintaining easy money. "Easy money"? Easy for whom? I don't object to easy money for the small business man or the big business man borrowing money for commercial purposes, as our fathers used to do when they had emergency need for funds. But I'm not so enthusiastic over easy money for the government, particularly when that easy money for the Treasury is maintained by unsound financial methods which will be detrimental to the entire country and everybody in it. Our public men speak of lowering taxes to help the little man, they speak of low interest rates as beneficial to the mass of average people in the country, but the simple fact of the matter is that easy money for the government, low interest rates for the government's obligations, are the heaviest charge on the average man in this country today. He is paying for it, not in direct taxes but in indirect taxes in his cost of living. He is paying more in prices for the things he has to have than he would ever have to pay in taxes, if our finances had been put or were now put on a sound basis.

I have no predictions to make to you. I have no tips to give you. I merely call your attention to a condition and try to show you how it has come about and the difficulties of changing it, if it ought to be changed. If it isn't changed, the trend will be to more and more money supply, lower and lower interest rates, until there are few people who are willing to make loans for the long term. When those few do make long term loans, they will want, in addition to the rate which less competition enables them to charge, something which represents the inflation risk in their long term loans. Therefore, as a long term investor I look forward to one of two alternatives with some satisfaction as an investor, but with great concern as a citizen of this country.

Anticipates Continuing Inflation

First, we shall continue to have the inflationary trend until it reaches the point where few people, few representatives of institutions will be willing to make long term loans because of the impossibiblity, either as prophet or statistician, of foreseeing what the future will be. With less competition in making long term loans the borrower will have to pay a higher rate. We in the life insurance business are necessarily in the business of making long term loans. That will enure to our benefit to the extent of some increase in the interest rate. On the other hand if we decide to take heroic measures, and with the cooperation of the banks, the federal fiscal authorities, and the Administration of this government stabilize our money situation, then it will also be true, that there will be a higher interest rate than that now available.

Don't think that I am, as a life insurance man, unusually or unjustifiably interested in the prospect of a little higher interest rate. We are getting along pretty nicely we may say to those who worry about us. It is true we have larger and larger funds to invest. Our new paid-for ordinary life insurance business in my own institution is now greater in volume than it was the whole of last year. Our group insurance paid for during this year is now millions greater than the total amount paid for the whole of the past year. That simply reflects the amount of money in the community. It increases the amount of money that we life insurance men have to invest for our policyholders. It makes it more difficult for us to earn margins which would be available for dividends. It makes it likely that our policyholders, if this process continues, will have to pay more as the net cost of their insurance than they have heretofore paid. The interest rate is important, though not the only factor in determining what our results are and what our net cost will be. My interest in interest is not personal; it is for our policyholders.

Again it comes right back on the average citizen. However, I should say by way of reassurance to those of you who are life insurance policyholders that we have succeeded in investing a very large sum of money in securities during this year at about three per cent. To my colleagues in the Equitable whom I see in this audience I may add that we can live on three per cent, especially if we can supplement it a little with those larger yields that we can get on mortgages.

London Versus New York Stock Prices

(Continued from page 1460)

which in turn depends upon the course of international events, he would not be buying exchange in London at a discount of 33⅓%.

In the past the London market was regarded as a fairly dependable barometer of world affairs, economic as well as political. This is no longer the case and will not be, so long as the owner of the British securities and other assets is not in a position freely to transfer or employ the proceeds from their sale. If he desires to do so he can do it only at a discount which at the moment amounts to about one-third. Since the price of equities, *inter alia*, will respond to the position of the pound in which they are expressed and will, to a considerable degree, reflect the opinion concerning the future of exchange, the advance in the price of equities, *ceteris paribus*, will have to be regarded as a haven for funds which seek protection against a possible further decline in the value of the pound as expressed in terms of real money, that is, U. S. dollars.

The subjoined table presents a list of representative British shares, the prices recently recorded on the London Exchange, the prices which can be obtained in New York in dollars, and

	—Recent Price— London Shillings	New York	Parity Price	Indicated Valuation of £
Ashanti Goldfieids	65	$10.50	$13.08	$3.08
Boots Pure Drug	63	10.00	12.68	3.17
Courtauld's	56	9.00	11.27	3.21
Imperial Chemical	42	6.87½	8.45	3.27
Shell Trading	95	14.75	19.12	3.10
United Steel	22	3.50	4.43	3.18
Vickers	26	4.12½	5.23	3.18
Zinc Corporation	85	13.50	17.11	3.18

From the above table it is noted that the average price which investors pay for exchange on London is $3.17, compared with $4.02½, the official rate, a discount of substantial proportion, indicative of the fear over the ability of Britain to maintain the existing rate. Prior to the extension by the United States of a $3¾ billions credit, Britain's ability to maintain the pound at the $4 level was seriously questioned. Following the transaction, such doubts were removed, and in some quarters it was even believed that an upward valuation, possibly to the old parity of $4.8665 to the pound, would be effected. Dark clouds on the international horizon changed all this: The Middle East, Greece, India, and the Mediterranean problems offset whatever benefits were expected to result from the Anglo-American financial deal.

According to the Secretary of the Treasury, the sharp decline in securities prices should be attributed to "the general situation," and that there was "nothing in the international economic situation to cause a break." It may be stated that competent securities analysts are not concerned with the international **economic** situation, but rather with the international **political** situation with respect to which the Secretary's remarks, "I'm not in international politics," may be regarded as typical. No important change is expected unless, and until, some measure of harmony is restored among the nations of the world in general and the U. S. A. and the U. S. S. R. in particular. There is some hope that this will occur.

"Our Reporter on Governments"

By JOHN T. CHIPPENDALE, JR.

Despite the uncertainties and confusion that exist, the government bond market was able to rally from recent lows because yields went to levels that were attractive to investors. . . . Although there is still considerable bearishness around, it seems as though prices as a whole reached levels last week from which further declines will result in purchases at least on a scale basis, by those who are interested in the income that will be obtained. . . . This will have a tendency to cushion the recession, and to confine it to modest proportions from here on. . . .

One of the important market factors that have been responsible in no small measure for the lack of interest and support by non-bank investors in the ineligible issues, particularly the 2½s due June and December 1967/72, has been the uncertainty created by the belief that there would be a new issue of restricted bonds in the near future. . . . It is believed by some that with new financing by the Treasury, the longest restricted bonds would go down in price to about 100½. . . .

TIME FACTOR

When the new financing will come along seems to be a matter of conjecture, although there is not the same feeling now as in the past, that the new offering will be made this year. . . . It may be that circumstances will be such that there will be no offering of government securities until the early part of 1947. . . . Assuming that there would be new financing by the Treasury near the end of the year, say Dec. 15, then the loss of income (by refraining from purchasing the longest outstanding 2½s) from now until that date would be equivalent to about 19/32nds. . . . The low price at which the restricted 2½s due Dec. 15, 1967/72, sold last week was 101 14/32nds. . . . Deducting the 19/32nds in income that would be passed up by not buying the outstanding bond now from the low level reached last week by the longest restricted 2½s, would bring the price of this bond on Dec. 15 down to about 100 27/32nds. . . .

Past records of financing by the Treasury, particularly during the Victory Loan, showed that even after it was known, what the new issue would be and when it would be offered, the then longest outstanding restricted bond (the 2½% due June 15, 1967/72) did not sell below 100 20/32nds during the interval between the announcement of the financing and the closing of the drive. . . .

During this period the 2½s due June 15, 1967/72 sold as high as 101 6/32nds, and when the drive was over were selling at 100 29/32nds. . . .

FULLY DISCOUNTED

As yet the market does not have official information as to when a new issue will be offered, although it seems to be trying to fully discount such an event, which could mean that it has been over-discounted, particularly if the much discussed financing should not come until a much later date than is expected by some and would be different from outstanding issues. . . . There is no doubt that when the restricted 2½s due June and Dec. 15, 1967/72 were available last week to yield 2.40%, that the institutions were interested and did buying at those levels and continued to take on these bonds as prices moved up slightly. . . .

Nevertheless, it is reported that the amount of securities acquired was not too sizeable because the floating suppiy of obligations at last week's lows was not very large. . . . There would most likely have been a much smaller amount of bonds for sale if it were not for the weakness in the stock market. . . .

NON-BANK SELLING

Non-bank investors are still disposing of the partially exempt bonds and using the proceeds to take on the restricted 2¼s and 2½s. . . . Although these institutions have been putting some new money into the market, it is reported that they are more inclined to sell the high premium partially-exempt obligations and use these funds to purchase the ineligible bonds. . . . Large commercial banks in New York City and Chicago are the principal buyers of the partially exempt bonds. . . . This switching by non-bank investors, it is indicated, will be continued as long as they are able to get satisfactory prices for the partially exempt bonds. . . . Yields on the securities that are being sold by these institutions are still attractive to some of the commercial banks. . . .

Commercial banks are showing a real interest in the now eligible 2¼s due 1956/59 and in addition to new money purchases are disposing of some of the 2s and putting the funds into the 2¼% obligations. . . . A large amount of the recent purchases of the 2¼s of 1956/59 are reported to have been done by the smaller institutions that have been waiting for this issue to become eligible. . . .

New York City member banks were fairly sizeable buyers of the eligible bonds last week during the period of weakness, with indications that these purchases were quite evenly divided between the taxables and the partially exempts. . . . The 2⅞% due 1955/60 was reported to be the most favored in the partially exempts, with the 2¾% due 1960/65 next in line. . . .

LOANS DECREASE

The recent weakness in the securities market was reflected in the decrease in loans of New York City member banks for the carrying of governments and other securities. . . . For the week ended Sept. 11, these institutions reported a decline in such loans of $78,000,000, of which those for carrying government bonds were down $51,000,000 while those on other securities were off $27,000,000. . . . Although the decline in loans on other securities was smaller than those on governments it is expected that the former will show larger decreases as more margin accounts are closed out by the banks and syndicates for new issues are terminated. . . . The decrease in loans for carrying government bonds by dealers and others, with the New York City member banks, has been very substantial since the end of the Victory Loan. . . . The total decline amounts to about 1,810,000,000, consisting of a $1,037,000,000 drop in loans by dealers and brokers and a $773,000,000 decrease in loans by others. . . .

NY Brokers' Licenses For 1946 Expire Oct. 31

New York State Deputy Superintendent of Insurance Carl Typermass, in charge of licensing, on Sept. 10, called attention to the fact that in 1946 all New York brokers' licenses will, for the first time, expire on Oct. 31. Applications for renewal of such licenses for the period of Nov. 1, 1946 to Oct. 31, 1947, are being mailed to the 20,000 current licensees beginning Sept. 13. The Insurance Department in calling attention to this, said:

"The brokers' license law was amended by the 1945 New York Legislature to provide an expiration date of Oct. 31 in place of the former date of Dec. 31. All renewal applications which are postmarked not later than midnight, Oct. 31, will automatically continue the license in effect until a renewal license is issued by the Superintendent of Insurance.

"Licensees who fail to apply for renewal before Nov. 1 lose their authority to do business after Oct. 31. The Department contemplates undertaking investigations of licensees who fail to make timely application for renewal to determine that the law has not been violated."

Pierce Hastings With White, Noble & Co.

DETROIT, MICH.—Pierce A. Hastings, formerly with Baker, Simonds & Co., is now associated with White, Noble & Co., Buhl Building, as trading manager.

Bank and Insurance Stocks

By E. A. VAN DEUSEN

This Week — Bank Stocks

The progress of bank stocks since the lows of 1942, compared with industrial stocks, presents an interesting study. It is set forth in the following figures, in which the American Banker Index of New York City bank stocks is compared wtih the Dow Jones Industrial Average.

	Bank Stocks	Industrials
1942 low	22.9	92.92
Jan. 14, 1946	*52.1	201.93
May, 29, 1946	47.9	*212.50
Sept. 10, 1946	42.0	167.30

*High.

April 28, 1942, marked the low point for both indices, but the 1946 high was reached by the bank stocks on Jan. 14, 1946, compared with May 29 for the industrials.

From the 1942 lows to Jan. 14, 1946, the bank stocks appreciated 127.5% and industrials 117.3%. From Jan. 14 to the Dow Jones high of 212.50 on May 29, bank stocks declined 8.1% while industrials appreciated 5.2%. In relation to 1942 lows they compared as follows on May 29, 1946: Banks, +109.2%; Dow Jones Industrials, +128.7%.

Declines from 1946 highs to Sept. 10, 1946, compare as follows: Bank stocks, —19.4% from Jan. 14; industrials, —21.3% from May 29.

Relative to 1942 lows, they compared as follows on Sept. 10, 1946: Banks, +83.4%; industrials, +80.0%.

Thus, bank stocks currently cannot be said to be "behind the market," when measuring from 1942 lows as a base.

But when we go back further to the lows of 1932, the story is very different, as the following figures clearly indicate:

	Bank Stocks	Industrials
1932 low	25.4	41.22
1946 high	52.1	212.50
Sept. 10, 1946	42.0	167.30

The dates of the 1932 lows practically coincided, being July 6 for the bank stocks and July 8 for the Dow Jones. To their respective 1946 highs, viz., Jan. 14 and May 29, they have appreciated as follows: Banks, 105.1%; industrials, 415.5%.

Currently, with respect to 1932 lows, they now compare +65.4% for bank stocks and +305.9% for industrials. **Thus, on a long-term basis bank stocks are far behind the market.**

Generally speaking, bank stocks are less volatile than industrials, even the "blue chips" which constitute the Dow Jones Average. For example, in the recent market break between Aug. 26 and Sept. 10, bank stocks dropped 12.5% and the Dow Jones industrials 16.0%; between May 29 and Sept. 10, banks dropped 12.8% and industrials 21.3%.

Since the 1946 highs, the declines in individual bank stocks compare as set forth in the accompanying tabulation. The average decline to Sept. 12 of 17 stocks is 15.9%; maximum decline was 19.6% by Guaranty, and minimum 11.4% by U. S. Trust; Manufacturers and New York Trust declined well below average, as also did National City, while Chase declined substantially more than average.

	—Asked Price—			—Current Market Ratios—		
	1/14/46	9/12/46	% Decline	*To Book Value	Div. Yield %	†Earning Yield %
Bank of Manhattan	35⅝	30⅛	15.4	0.97	4.0	10.3
Bank of New York	484	405	16.3	0.92	3.5	8.2
Bankers Trust	56	45¾	18.3	0.95	3.9	7.4
Central Hanover	127½	108½	14.9	0.95	3.7	8.1
Chase National	48⅜	39¾	17.8	0.95	4.0	5.9
Chemical B. & T.	55¼	45¾	17.2	1.12	3.9	6.7
Commercial National	51¾	42½	17.9	0.76	3.8	10.7
Continental B. & T.	24⅝	20⅞	15.2	0.89	3.8	8.5
Corn Exchange	67	54¾	18.3	1.00	4.4	9.9
First National	2,050	1,730	15.6	1.28	4.6	5.7
Guaranty Trust	398	320	19.6	0.91	3.7	6.0
Irving Trust	21	17⅜	17.3	0.78	4.6	7.6
Manufacturers Trust	66¾	58	13.1	1.03	4.2	9.2
National City	50⅜	43⅜	13.9	0.94	3.7	6.6
New York Trust	119	103½	13.0	1.00	3.8	7.7
Public National	49½	41¾	15.7	0.83	3.9	9.1
U. S. Trust	830	735	11.4	0.96	4.7	6.3
Average of 17 stocks			—15.9	0.96	4.0	7.9

*Book values of 6/30/46. †Net operating earnings, 1945.

The table also brings out the fact that, at current levels, New York City bank stocks appear attractively cheap, with an average dividend yield of 4.0% and an average ratio to book value of .96.

Average earning yield, based on net operating profits of 1945, excluding security profits and recoveries, is 7.9%, almost twice dividend yield.

Based on earning yields, the most attractive buys appear to be Bank of Manhattan, Commercial, Corn, Manufacturers and Public. Highest dividend yields are provided by First National and Irving Trust, but dividend coverage is below average.

Commercial loans, the most lucrative of a bank's earning assets, continue to expand, according to Federal Reserve reports. Member banks in New York City showed $3,319,000,000 on Sept. 11, a peak figure, compared with $2,294,000,000 a year ago. Reports for the 101 leading cities show a similar situation, with $8,607,000,000 compared with $6,055,000,000 for the like week in 1945.

From Washington Ahead of the News

(Continued from page 1457)

story by way of entertaining his guests, to interrupt with such objections as "For Gawd's sake, are you going to tell that old story again?" He would laugh and continue with the story as the youngsters moved around the table behind his back fingering their noses to show their mocked disgust.

Others came to the conclusion that the Roosevelts were the greatest family of individualists they had ever seen. The divorces, for example, impressed some White House guests as evidence of the Great Man's utter inability to control his tribe; others as the complete individuality of the family.

Whether it was a lack of ability to command discipline or a philosophy of permitting individuality, this scheme ran throughout the Government in Roosevelt's time. It made, of course, for mobocracy in government and that is what we had under him.

Truman has sought to bring discipline back into the Government. He has not had the slightest chance in the world. But nevertheless he has worried the Leftists with his attitude. Many of them have quit the government in the belief that the picking was not to be so good in the future, that they would not enjoy the careers they have enjoyed in the past.

Getting down beneath all of the international implications of the Wallace episode, this is what was fundamentally at stake — the question of whether they were to be able to continue to run amuck. In spite of all the build-up that Wallace has had as the leader of the Left Wing, he is really not a leader but a symbol of that wing. They put him up to things. They write the words and he speaks them, very frequently not knowing what they mean.

You should have a picture of the setting that led up to his going over to the White House and asking Truman to look over the speech which he delivered in New York. Back in his office were a group of younger men with no responsibility who knew exactly what the speech would do, Like a bunch of youngsters who are urging their father to go down the street and beat up this man because his youngster had said their dad could lick their dad, not to approve it. If Wallace were to the White House and show this speech to Truman and bluff him not to approve it. If Walace were a man loyal to his President, he would not have put the proposition up to the President. Instead, he was trying to warrant what he considered to be the admiration of the younger men around him. To do this he had to get Truman's approval by hook or crook. Men of our country have been sent on great missions. Our military leaders, for example, were sent abroad and told to come back with a victory. In the olden days, Kings and Queens sent adventurous men away with instructions to come back with a new land. Our ambassadors have fared forth for accomplishment with foreign nations. Henry Wallace's mission when he left his group a few blocks away from the White House, was to get Truman's o.k. to a sabotaging speech. Garcia went to Cuba; Wallace went a few block. In all the annals of men's errands, his will doubtlessly go down as a classic.

In fairness to Truman, he knew that Wallace came to him in a challenging mood. His attitude was like that of an editor who doesn't want to hurt a young writer's feeling by changing his copy. It was somewhat different from this. He didn't want to change this boy's copy because that boy has an agitating ability and weary Truman didn't want to bring about any commotion. The pathetic thing about Truman is that he saw nothing seriously wrong with the copy. And the further fact is that the young artisans of the copy, waiting back in the Commerce Department, thought they had it so worded that he wouldn't.

Henry says now, inspired by his youngish Left-wing colleagues, that he intends to continue to express himself. If it were not for the motives of his ventriloquists, he would be well worth listening to. We can imagine no dirtier trick to pull on Russia than to accept Henry's proposition that Russia be left with Eastern Europe and that we withdraw. Because just as sure as you are living, one of those nations will revive under another bandit and run Stalin's semi-civilized incompetents back to their border. But then we are just as sure that Henry's ventriloquists will insist that we invoke the UN to protect Stalin.

But for the Administration, the employer of Henry to pursue this policy, would be politically disastrous because then they would certainly be asked why they went to war in the first place. In the final analysis, it shows Henry's naiveness to be playing the game he is, because he is helping towards the destruction of his party, and if the Republicans win there won't be anything left of that crowd of which Henry is a symbol, but of which he thinks he is a leader.

E. A. Carter Dies

Elbert A. Carter, retired Vice-President of the Federal Reserve Bank of Cleveland who recently was with the Aetna Life Insurance Company in that city, died on Aug. 28 following a heart attack. His age was 55, according to the Cleveland advices to the New York "Times" which added:

"Mr. Carter was the first employe hired by the Federal Reserve Bank of Cleveland in 1914 shortly after his graduation from the University of Michigan. He served with that Bank until his retirement in 1944."

Officials of Fund And World Bank

(Twentieth of a Series)

ROBERT B. BRYCE

Canadian Executive Director of the Bank

Born in Toronto in 1910, Mr. Robert B. Bryce, Canada's executive director of the Bank, is the youngest such official on either of the BW institutions. Elected at Savannah by the 3,500 votes which Canada has in the Bank, he is the only elected executive director of either Fund or Bank who represents only a single country on the boards of executive directors.

R. B. Bryce

Mr. Bryce, who comes from a gold-mining family, graduated as a mining engineer at the University of Toronto in 1932. He took postgraduate work in economics, first at Cambridge University in England, where he studied under Keynes, and later at Harvard University. Subsequently, until 1938 he was connected with the economic department of the Sun Life Assurance Company of Canada, in Montreal.

Late in 1938 Bryce, having passed with distinction the civil service examinations, joined the Canadian Department of Finance as an "investigator" and to date has continued his connection with that department, advancing to the position of director of its economic division. Like Mr. Rasminsky on the Fund, Mr. Bryce while serving as Canada's executive director of the Bank draws no salary from the World Bank, but only expenses. He continues to be an officer of the Department of Finance, on detail to the World Bank for part time services. During his absences from his Bank duties, Bryce's place will be taken by an alternate.

Haven't You Had Enough?

(Continued from first page)
ruptions to production have been fostered by Federal laws, some of which were sponsored by a Senator from New York, and by Supreme Court decisions, labor board decisions, and the machinations of rival labor leaders.

There is a story about a German general, it may have been Bismarck, who was taken to the top of one of London's high buildings, towering a full six stories above the ground, to see the great expanse of the city before him. "God, what a city to sack!" was his comment. In a year of peace New York City has been sacked by one band of vandals after another. They are not Huns and Goths and other alien destroyers. They are bands of our own citizens, operating with the sanction of the Federal Government. Yet the sacking has been no less complete than it would have been had a foreign invader landed his troops and laid waste to the city. True, the buildings still stand, but no sensible invader would waste time and energy in knocking down the buildings if he could take the citizens, individually and collectively, by the throat and compel them to stand and deliver. Our domestic vandals have been able to do this, over and over, without firing a shot or losing a man.

The parlous state of New York City is merely symptomatic of what is happening to the whole country. A full year after the victory over Japan finds the country lagging in production, torn by industrial strife, beset by rising prices and a dread of inflation, plagued by wartime controls which should have been removed long ago. The data which purport to indicate high levels of production and of national income reflect the course of the inflation rather than substantial progress in turning out more goods. The recent stock market decline reveals a certain disillusionment as to the rate of economic recovery, and a reappraisal of the forces which still stand in the way of progress toward the prosperity goal. It represents a highly realistic view of the burdens which are likely to fall upon investors.

A familiar theme has been the burden of taxation. The present writer has been much more concerned about the effects of bad taxation than about other evils that plague the country, but he is willing to admit that there can be worse evils, even, than taxation, and more serious barriers to the growth and development of free, private enterprise. In view of all that has happened in the past year, the evils of a misbegotten labor policy have been demonstrated to be capable of greater damage than any that can be attributed to the tax policy.

In the business sphere, the American people have been more concerned about monopoly than about any other dubious business practice. Since 1890 there has been Federal legislation which declares that combinations or conspiracies in restrain of trade are unlawful. In recent years, a large proportion of the work of the Department of Justice has consisted in compiling the evidence and conducting the prosecutions against business concerns charged with engaging in monopolistic practices.

None of this feverish activity has been directed against labor organizations. The reason is simple. The Supreme Court has held that such organizations are not within the scope of the Sherman Act and its various amendments. In other words, labor organizations may, with complete immunity from prosecution or penalty, engage in all manner of coercion, and in all sorts of conspiracies and monopolistic practices to restrain trade. On the other hand, let two employers meet for lunch, with no more serious topic of discussion than the prospects of the Brooklyn Dodgers, and they risk having an agent of the Department of Justice on hand the next morning to make certain that no shady deal had been hatched over the honey dew melon and the coffee.

If we were to be ruthlessly realistic, we should be obliged to admit that what we are passing through here is one of the skirmishes in the great battle between collectivism and individualism. It has been said of England that she always lost all of the battles in every war except the last one. Individualism has been losing all of the skirmishes and battles, and there is no assurance that, like England, it will win the last battle. For one thing, the opponents of individualism and human liberty are receiving far more valuable moral support, financial aid, and expert guidance from those who should be fighting on the other side than any English traitors were ever able to supply to the enemies of Britain. The reason that the English kept on fighting until they won the last round was that they were inspired by deep devotion to home, country, and their free institutions.

One wonders, sometimes, if there be any deep and strong devotion to the set of principles which has been characterized as the American Way. Under the protection of free speech enough burrowing has been done, and so skillfully done with the aid and support of those who finance such activities, as to instill doubt everywhere. At the same time the right of free speech has been denied to employers, so far as concerns discussion of our iniquitous labor laws.

Most insidious of all is the doctrine that if the private enterprise system cannot give all of us continuous abundance, without interruption and by implication without always doing useful work, then it must give way to another system. Hence the talk about "boom or bust." In this talk there is the hint that the critic of "boom or bust" knows how to run the economy so as to avoid both. No man, or no set of men, can give such assurance. No law can give it, although we have a Federal law which purports as much, with a sage economic council to make reports under it.

But the final stage of the revolution is not here yet. The outposts of democracy and individualism have not all been captured, and it may be that the tycoons who have been financing the enemies of democracy may get around, before too late, to reading and profiting by the story of Thyssen, and Stinnes, and the others who financed Hitler.

Let us, therefore, come back to the elemental and fundamental economics involved in our labor difficulties of the past year. It is plain beyond dispute that they have been a product of the foolish Federal legislation, and the even more foolish decisions of Federal courts and administrative boards. Not so apparent to the uninitiated, but equally plain in reality, is the fact that the whole complex of laws, administrative rulings, and court decisions, have been based upon a wrong concept of the labor bargain. There can be no labor peace until we come to clear and straight thinking on the fundamentals.

In approaching these fundamentals we should begin with the labor bargain. If it occurs in a free market, both the employers and the workers must be wholly free to shop around. Free bargaining is impossible if the workers must deal with only one employer, or if a given employer must deal with only one set of workers. Such a limitation is the essence of monopoly. If the workers wish to act as a group, with chosen representatives to do their bargaining, well and good. This is all that collective bargaining can really mean, namely, that a group is acting collectively, through representatives, rather than singly, in dealing with prospective employers. The inter-union struggles to organize particular shops or industries are really struggles to gain the monopolistic advantage which the Federal law confers.

If one employer does not accede to the wage terms asked in the bargaining process, the workers should be free to approach another; and, likewise, the employer should be equally free to negotiate with various groups of workers, or with their representatives. Wage terms established by free and open bargaining of this sort will represent, at any given time, the best terms that both the workers and the employers can secure.

In this respect, wages are like the prices of goods. In the market, both the sellers and the buyers are free to shop around. Both seek the best terms that can be had. Neither selects one party and uses a blackjack to force from him the terms demanded. If a buyer or a seller wants to deal at a certain price, they shop around until one is found who is prepared to meet them. When sales are thus made, they represent the best terms for both buyers and sellers. The evil of monopoly is that competitive offerings are absent. The evil of monopolistic wage bargaining is that the employer is forced, by law, to deal with the particular union which has gained the monopoly right to put the squeeze on him.

The trouble with getting acceptance of even the most elementary economic truths is that it takes the human race so long to grow up. Virtually all labor leaders, and many professional students of labor economics, are still living, mentally, in the economic conditions of a century ago. At that time the techniques of the great Industrial Revolution had just been developed, and capital was the scarce factor in production. By comparison, there was plenty of available labor. Because of this disparity, labor exploitation was not only possible, but inevitable, even where it was not deliberately intended. There were not enough factories, then, to employ all who wanted to do factory, rather than farm or handicraft, labor. And there were neither the markets, nor the means of cheap transportation to markets, on a scale sufficient to provide an outlet for all that the available labor supply could have produced, had there been enough capital to create the factories.

Under such conditions wages were low, hours were long, and welfare arrangements were unknown. It was in such an environment that Karl Marx developed his distorted theories of the devastating nature of capitalistic society. Those who still regard "Das Kapital" as the economic gospel have no conception of the changes which have made the book a caricature rather than an authentic analysis of present-day conditions.

The labor experts, in the unions and in the universities, by and large still accept the conditions of the 1840's as if they were still applicable in the 1940's. That is, they still believe in the danger of labor exploitation unless such measures as the Wagner Act, the Wage and Hour Law, and all of the lop-sided decisions of the National Labor Relations Board and the Supreme Court are not upheld. The fact is that the conditions have been exactly reversed over the past hundred years. Labor has become the relatively scarce factor in production and capital is, by comparison, the abundant factor. This reversal sums up the story of a century of economic advance. It would have occurred, and labor's position would have been improved by it, if there had never been a labor union.

Since the economically scarce factor can always exert pressure upon the more abundant productive factors, the present situation is that labor, with the active aid of government, is exploiting capital. Having moved into the political arena, labor is exploiting government. Moreover, it is exploiting the general public, which includes all other workers except those in the small and privileged group which happens, at the moment, to have the strangle hold. A few thousand truck drivers, for example, have the entire City of New York by the throat. In view of dwindling food supplies, this is literally the case. All other labor union members in the city applaud and support the strangulation, despite their own inconvenience, even suffering, for they have employed, and no doubt expect to employ, similar squeeze tactics in future. Hence, assuming that the wage demands of the truck drivers are met, the costs of food and of all other goods in the city will rise to absorb the higher wages. This will serve as a ground for further wage demands from the garment workers and other organized groups. Then, when these groups have won their next demands, the highwaymen (the term is used both literally and figuratively) will be in a strategic position for another display of their strength.

Actually, there is nothing about driving a truck that involves extraordinary skill. Any one who can drive a two-ton automobile can readily learn to handle a 10- or 20-ton truck. The employers could no doubt find plenty of discharged veterans with large experience in operating heavy tanks or trucks in their army service. If such persons were found and were willing to take over the trucks at the wages which the present drivers disdain, why should they not have the opportunity to do so? What basis is there for a de facto monopoly of a particular labor group in an occupation that involves no special skill? Stating the case generally rather than specifically, why should not any employer be free to fill the jobs made vacant by a strike by engaging other workers, providing he can find them? Also, why should not these other workers be free to step into the vacated jobs? If the wages demanded really represent a fair value of the service, the proof would be that more than one employer would be ready to pay them. If one employer will not, let the bargaining agent move around and see what can be done elsewhere. Equally, if the employer wants to pay only so much, why not let him hunt around to see if he can find persons ready to work at his figure? If he cannot, he might as well settle with his former employees.

Our basic trouble is that we have retained and perpetuated a lot of fantastic nonsense about the rights and privileges of workers in the kind of wage bargaining that is appropriate today. That is, we have carried over theories and doctrines that were appropriate to a period of labor exploitation into a period in which labor is the exploiter, not the exploited. The root concept is the strike, which is defined as a collective cessation of work with a view to enforcing upon a particular employer certain demands (for higher wages, shorter hours, better conditions, etc.). The right to stop work is essential and should be protected, although when contracts are made in good faith to give work for a certain period, regard for this good faith should exist. Further, when a group of workers act in concert by stopping work together there can be no grave objection, for any other course would smack too strongly of compulsory servitude.

The great mistake, here and elsewhere, has been in legalizing and otherwise sanctioning, what happens in connection with a strike. It is the intimidation, violence, and property destruction to which the strikers resort in the effort to prevent others from taking their places on the terms which they have rejected, or on such other terms as might be made. The answer is plain, from an economic standpoint. It is that if there are others, equally competent, who are ready to take the places and do the work of the strikers, at the wages which the latter, by striking, have rejected, then the strikers are over-valuing their services and should have no case for forcible exclusion of competing workers, before the law or the bar of public opinion.

No one realizes this elementary fact that the wage demands are often a case of sheer over-valuation of services better than the strikers themselves. Hence all of their desperate efforts, reaching to violence, bloodshed including murder, and property destruction, to enforce picket lines which others will not cross for fear of endangering life and limb. Federal law today sanctions all of these manifestations of violence with mayhem. It is foolish law, stemming from the decisions of the Supreme Court to the effect that labor organizations shall be immune from the statutes pertaining to conspiracy and monopoly. And if the defense of the decisions be that no other construction of the statutory language was possible, then let it be noted that the courts have never had any difficulty in stretching the terms of the law when alleged misdeeds by the employers are in question.

The remedy is simple enough to grasp, though not easy to apply in the face of the entrenched labor lobby. All that needs to be done is to outlaw picketing. Let groups strike or not as they please, but when they do, make an end of picketing. Peaceful picketing is a fraudulent concept for there has long since ceased to be any peaceful picketing in a large scale strike. Whatever force may be necessary is justifiable to terminate this abuse.

But force would not be necessary. Strikers can be stopped from causing damage by being made financially responsible therefor through their union. No damage should be assessable merely because of a strike. When it reaches the picketing stage, the nature of the conspiracy to injure the employer and to restrain trade becomes sufficiently evident to make an adequate case for damages. If the striking workers go home and stay there, and if the employer cannot find others to fill the vacated jobs, then the reasonableness of the strikers' demands is made clear and the employer would no doubt be the first to recognize this fact. Picketing and the use of force and violence to prevent even those union members who might be unsympathetic to the strike from working, to say nothing of outsiders, is always a clear case of conspiracy and should be treated as such.

Here we are, more than a year after the surrender of Japan. The shortages of many kinds of goods are still about as great as they were during the war, and their prices are about as high. Among the reasons for these shortages and high prices, high rank must be given to the foolish labor laws and labor policy, a kind of meat on which our little sawdust caesars have grown great. It is about time for the great American public to say—

"Yes, we've had enough. In fact, we've had plenty!"

The New Era in Treasury Policy

(Continued from page 1460)

The former can and does exercise a powerful influence on the money market through open-market operations, changing reserve and margin requirements, through the discount rate and informal directives that, as a rule, are voluntarily followed by the member banks. The Treasury can exercise a considerable influence over the money market through its refunding policy, the type of securities it is willing to offer, by restricting the marketability of its obligations, and by shifting its deposits from the Reserve banks to the commercial banks and vice versa. In fact, the Treasury exercises prehaps greater influence over the money market today than the Reserve authorities whose policies are to a large extent determined by the needs of the Treasury and the resolve of the latter not to increase interest rates on new obligations.

In discussing the policy of the Reserve authorities the bulletin states:

During the war the policy of the Reserve authorities was to create reserve balances in amounts sufficent to enable the commercial banks not only to meet the increased demand for currency but also to acquire additional government securities issued to finance war expenditures. As a result of this policy, holdings of government securities by the commercial banks increased from $21,788,000,000 at the end of 1941, to $90,613,000,000 at the end of 1945, or an increase of $68.8 billions. With the termination of hostilities and the rapid reduction in government expenditures, the policy of the Reserve authorities underwent a considerable change. Realizing the dangers of inflation arising in part out of the huge volume of deposits created through the acquisition of government securities by the commercial banks, the Reserve authorities have been endeavoring to tighten the money market and to prevent the banks from creating additional deposits through the acquisition of more government securities. In this effort, the Reserve authorities are being greatly aided by the Treasury policy of redeeming, with War Loan Deposits, maturing or called obligations held primarily by the commercial banks.

Gold and the Banking System

In tracing the effect of the increase in the monetary stock of gold on the banking systems the bulletin states:

The inflow of gold was mainly responsible for the huge amount of excess reserves held by the banks prior to 1942. Between Jan. 31, 1934, when the dollar was revalued following the passage of the Gold Reserve Act on Jan. 30, 1934, and Dec. 31, 1941, the monetary stock of gold of the United States increased from $4,034,867,780 to $22,736,114,833. Of this increase $2,818,807,827 represented the gold revaluation profit, $14,716,500,000 constituted net imports, and the balance was made up of acquired newly mined domestic gold, scrap gold, and coin returned from circulation.

During the war, the United States lost about $2,700,000,000 of gold. This was due primarily to the fact that a large portion of the exports from this country consisted of Lend-Lease shipments for which no monetary indebtedeness was incurred by the recipient foreign governments. Since imports into the United States exceeded exports, exclusive of Lend-Lease transactions, this country paid for the excess of imports over exports by shipping gold abroad and by earmarking it for the account of foreign countries. With the cessation of Lend-Lease shipments, the outflow of gold came to an end and the monetary gold stock has increased from a postwar low of $20,030,000,000 on Nov. 30, 1945 to $20,267,000,000 on July 31, 1946.

The Currency Movement

In analyzing the movement of currency the bulletin remarks:

At the end of 1939, currency in circulation amounted to $7,598,143,000, representing an increase of 56.2% over the $4,864,824,000 of currency in circulation at the end of December 1929. This increase is the more remarkable in view of the fact that employment and commodity prices were lower in 1939 than in 1929. There are a number of factors that have contributed to the growth of the volume of currency in circulation during that period:

(a) Some of the currency withdrawn by depositors during the bank crisis of 1932-1933, as shown by the increase in the amount of notes of large denominations, is still being hoarded, notwithstanding the Federal Deposit Insurance Corporation's guarantee of insured bank accounts up to $5,000.

(b) Hoarding of United States currency abroad, which assumed considerable proportions in 1938 and especially during 1939 prior to the outbreak of World War II.

(c) Lack of banking facilities in communities in which the banks were not permitted to reopen after the termination of the bank holiday. The number of banks in the United States was reduced from 25,110 on June 290, 1929, to 15,061 on October 2, 1939.

(d) Banks in general have raised the minimum balances required for checking accounts and have imposed charges for services previously rendered gratuitously. Many small depositors unable or unwilling to meet the new requirements and charges closed their accounts and are using currency instead of checks.

During the war the volume of currency in circulation increased very rapidly and amounted at the end of August 1945 to $27,685,000,000, as compared with $10,640,000,000 at the beginning of December 1941. The principal reasons for this sharp increase may be summarized briefly as follows:

(a) Full employment at high wages.

(b) A large volume of retail trade at high prices.

(c) Millions of servicemen and women away from their homes and hence carrying more currency than they would ordinarily.

(d) Hoarding of currency, and use of currency instead of checks by operators in the black market and persons desiring to avoid taxation.

The expectation that the volume of currency in circulation would rapidly be reduced after the cessation of hostilities did not materialize. In part this was due to the fact that employment was plentiful, wages and retail prices were higher than before, and black market operations and tax evasion continued. It may be expected, however, that after the supply of commodities has increased sufficiently to meet the demand, a moderate return flow of currency from circulation will commence. A return flow, similar to an inflow of gold, creates deposits as well as reserve balances.

The Discount Rate and Reserve Ratio

The discount rate and the reserve ratio as clues to the state of the money market:

The discount rate is of minor importance at the present time. This is due to the fact that the indebtedness of the member banks to the Reserve banks is still relatively small; discounts and advances amounting on August 7, 1946, to $257,883,000. Furthermore, although the Federal deficit has been drastically reduced, the Treasury is still confronted with the task of refunding billions of dollars of maturing obligations. Neither the Treasury nor the Federal Reserve authorities are willing to permit an increase in rates of interest paid on short-term government obligations. In order to maintain the desired rate, the Reserve authorities must stand ready to absorb virtually all certificates of indebtedness offered to them. As long as the member banks hold certificates of indebtedness, which yield ⅞ of 1%, it is not likely that they will be borrowing large amounts from the Reserve Banks at 1%, since they can sell certificates to the Reserve Banks at par whenever they are in need of funds. Only after the Treasury has completed its refunding operations and the Federal budget has been balanced will it be possible for the Reserve authorities to change their present policy. Then the discount rate may again become an effective instrument of credit control.

In the past, students of the money market carefully watched the reserve ratio; i.e., the ratio of gold and cash (lawful money) holdings of the Federal Reserve Banks to their deposit and Federal Reserve note-circulation liabilities. A sharp drop or a continuous downward movement of the reserve ratio was expected to cause the Reserve authorities to adopt a policy of credit restriction. At the present time, however, the reserve ratio is of little importance particularly since the legal minimum was lowered to 25%. Should a return flow of currency from circulation set in, accompanied by an inflow of gold or release of gold from earmark, the reserve ratio will increase rapidly.

Selecting Stocks

(Continued from page 1457)

other averages. They will mean much less in the future than in the past. As for the Dow Theory, I believe this has fulfilled its usefulness and we will hear much less about it from now on.

Selective Markets Ahead

Nothing in sight suggests there will be any less idle money to invest during the next few years even though more securities are being issued. Therefore, the buying demand should exceed the desire to sell; in fact, many of those who sell will ultimately reinvest in something else. People may change their investments from stocks to other forms of securities, or may put the money into houses, automobiles or other things. The money, however, will continue to exist in someone's pocket or bank account.

My own guess is that we are facing a very selective market. As the international situation becomes more intense, wise investors will sell securities of corporations which have most of their assets in large U. S. cities which will probably be destroyed if World War III occurs. Then they will seek out companies which have their assets well distributed throughout the country mostly away from large cities.

Watch Investment Counsellors

Investment counsellors and investment trusts are already busy seeking out such corporations and switching their funds accordingly. This probably explains why stocks like Greyhound, General American Tank Car, Corn Products, Diamond Match, St. Joe Lead, United Fruit and certain oils and sulphurs have gone up above the averages; while stocks like the railroads have lagged. Surely, the stocks of certain chain store companies with their merchandise distributed among hundreds of small communities throughout the Central West or South should be safer investments than the stock of a large department store in some big coastal city.

As these investment counsellors get underway in their studies, their clients will create a buying power which may well cause much higher prices in so-called "war-proof" stocks, and much lower prices in "war-vulnerable" stocks. How this will affect the averages, no one can now tell. These investment counsellors will also again give much consideration to the effects of inflation upon securities. If World War III comes, it cannot help being followed by wild and uncontrolled inflation.

Selecting Industries Using Little Labor

There also is one other consideration which is already making this a selective market. I refer to labor demands. Wise investors are selecting stocks which employ a comparatively small amount of labor. Hence, the ideal investment is one which would fulfill these three requirements:

1. A company with most of its assets outside of large vulnerable cities.
2. A company which would not suffer from severe inflation.
3. A company which has a comparatively small labor cost.

To me, the merchandising chains, operating in the Middle West, best fulfill these three conditions and in such I, personally, have considerable money.

Britain's "Battle of Steel"

(Continued from first page)

buy a controlling interest in any iron or steel enterprise. This decision represents the latest phase of the "Battle of Steel" which has been going on behind the scenes between members of the government since the beginning of this year.

The Cabinet is divided into two camps. One of them is in favor of the immediate and complete nationalization of the iron and steel industry, on the lines the Bank of England and the coal industry is nationalized. The other, realizing the immensity of the task involved, would prefer to postpone nationalization until after the much-needed reorganization of the industry has been completed. This moderate camp would also prefer to maintain the individuality of the enterprises whose name represents a valuable goodwill abroad, while bringing them under government control.

Those in favor of immediate nationalization won the first round in May last when the government declared its intention to bring the industry under "a large measure of public ownership," which obscure phrase was interpreted at the time as indicating a plan to nationalize a large part of the industry. As a result, the Iron and Steel Federaltion refused to collaborate with the government, and the Minister of Supply was unable to constitute a Steel Board to determine the exact extent of nationalization.

The act of "passive resistance" induced the government to make a concession. It was announced last month that the task of the Steel Board would be confined to effecting the reorganization of the industry, instead of its nationalization. On that condition several leading steel experts were prepared to join the Board. It looked for a short time as though the government has abandoned, for the time being, its plan to nationalize the industry, for the sake of achieving its speedy reorganization.

The Left wing of the government and of the Labor Party mobilized, however, all its influence to prevent such a retreat. It was pointed out that, should the government postpone legislation on the industry till after the end of 1947, under British constitutional practice the House of Lords will be in a position to veto the measure, and the House of Commons will not have enough time for overriding its veto before the next general election in 1950. The government was pressed to pass legislation, therefore, sometime next year.

In any case, it was argued, the reconstruction of the industry would not be possible without additional powers being conferred on the government by legislation. Reconstruction would entail the fusion of various enterprises, the closing down of the redundant works, the exchange of processes, etc. Many firms would dislike such arrangements, and would refuse to consent to them unless the government had the legal power to force them.

The government was thus faced by a dilemma. It could not secure the collaboration of the experts of the Iron and Steel Federation unless it abstained from nationalizing at least during the initial stages when such collaboration is absolutely essential for the success of the plan. On the other hand, it could not afford to antagonize the powerful Labor Unions pressing for immediate steps.

The formula chosen must be regarded as a masterpiece in compromise. The plan of nationalization has been abandoned in favor of a plan to secure a controlling interest in the capital stocks of the companies. It has been discovered that "a large measure of public ownership really means a 51% participation instead of full ownership. And although a law will be passed next year, it will merely authorize the government to acquire such interest in any company whenever this is considered necessary. This means that the government need not take actual steps until reconstruction has reached a sufficiently advanced stage to make the collaboration of the experts no longer indispensable. On the other hand, the Act will be passed in good time to rule out the possibility of the measure being effectively vetoed by the House of Lords.

Another advantage of the new formula is that it will enable the government to carry out the reconstruction scheme without having to acquire control over the enterprises opposed to some measure that is considered essential. The mere fact that the government has powers to secure for itself at any moment a 51% participation would suffice to induce the iron and steel manufacturers to carry out the decisions of the Steel Board.

It seems indeed unlikely that the government would make an early use of the new Act once it is passed next year. Once the Act is passed, control can always be acquired at any time before the next general election, and it seems probable that the government will want to leave it to the last minute. It is anxious to avoid a failure which might be the result of nationalization before reconstruction has reached a sufficiently advanced phase.

Important Changes Instituted in German Economy

(Continued from first page)

omy. Theoretically, military and civilian Americans should be able to supply all their needs at facilities provided by the government and not require reichsmarks used by the Germans. Actually, there are many things, including not only luxuries, souvenirs, works of art, and so forth, but also utility articles like household machines and typewriters, which Americans like to buy. Because of the high value Germans set on cigarettes, German proclivity to barter, and the accessibility of cigarettes to Americans by purchase from home, since PX cigarettes are not supposed to be bartered, the majority of Americans here use cigarettes to a greater or lesser extent to pay Germans for goods and services. Thus at an army restaurant where waiters are German, a cigarette, being worth seven or eight marks, is a generous tip when the meal itself costs the American customer only two or three marks and tipping is not obligatory. For a German jeep or army taxi driver the tips Americans give in cigarettes may be worth much more than his wages. At a displaced persons camp I watched an UNRRA officer hear the pleas and troubles of the pitiful inmates. Because the volunteer workers there receive as weekly pay two packs of cigarettes a week and the aged and infirm no wages, a committee of elders pleaded for a social security payment of cigarettes, not to smoke but presumably to trade for special foods or other items. In the Frankfurt Zoo, containing several elephants which survived the war and which have been trained by their attendant, one held out his trunk to me appealingly and when at the keeper's hint I handed him a fag, the beast carefully passed it to the keeper.

The Dearth of Cigarettes

Obviously there are not enough cigarettes in Germany to put the country on the tobacco standard but the Germans, at least in the Western zones, today would be glad enough to have the cigarette not only as a standard of value but as the medium of exchange. In shops where anything is for sale the prices I have seen are extremely high, whether you think of a mark as 40 cents or ten, but you can always ask what the price in cigarettes is. I tried this out today in an antique store where some friends were shopping. When my escort learned the price in cigarettes of the bracelet he wanted to buy, and said it was much too high, the salesman seemed really hurt and assured us that he had most meticulously converted from marks into cigarettes at the going rate of exchange.

These may seem trivial and temporary phenomena in a war-blasted land, yet probably they are more significant, not only as to the monetary situation here, to the surfeit of money and hunger for something consumable and enjoyable, but indeed as reflecting an innate barter instinct among the Germans. In the more distant future this may come again as in the prewar past we saw it on an international scale in the Nazi barter, clearing and compensation agreements so eschewed in Washington.

May Follow British Technique

The new American regulations will probably follow the sterling voucher system which the British introduced into their zone August 1. The British vouchers, called "British armed forces special vouchers" — or **Bafsvs** — are for use only by the British forces, including military and civilian employees, reporters and the like, but not by German civilians for whom ownership of such vouchers is illegal. Bafsvs are in denominations of 3d, 6d, 2/6, 5/, 10/, and one pound. United Kingdom forces are not allowed to bring foreign currencies into Germany. The voucher system is apparently regarded by British authorities here as adequately protecting the British army from the financial drain due to remittances home by soldiers and others of the profits of trading goods with the enemy for military currency, a problem which has been very costly to Uncle Sam as well and which the USA has not yet fully checked. Naturally the British personnel do not like having their remittance profits thus cut off or their local cost of pleasure, billets, etc., put entirely on the sterling standard, but they reportedly accept it in fair grace.

When Allied military marks were introduced with the invasion, the exchange rate for military purposes was fixed at 10 cents per mark with corresponding parity in sterling, and the people were forbidden to discriminate between reichsmarks and AMG currency. However, when the British military finance officers made no discrimination the Americans did, thus putting a premium on AMG notes in German eyes.

No Currency Black Market

Presently, officers say no black market of consequence in foreign currencies exists in the British or American zones.

When the new dollar vouchers are introduced, British, American and perhaps other bilateral arrangements will be made for their interchangeability at army finance offices here as a matter of convenience to authorized personnel crossing from zone to zone. Such arrangement will entail British dollar deposits in America and American sterling deposits in England as redemption funds, it is believed.

French and Russians are still using AMG notes in Germany, but whether they plan any changes is still unknown.

Inflation Prospects

Regarding monetary conditions, in the local press there have been some references in the German discussion of the Stuttgart speech of Secretary Byrnes to what he said about the prospect of inflation here. In the Russian zone the very leftish newspaper "Vorwaerts" editorialized that this loses its terror when one realizes that drastic measures in the Soviet zone at least prevent such a development. An editorial in the "Berliner Zeitung," also a Russian sector newspaper, points out that Byrnes' warning about inflation is certainly justified. However, declares the paper: "He did not regard the most decisive point that different measures have been applied in the various zones in fighting inflationist tendencies. In this respect one has applied more drastic measures in the Soviet zone than in the other three zones. And the result in the Soviet zone is, as experts judge it, that currency conditions in the east zone have been brought under firm control." The paper then cites the measures taken in the Soviet zone, pointing in particular to the freezing of old accounts, etc., stating that everyone in the Soviet zone has confidence in the stability of money and there is almost no unemployment there: "The conditions in the western zones in this respect are entirely different here. The old banking houses still work and people can still draw from their old bank accounts." Here the paper states that the stream of money from the west to the east zones is "one of the most important disturbing factors in the currency and finance policy in the Soviet occupation zone. As with his demand for economic unity Mr. Byrnes' call for a uniform finance policy for all of Germany is in a certain sense a propagandistic demand, because in the west, both in economic and political respects, certain presuppositions important for Germany's recovery have not been fulfilled as yet," concludes the Soviet licensed morning organ.

Decartelization

Another German prewar phenomenon that will be hard to eradicate, it seems, is the cartel habit. In OMGUS, there is a special decartelization branch constituting in effect a miniature justice department antitrust organization. Progress thus far has not been conspicuous. Indeed not even all Americans here see eye to eye on this problem, and certainly there is a wide hiatus between the official American and British positions. Only the I. G. Farbenindustrie has thus far been vested by the Quadripartite Control Commission, with a view to its breakup and sale to smaller German interests.

There may be a policy announcement on decartelization in the American zone. Logically any such announcement at a time when the British and American zones are being merged should cover both, but there seems little likelihood of Anglo-American agreement here on this anytime soon. Whether the replacement recently of the British negotiators by others of higher rank will mean any earlier industrial agreement I cannot say. At first blush it is really strange in a way to see the strongest capitalist country fighting against German trusts, and Socialist Britain defending their retention.

I discussed this subject with a Britisher whose name regrettably may not be mentioned. His views on decartelization are interesting whether or not they coincide with British official policy, especially in view of the zonal merger now under way. This Britisher views askance what he calls the enormous decartelization staff OMGUS has. He cannot see splitting up efficient German trusts in the face of the long-term technological trend. He admits that private business often has been greedy and cannibalistic but he states the coal industry's production and distribution problems cannot be solved by 19th century methods in Germany, any more than in Britain. He is prepared to go to any lengths to decentralize, but whatever is done should be done jointly for all Europe, let alone handing over the large industrial properties to the small Laender of a part of or even of all Germany. These industries he thinks are something far beyond Laender, zones, or even all Germany.

Perhaps this is the only point of real difference between the UK and USA, as bi-zonal economic merger begins. The UK may in its zone extend the coal policy to other industries. In their zone the coal mines have been seized. The British zone of course contains the major German industrial strength and the Anglo-American decartelization impasse is therefore of fundamental importance. Rather than face bluntly and broadly the question of cartels versus free enterprise, this Britisher thinks the British will seek to handle each question defacto and will ask "what are we going to do in this particular instance?" Who is going to buy these industrial giants, my friend asks the anti-cartelists. Shall they be broken up and sold to those enriched during the Nazi regime before V-E Day? If not, are they to be sold to those who since V-E Day acquired wealth on black markets? Neither prospect attracts him.

Continuing, this Britisher states there are millions of Germans who reaped no benefits from Nazi-ism or war who have been caught by this dreadful holocaust. Distinctions between Germans are hard to draw but one principle should stand out, he thinks: those who prospered under Nazis should not be our first choice to buy fragmented or whole industries. Hitler had many followers who had not the education or opportunity to do otherwise. The middle and upper classes, however, knew better. To now reward them would be to burden unjustly the little Germans. "How then would you solve the big business problem here," I asked. He replied that he would have cooperatives as the future owners of German industry with the power to appoint the management. The latter he would have of educated people but neither Nazis nor profiteers; rather people determined to use their positions for peaceful purposes. The ownership is the important thing. You can always get good management.

According to this man American trust-busters must make up their minds on one very simple question; in USA antitrust legislation is conceived of as being an attack on restrictive weakening practices, on rigidities which impair national defense. But here the same decartelizers are faced with a dilemma, to wit is a cartel as economically bad as most Americans seem to think, or is it efficient. Can it weaken in America and strengthen in Germany at the same time? Are they trying to strengthen Germany by removing a weakening element or impede restoration of a self-supporting reconstructed Germany by destroying an element of strength? Can you have it both ways, he asks.

This Briton's second guess is: "What really makes wars, instruments or people?" If you create conditions which are absurd and inoperable when every German feels that something urgent must be done, if you create small Laender and leave the old classes in power, you will create troubles. The only chance, this Britisher continued, is to give power to the peace-inclined until they become the majority, but don't sell the factories to the war profiteers and so keep them in prosperity and power.

Referring to the American proposals for financial reform and their relation to the cartel question my informant further expressed the view that he would deal with excess private German wealth by a simplified version of the American plan, (unpublished), namely, a progressive capital levy; and the large industrial assets, to the extent that they did not already get into state ownership in payment of the levy, he would have the state buy and hand over to *ad hoc* bodies — municipalities or similar groups. Private shareholders would be compensated when necessary with government bonds. Industry thus would not be nationalized yet would be socialized on an appropriate level.

Incidentally the British seem to favor a more simple form of the American financial plan for Germany. Activities of the socialized industries under the above arrangement would be controlled by the Allies not directly, but through control of the German Government, which in turn would control trade and industrial policies. But, still paraphrasing my British contact, if we try to go against all technological trends and create absurd conditions, we shall have no defense against Russian influence in Germany. The Communists can capture Germany only by capturing the Germans.

Importance of German Elections

The Berlin elections in October will be interesting to watch. Probably the Germans will feel that they must choose between the Western model of freedom with great economic insecurity, and the Eastern model of no freedom and the hope of economic security. Now they probably will choose the former, but ultimately, as one German put it, "Whoever solves the stomach problem for me is my political friend."

My English friend continued: "Ask the man on the street in Berlin what he thinks of communism or the socialist unity party and he'll say: 'It's much the same as the Nazis. You cannot speak your mind or you'll get into prison, but you can get work. We Germans like to have you Anglo-Saxons here, but for goodness sake get us work.'"

Allies' Progress

During the past year the Allies have made much progress in Germany. In the beginning there was chaos and almost complete stagnation. You couldn't cross a river for lack of bridges, couldn't mail a letter. Displaced persons were roaming the land looting and murdering. These problems have been solved, but no sooner solved than the people take them for granted. There are plenty of other things to preoccupy people. Right now shoes are a terrific problem, said this Briton; the people on the street seem well shod but they have been using up their wardrobe and many no longer come out for lack of footwear. Morale is frightful in the British zone in contrast to Berlin where the presence of the Anglo-Saxons heartens the populace. But out in the zone where there has been no Russian invader, where the military government laboriously has built up a system of personal security, the Germans want the British to go home. Should such a move occur tomorrow there would be in Berlin wild panic.

Early Merger Doubted

The British apparently do not anticipate early merger of the Russian zone with the other zones of Germany. Considering the quite substantial differences in the USA and UK approach to bi-zonal economic and administrative unity, how much deeper would be the cleavages with the USSR in a merger. The Russians would bring the one-party concept exemplified by SED, the Socialist Unity Party of Germany; extreme centralism versus federalism; far-advanced industrial reorganization under Soviet owned trusts; characteristic land reform; sequestration of all securities in contrast to the reopened stock exchanges in Western zones; blocked bank accounts. To imagine give-and-take negotiation with the Russians on such matters is hard. Uutimately unification will come about, but doubtless in some quite unexpected way, according to the above cited views.

Cease Fear of USSR

It is thought we are acting much too scared of the USSR. The German elections cannot be too satisfactory to them considering the devices they have resorted to in their zone where the SED won, but narrowly and then only with many invalid ballots, etc. The writer was told that we must not fall into the error of thinking that Russia is the only static structure in this world. There certainly will be dynamic developments and new factors even though we cannot see them yet.

Meanwhile if the Russians don't play ball we cannot wait for them indefinitely. We must do the best we can in the Western zones. Even a dual-economy, two-currency Germany is possible if it must come.

Democratic Party Bungling

(Continued from page 1458)

2. The Issue is Freedom Against Totalitarian Government

There is one great issue between the Republican and the Democratic Administration, — whether progress in this country shall be based hereafter, as in the past, on American principles of freedom and justice, or on a constant growth, and concentration of power and unrestrained spending, in a Federal bureaucracy. Shall we insist that every program be based on individual freedom to think, to speak and to act, on local freedom of each community to run its own affairs, on clearly written law applicable equally to all and not differently to every group according to its political power and the whim of some bureaucratic regulator? Or shall we blindly turn over unlimited power and money to a paternal executive with a foolish trust that he will solve our problems for us, rather than use it to aggrandize an all-powerful central government?

During the recent session of Congress that has been the issue underlying every battle. The Truman Administration has tried to continue every war power unimparied, and add arbitrary controls over labor, farmer, youth and every phase of business and economic life. The Democratic party is split down the middle on this issue and so in spite of a substantial Democratic majority both in the House and Senate, we have been able to block most of the advance toward a totalitarian state, and make some progress within the principles of freedom. For a while it was uncertain which faction of the party President Truman would favor, but up to this time he has endorsed every project of the CIO PAC, and has thereby made the PAC program the official program of the Democratic party—regardless what regular Democrats may think or say. The President endorsed every project for more federal power. He has endorsed every proposal that anyone has thought of for the spending of more money.

The split in the Democratic party on the issue which determines every domestic controversy, makes its program futile and ineffective even if it were sound. It is the program of the radical faction, not of a united party. It has caused the picture of confusion and futility in Washington and throughout the country, culminating in the President's veto of the OPA bill at the behest of the CIO PAC against the advice of his own leaders in Congress who had been New Dealers themselves. To please a faction, to make a supposed political issue, the President plunged the whole economic life of the nation into chaos, and brought about overnight a 25% increase in the price of food. Only delay, confusion and disaster can result from the continued control by a party half PAC, and the other half with no program except obstruction demoralized and discouraged.

3. The Administration Has Failed in its Foreign Policy

A Republican Congress is essential because since VE Day we have witnessed a tragic failure of administration in a vital turning point of our history.

After the greatest and most successful war effort that any nation has ever made, after the sacrifice of three hundred thousand lives, we stand in danger of losing all the purposes and ideals for which we fought, and we find this nation in as much danger from abroad as before the war. President Roosevelt and President Truman, at Tehran, at Yalta, at Potsdam and at Moscow pursued a policy of appeasing Russia, which has sacrificed throughout Eastern Europe and Asia the freedom of many nations and of millions of people, and a policy which has strengthened the communistic philosophy of the all-powerful state, in many other nations throughout the world. For years the New Dealers have tried to teach our people that Communism is a kind of liberal democracy. Henry Wallace and the PAC still favor that view. Now we find that concessions made on that theory have only helped to build up the greatest totalitarian state the world has ever seen, in a fair way to destroy forever the freedom of the Poles, the Lithuanians, the Finns, the Rumanians, the Hungarians and many others. New Dealism did this country infinite harm. It has done even more harm to the world in sacrificing abroad the very freedom to protect which, particularly in Poland, this war was begun and fought to a bitter end. The policy of insisting on unconditional surrender, the granting of lend-lease without conditions of any kind, the stopping and withdrawal of our armies so that more territory including Berlin could be occupied by the Russians, the concessions made to induce Russia to enter the far Eastern war, all played directly into the hands of Mr. Stalin and helped create a situation now almost insoluble.

Such also was the effect of the Administration's treatment of enemy countries which has undoubtedly added to the probability of arbitrary government instead of promoting freedom and democracy, and tended to throw Germany into the Communist orbit. Deluded by the New Deal idea that all wickedness was concentrated in Fascism, and that Communism was a little better than our own form of government, we have played directly into the hands of the Communists. We have fooled ourselves in the belief that by refusing to restore local freedom in Germany, Austria and Japan, we could teach democratic principles by force, the same New Deal theory that "Papa knows best." Why, we can't even teach our own people that constant increase of Federal power will ultimately destroy the very freedom and the very welfare which it promises to them. We cannot teach democracy by suppressing democracy. We have given countenance to the vengeful and impractical Morgenthau plan while pretending to disown it, and destroyed whatever influence we might have had in leading the Germans away from Russian influence into the paths of peace.

Furthermore, I doubt if we can teach respect for principles of justice by trying men for crimes, many of which were not crimes when they were committed, contrary to all the principles of our law which outlaws *ex post facto* condemnation.

Not only has our policy in Germany been wrong, it has been futile and impossible. We have pursued contradictory policies which have created only contempt as well as hatred for America.

In Japan the insiders in State Department policy apparently desired to pursue the same futile course, but were checked in some respects by the sound, practical sense of General MacArthur, supported by the confidence of Secretary Patterson and by his own prestige. Except for him we would have seen the same fiasco as in Germany.

In South America the same arbitrary New Deal imperialism has destroyed all the good will built up for us for many years by the expenditure of huge sums and intelligent planning.

In Palestine we have contributed to the tragic confusion by saying one thing and then doing something else.

Only by a complete change to a policy dictated by a desire to deal with other nations in such a way as to insure their freedom when it is restored to them, and insure equal justice in their dealings with other nations, can we again move in the direction of peace and restore the moral influence of the United States throughout the world.

Our policy has seriously handicapped the United Nations in which lies the only hope of future peace. Even in setting up the plans for that organization, the Administration forgot the ideals of freedom and justice which are the basis of all sound American philosophy and set up an organization based primarily on force and expediency. Few realize that in spite of much lip service to principles of justice, the Security Council can do anything which it finds essential to peace and security, regardless what injustice or inequality it imposes on a particular nation. When we add the veto power, it tends to create a rule of the world by the great powers which can only be overcome by the use of our veto power to insist always on law and justice. I do not favor the veto power in a properly constituted international organization, but it must remain until the underlying theory of the United Nations is changed.

Only by Republican pressure against a reluctant Administration did Congress adhere to the International Court of Justice and agree to submit our disputes to the decision of an impartial tribunal. Such a willingness on the part of all nations is the basic essential of future peace. But this court and international law have been stepchildren to this administration, as law and justice were stepchildren to the New Deal. Force and a police force, similar to the police force within a nation, have been the keynote, forgetting that national and local police are only incidental to the enforcement of an underlying law, that force without law is tyranny. This whole policy has been no accident. It is New Dealism applied to international affairs. That theory has always been that the people are too dumb to understand, that an all-wise brain trust must be given power to prescribe policy and a benevolent executive given power to administer policies according to his own prejudices in each individual case. Such a policy in the world or at home can lead only either to tyranny or to anarchy. Only justice and equality under law can underlie the hope of permanent peace.

Recently the Administration has had to realize the failure of the secret Rooseveltian program, and I am afraid too late, taken a firm position against Russia. It did so largely because of Republican criticism. Senator Vandenburg is primarily responsible for this change and for keeping the new policy unweakened. If President Truman were given a New Deal Congress in November, particularly one owing its election to the CIO PAC, there is every reason to believe we would return again to the appeasement of Russia, to a policy in Germany dictated by PM and the rest of the Communist press in New York and an imperialist policy wherever it did not run against Russian interests. As long as our policy is governed solely by a primary interest in the freedom of the American people, and peace throughout the world to insure that freedom, there is no reason why the two parties should not agree on foreign policy. But the only way to ignore that result under conditions of today is to elect a Republican Congress.

4. The Administration Has Failed in Domestic Policy

The Democratic Administration has equally failed in domestic policy. It has failed to restore a stable economy here at home on which permanent progress can be based. It has attempted to contiue indefinitely and unimpaired all the dictatorship previously considered necessary for the conduct of the war—the draft, the wage and price controls, the priority controls, the power over labor and industry—instead of returning as rapidly as possible to a peace basis. It has sought additional arbitrary powers in every field—in employment, in labor and industry, in medicine, in research, in agriculture. It has encouraged every move toward a managed economy with a minimum of liberty for individual and business effort. At the same time it has failed to adopt any constructive policy to deal with labor relations, with agriculture, with social security, with increased production. Washington is a picture of confusion and indecision, interspersed with demands for more arbitrary power and more money to deal with problems that can only be met by well-thought-out constructive policies developed by carefully drafted legislation.

The Administration has utterly failed to cut expenses and thus make possible a reduction of taxes at the proper time. The budget for fiscal 1947 will show a large deficit with expenditures of more than $40 billion, two years after VE-Day. Instead of reducing personnel the Administration has actually increased the number of employees in the permanent agencies outside of the Army and Navy, from VJ-Day until June, 1946, by 297,261, according to the Byrd Committee. I was interested in Paul Porter's recent speech to employees of the OPA in which he practically promised them a job in some other agency when OPA is abolished next year. Everyone in Washington knows that as soon as a cut is made in one New Deal department all the New Dealers dismissed promptly appear in another agency. There is only one cure, a Republican administration.

The concern about inflation is noisy and vociferous, but entirely hypocritical. By failing to cut Federal expenses and by encouraging a general increase in wages and salaries regardless of increased productivity and out of proportion to the increase in the cost of living at that time, the President brought about large increases in cost, which even the OPA has necessarily recognized in increased prices. Thus, while declaiming against inflation he has brought about inflation and precipitated a wave of strikes with more to come. By vetoing the first OPA bill he opened the door to further price increases which cannot possibly be nullified now without driving the commodities concerned into the black market. The Administration has yielded to every pressure group powerful enough to influence politics or produce votes in those northern cities which must be carried if a Democratic House is to be elected. It has followed the CIO PAC in every particular, except the Turman labor program which proposed a more toalitarian dictatorship over labor and industry that even the PAC had dared to propose.

By bi-partisan action a generous and constructive program has been adopted in the interest of the veterans. But the Administration of that program has been confused and inefficient. Because of the lack of housing for veterans, I reluctantly agreed to a $400,000,000 subsidy to speed up the production of scarce materials. In spite of the fact that every emergency power requested was granted, the veterans are still without housing. The whole matter has been administered in the spirit of the OPA, more anxious to justify New Deal theories and prevent someone making the usual industry profit than really to produce housing.

It has added to the danger of inflation, boom and depression by distributing American funds lavishly throughout the world with little care for the interests of the American people. Through the Bretton Woods Agreements it has made available to foreigners some $10 billion which can be spent in this country; through the Export-Import Bank and the British loan another $7,300,000,000. Lend-Lease and surplus property disposal provided more loans to France and many other nations. Dollars made available in such huge sums abroad are unlikely ever to be paid so that the net result will be the giving away of our labor and our limited national resources, at the expense of the American taxpayer. The tariff policy proposes to admit foreign products to destroy some of our own industries faced with the high costs imposed by our own government's policies. In short, in the whole domestic field, as in foreign policy, we are still dominated by New Deal theory, trying to direct the lives and destiny of our own people and the entire world through a benevolent, all-wise, but arbitrary paternalism, with reckless disregard of the cost to the American people themselves.

A Republican Congress is essential because of failure in foreign policy, in fiscal policy, in reconversion and in social welfare, but, above all, because the Administration's every move is away from American ideals of liberty and justice, and toward the concentration of all power in Washington. Only a Republican Congress can assure real and liberal progress through the restoration of freedom and individual opportunity.

5. The Republican Party Presents a Program of Progress Within the Principles of Liberty and Justice

During the past year the Republican program has taken definite shape, following the platform of 1944, and the declaration of principles of Republican members of Congress. The basic philosophy of that program is not novel. It is the same freedom and equal justice under law which created this nation in 1776 and built it up to the most progressive, most powerful and happiest nation in the world today. It is the same American idealogy which has created in this country the highest standard of living and the greatest per capita wealth the world has ever known.

Sometimes, in deploring the relative condition of the lowest 20% of our population, we forget the healthy condition of the other four-fifths and the opportunities for improvement our system furnishes to them; and we forget that much of the ability and the originality and the energy to which the nation must look for progress is naturally to be found among the four-fifths. We must eliminate the hardship and poverty and lack of opportunity among the 20%, but under conditions in America already existing in this country few men or women of outstanding ability or character fail to rise above the conditions in which they find themselves.

Apart from the moral stimulation provided by freedom of thought, it is astonishing that with the material success of American liberty so obvious, we find so many materialists who now wish to cast it aside. But the truth is that totalitarian philosophy has come to dominate the thinking of the entire world, often without the thinkers realizing that it is destructive of liberty. Two wars for democracy have created more dictatorships than the world has seen for a 100 years. Here, in this country, the tendency is to look to the Federal Government for the solution of every particular problem and give it the power and money thought necessary. Men who think they believe in freedom and object to being regulated by the government themselves, make every effort to impose regulation on others to accomplish some pet project of their own. The New Deal took advantage of this blind enthusiasm to transfer to the Federal executive the powers of local government, the powers of Congress and the powers of the courts. While there remains today plenty of lip service to freedom, there is none of that enthusiastic devotion which created this nation. Men do not realize that freedom through the ages has been the exception among nations and has only been maintained by continuous and conscious effort.

Progress in every age has been due to freedom of thought, to freedom of religious belief, to freedom of speech individually and in the press, to the freedom of men to choose their own occupations, develop their own talents and build up those institutions and business activities which might never excite the interest or support of government. More progress can come from freedom than from all the planned and managed economy in the Communist or New Deal handbook. Even with our example before them, they can't catch up, much less lead the way. The Republican party believes in a program of progress with freedom, and not by all powerful government direction.

6. Abolish War Controls and New Controls

We propose first to abolish the war controls. By April 1, the OPA and price and wage control should be completely abolished and rent control for not to exceed one more year transferred to the Housing Administration. The Second War Powers Act should be allowed to expire. A resolution terminating hostilities should be promptly adopted. Peacetime conscription should be terminated unless there is a real threat of some new war, which God forbid. The extraordinary powers of the Smith-Connally Act should be allowed to expire, and replaced by constructive labor legislation setting up a complete system of mediation and voluntary arbitration, based on the strengthening of the collective bargaining process and of the responsibilities which are essential to it. We repudiate the whole doctrine that powers suspending liberty, made necessary by a war, for the preservation of the nation, can continue to be justified by so-called emergencies in peacetime.

We shall oppose further extension of regulation by the Federal government except where clearly necessary to control recognized abuses. We shall oppose particularly any further government entrance into the operation of private industry, and favor the steady reduction of government subsidies to producer or consumer. Fair agricultural prices must be maintained but their proper cost should be passed on to and paid by the consumer; and not by the United States Treasury. If an American industry meeting any substantial part of domestic demand is threatened by lower costs abroad, it should be protected by a tariff and not subsidized by the taxpayer.

7. Aid Industrial Progress; But Not By Imposing Detail Controls

Last year we blocked the original so-called "Full Employment Bill" because it proposed that the government guarantee a job to everyone, regardless of a deficit which might amount to thirty or forty billion a year. The government cannot guarantee a job to everyone unless the government is prepared to provide the job itself; and that means that in the end everyone works for the government and works where the government tells him to work. The idea came directly from the Soviet Constitution, via the PAC; it is completely inconsistent with individual liberty and only possible in a socialistic state as the Soviet Constitution clearly states. Furthermore the plan of the original bill based on Henry Wallace's compensatory spending theory would have forced the government into bankruptcy and the operation or subsidy of most of American industry and commerce. But we cooperated in passing a bill to set up a planning commission to recommend specific economic measures to avoid another depression like that of 1932. This bill was stated by Senator Murray, the original author, to be satisfactory to him, but President Truman failed for six months to appoint any commission to go ahead with the plan.

The government can aid the development and stable operation of private industry without control and detailed regulation, and it should do so. It can particularly aid smaller operations, and the opportunity of men to start new production which is the key to any constant increase in employment. The tax laws should not interfere with the incentive and reward which our system has always given to men with initiative and genius who are willing to risk their time and money in new business ventures. They should be able to count on a sound fiscal policy to remove the danger of inflation. Monopoly and unfair competition can and should be prevented without detailed control and regulation.

But no progress can be made if the government assumes the permanent job of fixing wages and prices which has been the real object of the PAC Bowles campaign to continue the OPA. It would decrease production as the OPA policies have done in so many fields. It cannot be carried through without detailed control of all business practices as well as prices. It would be the most dangerous step toward an all-powerful state control of individual and business freedom. The OPA must be destroyed.

8. Reduce Expenses

Government can aid industry most by doing its own job well. In particular it can cut government expenses and personnel, and pay its own way out of current income. Only thus can we ultimately restore stability and avoid inflation. I am afraid it is too late to stop inflation altogether after the Administration's policies increasing all costs. But the huge fiscal deficit of the war has of course been the underlying cause of the present high cost of living, and by bringing it to an end we can hope at least to check a further rise. It should make a sufficient cut so that the taxation necessary to meet expenses is not burdensome and discouraging to those who do the best work. Our present system raises at least 35 billions. With ten billions state and local taxes, this means a tax burden of 30% of national income. This must be reduced if we expect private enterprise to do the job we place upon it, and not oppress the lower and middle income groups who bear a substantial part of any such tremendous burden. The Republican party alone can do the job. President Truman in spite of a last minute pretense of checking the spending of appropriations which he recommended and approved, is committed to every project of public spending which anyone has mentioned to him. Expenses must be cut to less than 25 billion dollars, and taxes correspondingly reduced.

9. Restore Freedom of Thought

But the Republican party should not only encourage progress in industry by a restoration of freedom; but must encourage independence of thought and speech and of the press. The great government propaganda machine, spending fifty millions of dollars a year and employing 25,000 full and part-time publicity agents, should be destroyed. It has choked the development of independent public opinion. It has attacked all prominent opponents of left-wing philosophy, and encouraged less responsible fellow-travelers to do a more complete job of smearing both individuals and institutions like Congress which stand in the way of progress towards an all-powerful executive. It has aided in building up a left-wing and even Communist philosophy in the newspapers and on the radio. Only the Republican party will restore freedom to the radio and abolish government propaganda.

Government can and should encourage research and the development of new ideas. But the bill which failed of passage at this session proposed a vast government bureau, with a Director subject to every kind of political pressure. In this field as in every other, the government should aid, but grants for research should be made only to non-Federal institutions by a board of distinguished scientists actuated by a desire for knowledge and not power and not subject to political influence.

10. Social Welfare Should Be The Constant Care of Government

Recognition of the fact that freedom is the key to progress does not weaken a sound program for social welfare. While our system of free enterprise has produced and will always produce the highest average standard of living, it does not directly provide for those who for one reason or another cannot earn an adequate income for decent support. It may be their own fault, or they may be unable to obtain work at all or work whose product is of sufficient value to others to pay the producer adequately. In any event we believe that a people as wealthy as ours should prevent hardship and poverty in such cases by providing a floor under the necessities of life. We have long recognized this in principle, in our local poor relief laws, and in our local free hospitals and medical care, but the work has never been well organized, and has been left largely to the inadequate funds of private charity. The depression showed us that state and local funds were inadequate to provide food and clothing relief. Federal assistance is required to enable and encourage the States and local governments to do a comprehensive job; and our program proposes such assistance in health, housing, and if necessary, in ordinary relief. But that program must not be an attempt to regulate the whole field of health, housing and welfare, nor an attempt to take over the proper functions of the state. It is justified for those who are improperly or inadequately served by the operation of our economic system, perhaps 20% of the people; and should not limit the freedom of choice of the other 80%. It should be based on State and local responsibility for planning and administration; therefore the standards should be clearly set forth in the law and not left to the discretion of some federal bureaucrat. The total burden of the program should not be too heavy nor should it enable those unable to work and needing relief to be better off in not working than those who support themselves and their families. In the long run those who do not work can only be assisted or supported by the labor of those working at or about the same time, and the burden on those working must not be such as to discourage good workmen or remove the incentive for diligence and ability.

These principles negate the Truman federal compulsory sickness insurance plan which would force every worker to pay a heavy tax on his payroll, so that four or five billion dollars would roll into Washington and be used by a federal bureau to pay all the doctors in the United States. It would nationalize, federalize and socialize the entire field of medicine now under private or local direction. It would regulate the health activities of 95% of the people. The right approach is suggested by the hospital bill passed at this session of Congress with Republican cooperation giving aid to the States to sponsor the construction of hospitals where they are needed, under a comprehensive program developed by the States themselves and including both public and private expansion. I have introduced another bill to give federal aid to States to assist them to fill out their present programs of providing medical, dental and hospital care to those unable to pay for it; also to encourage voluntary sickness insurance funds so that those able to pay for such insurance may be able to obtain it and thus spread their medical expense more evenly.

These are only examples of the methods we propose to use. Our housing program should aim to provide decent shelter for those unable to pay for such shelter provided by private enterprise and only at the request and initiative of the State or City concerned.

The contributory old age pension system and unemployment compensation should be extended to all employees and the old age pension system substantially improved and the payments increased.

We wish to abolish poverty and hardship, and it can be done without impairing the freedom of the working population. But the Truman Administration would solve every problem by turning over to some federal bureau unlimited power and funds to direct the lives of free Americans.

11. Provide Education and Opportunity

In the field of education the problem is somewhat different because universal education for all income groups has long been recognized in this country as a function of government. State tax systems have been set up to pay for such education. But in this field we find that in some poorer States even if they tax themselves in proportion more than the wealthier States their funds are inadequate to provide a minimum basic education for the children in such States. I believe that in such States federal money should be available to provide such a basic education, on condition that the State taxes itself more than the national average and distributes the money to the school districts so that every child, white or black, does get the minimum basic education. We cannot have true freedom unless there is free opportunity for each and every child to develop his own character and ability. Perfect equality we cannot hope to give, but we can at least give every child the knowledge from which he can understand the opportunity that lies before him under the American system.

Education is the path to real freedom of speech and freedom of thought. Only an educated people can hope to govern itself successfully. But that education must itself be free. Every district must have the right to operate its own schools, and the parents in each district must have the right to decide the kind of education their children shall receive. There must be no ideologies prescribed by a Washington bureau subject as always to the influence of minority pressure groups threatening reprisals. The first essential of federal aid is that neither Congress nor any bureau shall interfere with the power of the States and local districts to operate the kind of educational system they desire.

12. A Foreign Policy Based on Freedom and Justice

Our program in the world at large is based on the same principles of liberty and justice as at home. We support the United Nations but propose to use our power to see that its goal of peace and security is reached by our insistence on freedom and justice, rather than by force. We propose to maintain our own freedom and no longer interfere with the internal freedom of other nations, allied, neutral or enemy, to run their own business so long as there is not beginning of an attempt to build up aggressive armament to threaten the peace of the world and the power of the United Nations. We have fought two world wars because we felt that world aggression threatened the ultimate freedom of this nation. We do not propose that that same freedom shall now be lost at home to the forces of totalitarianism defeated on the battle field. We can contest those forces here and in the world only by frank, persistent and aggressive devotion to our American philosophy.

Our leaders must no longer apologize for America's failure to adopt the barren philosophies of a bankrupt Europe. They must proclaim throughout the world the principles of liberty and equal justice as the aggressive means of progress and of peace, instead of relying solely on the dead hand of security and socialistic organization. Let us no longer be ashamed of the principles of the American Republic. Individual liberty and equality of justice are the principles of Christianity. A revival of the moral strength of Christianity is the greatest hope of peace and spiritual progress in the world today.

13. Conclusion

Today the people have only one instrument to accomplish that end. That is the Republican party—they cannot find it in Democratic leadership, trying to breathe life into the corpse of the New Deal with a PAC pulmotor. They cannot find it in the conservative faction of the Democratic party discouraged and futile in opposition to the party leaders. They can find it only in a united Republican party whose leaders represent no faction and take orders from no minority group, who are inspired solely by a desire to restore America to the forward path of progress so long interrupted and the ideals so long distorted, by war, depression and New Dealism.

Wainwright, Luce and Willetts with Gamwell

Stuyvesant Wainwright, Clarence Luce, Jr., will become general partners, and William Prentice Willetts a limited partner in Gamwell & Co., 40 Wall Street, New York City, members of the New York Stock Exchange, on Sept. 26. All were previously partners in Wainwright, Luce & Willetts which will be dissolved as of Sept. 25.

Tomorrow's Markets Walter Whyte Says—

By WALTER WHYTE

A 10-point range now indicated for market. The 180 figure represents resistance to rally, the 170-point resistance to decline. Penetration of either one indicative of move in direction of penetration.

* * *

I've just had myself a time reading about the stock market and why it went down. The impression I got was that some thought it had slipped, an accident you know; others thought it was pushed. After wading through all the printed matter I decided that if all the writers putting their thoughts on the market down on paper were put end to end (and that includes myself) it would serve them perfectly right.

* * *

It's strange how much anger has been generated by the decline. Everybody and everything is blamed. The Administration is taken to the woodshed for what the majority feel is a well deserved birching. The Federal Reserve Board is given a left-handed swipe for not doing something about margins. Strikers get their lumps. Russia gets her eye poked out. Yes sir, everybody gets blamed but ourselves. It's always easier to blame the next guy for your shortcomings. Back in 1929-32 it was the Hoover Administration that got blamed for everything. Then, being human, we always look for the fall guy. And it's always somebody else, not ourselves.

* * *

I'm not going to waste any more white space looking around for a straw man to larrup. It won't get us anywhere. We'll still have the market to contend with. If I had the inclination and the time I could take every one of the above "excuses" and show you how silly they are. But let somebody else do it. I don't have to generate business. I don't even have to attract readers. I write what I think is so and if it doesn't sit well with readers they can either stop reading it or complain to the Editor.

* * *

Last Tuesday (that's when this column gets written — Tuesdays and sometimes Monday nights) I said the market was showing signs of approaching support points. At the time that was written the averages had made the low for the decline, 167.30. Since then they have advanced to about 176. And by the time you read this they may be around 180.

* * *

Approaching 180, however, the indications of trouble appear present. Whether this trouble will bring about another spill is something else. At this stage of the cycle almost any decline can whip itself into a frenzy of selling, feeding mostly on itself.

Technically the averages have formed a base which means that some kind of buying is now possible with a fairly close stop. The stops should be as close to the equivalent of 167 as possible. In actual practice, however, the 167 level may be too far away to mean much. For example if the averages close below 170, or even get down under that figure during any market session, the chances are that the 167 figure will be purely academic. The hard-boiled trader who has to be right six times out of ten seldom waits for any widely accepted support point to demonstrate itself. Somewhere along the line, before that figure is reached, he has made up his mind about its vulnerability. It might be of interest to point out that the more widely accepted such a point of resistance, the more the likelihood that it will not hold.

* * *

Summing it all up it means that the 170 point will probably be the more important of the two to watch, with the 167.30 as the secondary level of support.

* * *

On the basis of the decline, I hear say that stocks appear cheap at current levels. I might point out, however, that stocks are never cheap, or for that matter are they ever high. They are always worth what they are selling for, no more and no less. If that sounds screwy think about it for a while. If a company is making money its stock may be cheap at 100. If it's losing money the same stock may be dear at 10.

* * *

If you buy anything now don't let that outright ownership psychology throw you. Pretend you're buying on margin and you're not married to the stock. If it gets under 170 (figure the relationship out for yourself) my advice is to get out.

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.]

Public Utility Securities

(Continued from page 1459)

to earn about 6% on a rate base of $221,700,000. Based on pro forma fixed charges and preferred dividends, this would place a "ceiling" of $2.68 on the earnings for common stock. In the year ended June 30, $2.03 was earned on a pro forma basis so that the company does not appear to face any general readjustment in rates.

The company's stock was formerly entirely owned by National Power & Light and the latter company issued rights to its own stockholders several months ago to purchase additional stock. National has now distributed its remaining holdings, of which about 46.5% went to the parent company, Electric Bond and Share. The latter company plans to use its holdings to help retire its own preferred stock issues.

Pennsylvania Power & Light has been selling recently around 21, yielding 5.7% based on the recently increased dividend rate of $1.20. The price-earnings ratio, based on pro forma figures, will be about 10½ which is below average for companies of this caliber, though about in line with other "unseasoned" issues.

Farwell, Chapman to Admit

CHICAGO, ILL.—Farwell, Chapman & Co., 208 South La Salle Street, members of the New York Stock Exchange, will admit Thomas G. Cassady to partnership on Oct. 1.

With Hentz in Chicago

CHICAGO, ILL. — Marvin Greenberg has become affiliated with H. Hentz & Co., 120 South La Salle Street.

The Financial Situation

(Continued from page 1458)

with Japan merely because she had attacked us is to tell but half the story.

Nor was the course of events in Europe wholly what it may appear to the naive eye. True it is, of course, that Germany declared war on the United States following Pearl Harbor, and when that had occurred there was nothing left for us to do but to accept the *fait accompli* and fight. The cold hard fact is, however, that in all save name we had been at war with Germany for many months prior to Pearl Harbor, and at our own choice. Now that the war is over, we are steadfastly refusing to "make the mistake we did last time" by pulling out of Europe. We are apparently determined to have a say in much that is done or not done on the continent of Europe during the next few years.

If — — — —

It goes without saying that if any European or Asiatic power were doing any of these things anywhere in our hemisphere we should be crying to high heaven and in all probability doing much more than that. We must never forget how these acts of ours must appear not only to our former enemies but to our ally, Russia, which obviously thinks in the terms of the ancient imperialism. This much we owe both to ourselves and to the Russians. We also owe it to ourselves if not to the remainder of the world to consider with the utmost care and realism the inevitable consequences of such policies as these.

Of course, we have our reasons for all this, which we have again and again and again explained and re-explained, but so has Russia reasons for what she is doing, and (as put forward) they sound as high-minded as do ours. She, too, must have certain controls and spheres of influence—and various other things now demanded—to make herself secure in a world which for the most part thinks very little of her and her doings. She, too, feels the impulse to proselyte in the name of her economic and social religion—which we have no reason to doubt seems to her fully as worthy and promiseful as ours does to us. Of course, there is a good deal of sheer hypocrisy in some of these claims, as there is a similar measure either of sham or unrealistic thinking in ours.

Whether or not one is ready to agree with Mr. Wallace about our relations with Britain, it must be admitted that a good many things we are now doing are essential for our defense only if defense of the British Empire is essential to our defense. There can be little doubt that it is precisely the belief that a strong British Empire is essential to us which leads the powers that be in Washington to pursue certain courses that they have laid out for themselves. Here it is that Mr. Wallace appears naive. There can be no doubt that Russia has ambitions which not only run counter to the interests of the British Empire, but which would all but incapacitate it were they realized. The question is, therefore, not whether we should align ourselves with Britain to do this or that to the Russians. It is whether or not we can afford to remain idle or inactive while the Russians do serious, perhaps irreparable, damage to the British Empire. What we are actually doing appears to be a continuation of the defense of that Empire which we began—possibly without realizing it—in 1914, and which President Roosevelt carried forward with evident satisfaction.

Must We Underwrite Britain?

Whether or not it is really essential in the existing circumstances for us to preserve that Empire is not here under consideration. Admittedly it is a difficult question. We have often in the past felt that we have made ourselves foolish by rushing to the side of Britain at the cost of many billions of dollars and hundreds of thousands of lives—doing so when the balance of power elsewhere in the world was such that we were really in no great danger, indeed in no appreciable danger at all. Leaving the United States out of consideration there is no "balance of power" in the world today. If some day we must come into collision with Russia—outside Great Britain we and they are the only first class powers left on the globe—then the British Empire would be an invaluable ally. But must we collide with Russia regardless, and what is the price of underwriting the British Empire? We leave these questions for the time being at least to the reader's own judgment.

Obviously, the future relations between these two most powerful nations on the globe will depend a great deal upon both of them. At the moment Russia appears bent upon contempt for all rules of courtesy in international relations, and so far as can be determined, upon a good deal more. It is a fact, however, that no one is able to be really sure precisely what Russia expects to get or will be satisfied with in this international maelstrom in which all of us are struggling today. The United States, as has all too often happened in the past, appears to be amateurishly playing the role of moralist. Britain, meanwhile, is busily engaged—notwithstanding much that Labor has had in the past to say about "liberating" parts of the Empire—in her usual shrewd role of looking after her far-flung possessions and commonwealths.

It would be folly to pretend that the selection of a proper role for the United States in this situation which we have largely brought down upon ourselves is easy. It is for that reason all the more essential that we keep close to earth in considering the alternatives that are open to us.

Observations

(Continued from page 1457)

anti-UN concept), with precise duplication of the isolationists' anti-imperialist, anti-British, and mind-our-own business arguments so excoriated when they were advanced by the Lindberghs and Wheelers.

The Psychological Block in Forecasting War

Are we going to war? As a prelude to the answer, I must point out that habitually the public's answer is psychologically weighted toward the negative. Thus, despite Hitler's unequivocal talk, writings, and action all through 1937, 1938, and 1939, the majority of the public just doggedly refused to believe that his behavior meant war. The reasons for misjudging the situation were: wishful thinking; blind confidence that humanity "just couldn't slaughter itself again"; and, particularly by Europeans, misjudgment of the forest because of being too close to the trees. Thus we had the paradox in the summer of 1939 that so many of the keenest experts completely misjudged the situation. I was in England and on the European Continent during the crucial days in 1939 that later proved to be the prewar prologue. Even through most of August extending up to the actual moment on that beautiful Friday Sept. 1, when Hitler crossed into Poland, the experts—including the leading journalists—in London, Paris, and Geneva (at the seat of the League) completely misjudged the implications of the political and military situations, and were certain of "no war."

Disregarding Aggressor Intentions

Irrespective of the exact *reasons* for the bad forecasting, the disregarding, in both the pre-1939 and the present situations, of the aggressor's clearly expressed intentions, is striking. Both over the long and short-terms Mr. Stalin has left no doubts. In his own book, "Problems of Leninism," he said: "It is inconceivable that the Soviet Republic should continue to exist for a long period side by side with imperialist states—ultimately one or the other must conquer." And in his published works, as well as bulletins translated into English and issued by the Russian Embassy in Washington right up until this year, there have been statements of policy like the following: "The scientific concept, dictatorship, means nothing more or less than power which directly rests on violence, which is not limited by any laws or restricted by any absolute rules. . . . Dictatorship means unlimited power, resting on violence and not on law." Quotations from Stalin's speeches, including his well-monitored radio blast of last February, when he virtually declared war on the western capitalistic world, could be endlessly given right up to the present moment, showing an exact replica of the Hitler pattern. In line with the latter's technique of calling the nations standing in his path "aggressors," is M. Molotov's speech in Paris made as late as last Saturday. For he warned his "Western Allies" against attempts at forming blocs that omitted the Soviet Union or were directed against Russia. "We now observe attempts to form another bloc directed against peace-loving countries with the aid of an *aggressor*," said he. "If this goes on, it will end as the League of Nations did, in another World War." Can these precise words be disregarded? And self-pityingly he said: "We see attempts to renounce the right of veto. This would give a free hand to those who seek to form an *Anglo-American bloc* and spheres of influence, in order to favor selfish interests and ignore the interests of other peace-loving nations."

V. Molotov

The plain fact is that to date the Soviet Union has embarked on a vast process of expansion, which is effectively bringing into the sphere of Soviet control most of Europe, Asia and the Middle East. Looking at the picture broadly: not only has she annexed 270,000 square miles of territory as war booty, but she is feverishly working to communize all other territory in sight. As far as dreams of an operative World Organization are concerned: the Russians, at Yalta, San Francisco, London, Paris, Hunter, and now at Lake Success, under the aegis of Messrs. Stalin, Molotov and Gromyko, have again and again made it crystal clear, by employment of the veto privilege, that they will not accept any limit whatever on their national sovereignty; without which all the mechanics simulating a working world organization are entirely meaningless.

The Fight for Germany

And additionally her fight for the control of Germany—meaning the fight for control of all Europe—has barely begun. The speeches of M. Molotov on July 10 and Mr. Byrnes on Sept. 6—ostensibly made to the Germans, but really to each other—show the explosive nature of the competitive aims there. For the victorious Big Powers are obviously competing with each other for the support of the supposedly conquered Germans. And the indications toward a renewal of war are most ominous. As Mr. Byrnes stated his fear: "A divided Germany will be used by either Russia or the West in a *military struggle*." And tragically, this sets a pattern following the process between World Wars I and II. First Germany made peace with outlawed Russia at Rapallo in 1922; then turned to the Western Allies at Locarno; and in this manner played both ends back and forth until Stalin's non-aggression pact with Hitler in 1939.

The Present Phoney Peace

In trying to anticipate the future, let us do the job of orienting ourselves as to where the world actually is now. Some of the recent press dispatch headlines, taken at random, should be helpful:

Rome, Sept. 11—"Albania Reported Reinforcing Army Near Greek Border."

Moscow, Aug. 31—"U. S. Aim Aggression, Soviet Paper Insists."

Lake Success, N. Y. Aug. 24—"Ukraine Tells UN Greece Plots a War."

New York City, Sept. 6—"AFL Longshoremen Invoke Economic Sanctions Against Yugoslavia."

Moscow, Aug. 25—"Pravda Assails U. S. for Rift with Tito."

London, Aug. 26—"British Deny Base in Turkey. Call Russian Newspaper Reports Provocative Fabrications."

Washington, Aug. 30—"Soviet Has 5,000,000 Soldiers Under Arms; 2,000,000 Abroad."

London, Aug. 19—"Russia Reports British Moving Near Iran Line. Says Occupation of Towns Close to Oil at Abadan Creates a War Danger."

Paris, Aug. 15—"Western Allies Fight Soviet on Danube Trade Control. Byrnes Bars German-Type Encirclement by Another Power."

Stockholm, Aug. 11—"Swedes Use Radar in Fight on Missiles."

Washington, Aug. 9—"Romanian Action in Seizing Aids of U. S. Is Protested."

Nanking, China, Aug. 18—"Chinese Reds Declare War."

Three Crucial Situations

But let us more specifically consider just three crucial situations speeding us to a definite showdown with the Soviet—any one of which is incendiary enough to start up a conflagration.

The most important of these, in the writer's opinion, is represented in the controversy regarding Trieste. Even hitherto the implications surrounding the future of Trieste have been bleak enough—representing another Danzig-like long-term international hotbed, and now the principal storm-center of the struggling East-West blocs. As a separate territory, it is to have a special constitution of its own, which Russia, which has been forced to recede from its demand for outright annexation to Yugoslavia, wants to turn into an intrument of decisive control for the latter country, with continuing opportunities for a *coup de force*. The Western nations, on the other hand, want a governor appointed by the UN's Security Council with very broad executive powers, with order to be maintained by a United Nations international police force. But the trouble with the latter proposal is that there is no such effective military force in existence now, or in prospect. And under Russia's apparent technique, she will be turning the so-called international regime into a mere cover for annexation by Yugoslavia. Even this decisive step might bring some temporary pacification to the district, but it would leave a "sore spot" permanently nettling Italy and the other Western Powers. Meanwhile Venezia Giulia—as the natural port of Austria, Hungary, Czechoslovakia, and Southern Germany, and wanted by Tito and Stalin to put the final pincers on Austria, Hungary, and Italy—is already boiling over with trouble. For the British, who have moved their General Headquarters to Padua, 250 miles nearer to the troubled region, are now threatening to withdraw from the whole tentative agreement if the territory is not genuinely internationalized. And, on the other hand, the pro-Yugoslav Communists in Venezia Giulia say they will defy Allied occupation authorities enforcing the agreed-upon boundary; and also if they do not get the entire city of Gorizia, twenty-five miles north of Trieste.

The second, and possibly more immediate, threat of conflict, is contained in the Dardanelles situation. Russia, whose position respecting the Straits has traditionally varied in consonance with her international prestige, is insisting on making drastic revisions in the Montreux Convention, as forecast at Potsdam. At any rate, and irrespective of the merits of the Straits question, it is felt by the best-informed observers that it is there that the United States can—because of Russia's relative vulnerability in that sector—and will, make its determined non-appeasing stand.

A third locus of potential trouble lies in the Polish-German situation, wherein Germans have for over a year been moved en masse out of the area which Poland has claimed—sanctified only by a plebiscite which must surely be regarded as phoney.

* * * *

Hannegan, Wallace and the Real War Mongers

In conclusion: we ask whether from our untenable present state of "phoney peace," we are moving to a real peace or to war. We know we cannot stand still midst the present dynamic forces. The choice to a major extent lies with ourselves—though not along the obvious, superficial course. Let us remember that World War II might have been prevented by decisive counteraction at the Rhineland and at subsequent Hitlerian aggressions. Hence, let us realize that now the self-styled "soft-stick appeasers"—under the new leadership of Secretary Wallace and Democratic National Chairman Hannegan until Election Day—are the real warmongers. Securing their affirmative participation in a nationally united and strong front against foreign aggressors should be the first job facing those who want to perpetuate our sacred democracy.

Robert E. Hannegan

Henry A. Wallace

World Trade Corp.

Plans to further develop and enhance the leading place which New York holds in international trade were given further impetus at a meeting of the board of directors of the World Trade Corporation held at The University Club on Sept. 10 it was announced on Sept. 11. The directors of the corporation, which was created by act of the State Legislature, were appointed by Governor Thomas E. Dewey on July 6th last.

Winthrop W. Aldrich, Chairman of the Board of Directors, the announcement indicates, stated that there had been a broad discussion of the basic problems connected with world trade with particular reference to the City and State of New York. Various suggestions, including a proposal for the erection of a series of large buildings to house a sample fair, were considered, he said. The advices regarding the meeting further state:

"Tentative plans were made at the meeting to survey the many factors involved in finding a proper solution to the problems of promoting world trade in New York, as a background to the report which the World Trade Corporation Enabling Act requires that the Board of Directors make to the Legislature of the State of New York on or before Jan. 1, 1947."

Mr. Aldrich announced the election of Herbert Brownell, Jr., a member of the board, as Vice-Chairman. Mr. Brownell is a partner in the law firm of Lord, Day & Lord. Hermann G. Place, Vice President of The Chase National Bank, was named Treasurer of the corporation and administrative assistant to the Chairman. Orrin G. Judd was named Secretary and Irvin L. Dyer, Assistant Treasurer. Mr. Aldrich also announced the appointment of the law firm of Judd & Gurfein as counsel to the corporation. Orrin G. Judd was until recently Solicitor General of the State of New York, and retired in May to resume private practice of law in partnership with Col. Murray I. Gurfein.

France May Sell American Securities

That holdings of American securities by French nationals may be sold by the government to provide an additional source of American dollars was indicated in Paris advices Aug. 30 appearing in the New York "Journal American" of that date, in which it was further stated:

"The step already has been discussed informally by French and American Government representatives as a preliminary move to ultimate mobilization of French holdings of American issues. Actual mobilization however, will not take place until the need for additional dollars is clearly demonstrated and after further consultation with the American Administration and Stock Exchange authorities.

"Direct sale by the French Government of American security holdings of its nationals would differ from the procedure being followed by France in connection with employment of French-owned British securities.

"Requisition of such assets already has begun. Immediate sale is not made, but instead the French Government turns the securities or assets over to the British Government subject to ultimate instructions for sale.

"French holdings of British securities are roughly estimated at 100,000,000 pounds. Those of American securities are stated to be much less."

Stop Obstructing Russia: Wallace

(Continued from first page)

delivered in New York later that day. The question was answered extemporaneously and my answer did not convey the thought that I intended it to convey.

"It was my intention to express the thought that I approved the right of the Secretary of Commerce to deliver the speech. I did not intend to indicate that I approved the speech as constituting a statement of the foreign policy of this country.

"There has been no change in the established foreign policy of our Government. There will be no significant change in that policy without discussion and conference among the President, the Secretary of State and Congressional leaders."

The text of Secretary Wallace's address, showing in brackets where and how—because of circumstances occurring at the rally or otherwise—he departed from his prepared text, follows:

First off, I want to give my own personal endorsement to the candidates chosen by the Democratic Party and the American Labor Party in New York, James Mead long has been one of the ablest public servants in Washington—a constant, faithful and intelligent proponent of the New Deal of Franklin Roosevelt. The Senate will miss him — but Albany needs him. He will make a great Governor—worthy of the tradition of Smith and Roosevelt and Lehman.

Herbert Lehman knows full well the problems and the opportunities facing the State of New York, the United States, and the United Nations. His great heart and great mind will be increasingly useful when he is a member of the United States Senate.

Victory for Mead and Lehman in November will mean a long stride in the people's progress.

[Mr. Chairman, the gamblers say you people here tonight don't mean business. They say it doesn't mean anything when the Democratic Party, the Liberal Party, the American Labor Party—all three—are behind Jim Mead. They say you're blowing off steam here tonight, and that you won't get out to vote on November 5th.

With their cold, steely eyes, and their long bankrolls, they say this is just emotion, and that you won't work.

We'll find out on November 5th whether you really did mean business, whether you really did get out to vote. Because the votes for Jim Mead are there.

Yes, the Senate will miss Jim Mead. He voted for the New Deal Roosevelt legislation. But Albany needs him to carry on the tradition of Smith, and Roosevelt and Lehman.

Those steely-eyed gamblers look with somewhat more favor on Herbert Lehman, but they don't give him much better than an even chance. Yes, we need Lehman; with his grasp on New York problems, his grasp on United States problems, his grasp on United Nations problems. We need his great heart; we need his great mind. We need him as a member of the United States Senate.

Above all, we need the victory of both men, because New York in 1946 is so important for the nation in 1948; and a victory for Mead and Lehman may make all the difference between a world which, on the one hand, would mean imperialism and war, and on the other hand would mean peace and productivity for the Common Man.]

Tonight, above everything else, I want to talk about peace—and how to get peace. Never have the common people of all lands so longed for peace. And yet, never in a time of comparative peace have the common people so greatly feared war.

Up till now peace has been negative and unexciting. War has been positive and exciting. Far too often, hatred and fear, intolerance and deceit, have had the upper hand over love and confidence, trust and joy. Far too often, the law of nations has been the law of the jungle; and the constructive spiritual forces of the Lord have bowed to the destructive forces of Satan.

During the past year or so, the significance of peace has been increased immeasurably by the atom bomb, guided missiles and airplanes which soon will fly as fast as sound. Make no mistake about it, another war would hurt the United States many times as much as the last war. We cannot rest in the assurance that we invented the atom bomb—and therefore this agent of destruction will work best for us. He who trusts in the atom bomb will sooner or later perish by the atom bomb—or something worse.

I say this as one who steadfastly backed preparedness throughout the 30s. We have no use for namby-pamby pacifism. But we must realize that modern inventions have now made peace the most exciting thing in the world—and we should be willing to pay a just price for peace. If modern war can cost us $400 billion, we should be willing and happy to pay more than that for peace. But certainly, the cost of peace is not to be measured in dollars but in the hearts and minds of men.

The price of peace for us and for every nation in the world is the price of giving up prejudice, hatred, fear, and ignorance.

Let's get down to cases here at home.

Our Domestic Prejudice, Hatred, Fear and Ignorance

First we have prejudice, hatred, fear and ignorance of certain races. The recent mass lynching in Georgia were not merely the most unwarranted, brutal act of mob violence in the United States in recent years; it was also an example of the kind of prejudice that makes war inevitable.

Hatred breeds hatred. The doctrine of racial superiority produces a desire to get even on the part of its victims. If we are to work for peace in the rest of the world, we here in the United States must eliminate racism from our unions, our business organizations, our educational institutions, and our employment practices. Merit alone must be the measure of a man.

Second, in payment for peace, we must give up prejudice, hatred, fear and ignorance in the economic world. This means working earnestly, day after day, for a larger volume of world trade. It means helping undeveloped areas of the world to industrialize themselves with the help of American technical assistance and loans.

We should welcome the opportunity to help along the most rapid possible industrialization in Latin America, China, India, and the Near East. For as the productivity of these people increases, our exports will increase.

We all remember the time, not so long ago, when the high tariff protectionists blindly opposed any aid to the industrialization of Canada. But look at our exports to Canada today. On a per capita basis our Canadian exports are seven times greater than our exports to Mexico.

I supported the British loan of almost four billion dollars because I knew that without this aid in the rehabilitation of its economy, the British government would have been forced to adopt totalitarian trade methods and economic warfare of a sort which would have closed the markets of much of the world to American exports.

For the welfare of the American people and the world it is even more important to invest $4 billion in the industrialization of undeveloped areas in the so-called backward nations, thereby promoting the long-term stability that comes from an ever-increasing standard of living. This would not only be good politics and good morals—it would be good business.

The United States is the world's great creditor nation. And low tariffs by creditor nations are a part of the price of peace. For when a great creditor demands payment, and at the same time, adopts policies which make it impossible for the debtors to pay in goods—the first result is the intensification of depression over large areas of the world; and the final result is the triumph of demagogues who speak only the language of violence and hate.

Republican Economic Policies Lead to War

Individual Republicans may hold enlightened views—but the Republican Party as a whole is irrevocably committed to tariff and trade policies which can only mean world-wide depression, ruthless economic warfare and eventual war. And if the Republicans were in power in the United States today, intelligent people all over the world would fear that once more we would be headed straight for boom, bust and world-wide chaos. *[And that is really what is at issue here tonight—are we going to keep faith with these intelligent people all over the world? Are we going to make them have confidence in the United States? It rests on our shoulders.]*

I noticed in the papers recently that Governor Dewey doesn't like my prophecies. I said weeks before the last election—and I said it repeatedly—that Franklin Roosevelt would carry 36 states and have a popular majority of three million. Of course, Mr. Dewey didn't like that one. But I say now—as I have said repeatedly—that Republican foreign economic policies carried into action would mean disaster for the nation and the world. Mr. Dewey won't like that one either.

The Republican Party is the party of economic nationalism and political isolation—and as such is as anachronistic as the dodo and as certain to disappear. The danger is that before it disappears it may enjoy a brief period of power during which it can do irreparable damage to the United States and the cause of world peace.

Governor Dewey has expressed himself as favoring an alliance of mutual defense with Great Britain as the key to our foreign policy. This may sound attractive because we both speak the same language and many of our customs and traditions have the same historical background. Moreover, to the military men, the British Isles are our advanced air base against Europe.

We Must Not Be Hitched to Britain

Certainly we like the British people as individuals. But to make Britain the key to our foreign policy would be, in my opinion, be the height of folly. We must not let the reactionary leadership of the Republican party force us into that position. We must not let British balance-of-power manipulations determine whether and when the United States gets into war.

Make no mistake about it—the British imperialistic policy in the Near East alone, combined with Russian retaliation, would lead the United States straight into war unless we have a clearly-defined and realistic policy of our own.

Neither of these two great powers wants war now, but the danger is that whatever their intentions may be, their current policies may eventually lead to war. To prevent war and to insure our survival in a stable world, it is essential that we look abroad through our own American eyes and not through the eyes of either the British Foreign Office or a pro-British or anti-Russian press.

In this connection, I want one thing to be clearly understood. I am neither anti-British nor pro-British—neither anti-Russian nor pro-Russian. And just two days ago, when President Truman read these words, he said that they represented the policy of his Administration.

I plead for an America vigorously dedicated to peace—just as I plead for opportunities for the next generation throughout the world to enjoy the abundance which now, more than ever before, is the birthright of man.

To achieve lasting peace, we must study in detail just how the Russian character was formed—by invasions of Tartars, Mongols, Germans, Poles, Swedes, and French; by the czarist rule based on ignorance, fear and force; by the intervention of the British, French and Americans in Russian affairs from 1919 to 1921; by the geography of the huge Russian land mass situated strategically between Europe and Asia; and by the vitality derived from the rich Russian soil and the strenuous Russian climate. Add to all this the tremendous emotional power which Marxism and Leninism gives to the Russian leaders—and then we can realize that we are reckoning with a force which cannot be handled successfully by a "Get tough with Russia" policy. "Getting tough" never bought anything real in the long run—whether for schoolyard bullies or businessmen or world powers. The tougher we get, the tougher the Russians will get.

Reactionaries Are Provoking War with Russia

Throughout the world there are numerous reactionary elements which had hoped for an Axis victory, and now profess great friendship for the United States. *[Such friendship! How they love us!]* Yet, these enemies of yesterday and false friends of today continually try to provoke war between the United States and Russia. They have no real love of the United States. They only long for the day when the United States and Russia will destroy each other.

We must not let our Russian policy be guided or influenced by those inside or outside the United States who want war with Russia. This does not mean appeasement.

We most earnestly want peace with Russia—but we do want to be met half way. We want cooperation. And I believe that we can get cooperation once Russia understands that our primary objective is neither saving the British Empire nor purchasing oil in the Near East with the lives of American soldiers. We cannot allow national oil rivalries to force us into war. All of the nations producing oil, whether inside or outside of their own boundaries, must fulfill the provisions of the United Nations Charter and encourage the development of world petroleum resources so as to make the maximum amount of oil available to all the nations of the world on an equitable peaceful basis—and not on the basis of fighting the next war.

For her part, Russia can retain our respect by cooperating with the United Nations in a spirit of openminded and flexible give-and-take.

United States-Russian Peace Treaty Needed

The real peace treaty we now need is between the United States and Russia. On our part, we should recognize that we have no more business in the *political* affairs of Eastern Europe than Russia has in the *political* affairs of Latin America. Western Europe and the United States. We may not like what Russia does in Eastern Europe. Her type of land reform, industrial expropriation, and suppression of basic liberties offends the great majority of the people of the United States. *[Yes, I'm talking about people outside of New York City when I talk about that, and I think I know about people outside of New York City. Any Gallup poll will reveal it—we might as well face the facts. Because,]* whether we like it or not the Russians will try to socialize their sphere of influence just as we try to democratize our sphere of influence. This applies also to Germany and Japan. We are striving to democratize Japan and our area of control in Germany, while Russia strives to socialize eastern Germany.

As for Germany, we all must recognize that an equitable settlement, based on a unified German nation, is absolutely essential to any lasting European settlement. This means that *[the nations of the world, and particularly Europe,]* must be assured that never again can Germany industry be converted into military might to be used against her—and Britain, Western Europe and the United States must be certain that Russia's German policy will not become a tool of Russian design against Western Europe.

The Russians have no more business in stirring up native communists to political activity in western Europe, Latin America and the United States than we have in interfering in the politics of eastern Europe and Russia.

[The Russians have no more business in stirring up native Communists to political activity in Western Europe, Latin America and the United States, than we have in interfering in the politics of Eastern Europe and Russia.

Now, when I say that I realize that the danger of war is much less from Communism than it is from imperialism, whether it be of the United States or England—or from fascism, the remnants of fascism, which may be in Spain or Argentina.

Let's get this straight, regardless of what Mr. Taft or Mr. Dewey may say, if we can overcome the imperialistic urge in the Western world, I'm convinced there'll be no war.]

We know what Russia is up to in eastern Europe, for example, and Russia knows what we are up to. But we cannot permit the door to be closed against our trade in eastern Europe any more than we can in China. *[I'm Secretary of Commerce, and I'm interested in trade. And I want the biggest market we can get. I want China, I want Eastern Europe, as places where we can trade.]* But at the same time we have to recognize that the Balkans are closer to Russia than to us—and that Russia cannot permit either England or the United States to dominate the politics of that area.

China is a special case and although she holds the longest frontier in the world with Russia, the interests of world peace demand that China remain free from any sphere of influence, either politically or economically. *[And I know of my own positive knowledge that that was in Roosevelt's heart and mind, most specifically in the Spring of 1944—because I talked it over with him in detail. . . .*

Mr. Truman read that particular sentence and he approved it.

All right—you've already passed a good resolution on this, and I understand you're forwarding it. That's enough.]

We insist that the door to trade and economic development opportunities be left wide open in China as in all the world. However, the open door to trade and opportunities for economic development in China are meaningless unless there is a unified and peaceful China—built on the cooperation of the various groups in that country and based on a hands-off policy of the outside powers.

We are still arming to the hilt. Our excessive expenses for military purposes are the chief cause of our unbalanced budget. If taxes are to be lightened we must have the basis of a real peace with Russia—a peace that cannot be broken by extremist propagandists.

Mutual Toleration Needed

Russian ideas of social-economic justice are going to govern nearly a third of the world. Our ideas of free enterprise democracy will govern much of the rest. The two ideas will endeavor to prove which can deliver the most satisfaction to the common man in their respective areas of political dominance. But by mutual agreement, this competition should be put on a friendly basis and the Russians should stop conniving against us in certain areas of the world just as we should stop scheming against them in other parts of the world. Let the results of the two systems speak for themselves.

Meanwhile, the Russians should stop teaching that their form of communism must, by force if necessary, ultimately triumph over democratic capitalism—while we should close our ears to those among us who would have us believe that Russian communism and our free enterprise system can not live, one with another, in a profitable and productive peace.

Under friendly peaceful competition the Russian world and the American world will gradually become more alike. The Russians will be forced to grant more and more of the personal freedoms. [*You don't like the word "force"? I say that in the process of time they will find it profitable enough and opportune to grant more and more of the personal freedoms. Put it any way you want. That's the course of history just the same. And we here, in the United States, in like manner will*] become more and more absorbed with the problems of social-economic justice.

Russia must be convinced that we are not planning for war against her and we must be certain that Russia is not out for domination. But in this competition, we must insist on an open door for trade throughout the world. There will always be an ideological conflict—but that is no reason why diplomats cannot work out a basis for both systems to live safely in the world side by side.

Once the fears of Russia and the United States Senate have been allayed by practical regional political reservations, I am sure that concern over the veto power would be greatly diminished. [*I want you to read that over tomorrow, in the papers; it would take a whole book to develop that theme—where the veto power should apply, and where it shouldn't.*] Then the United Nations would have a really great power in those areas which are truly international and not regional. In the world-wide, as distinguished from the regional field, the armed might of the United Nations should be so great as to make opposition useless. Only the United Nations should have atomic bombs and its military establishment should give special emphasis to air power. It should have control of the strategically located air bases with which the United States and Britain have encircled the world. And not only should individual nations be prohibited from manufacturing atomic bombs, guided missiles and military aircraft for bombing purposes, but no nation should be allowed to spend on its military establishment more than perhaps 15% of its budget. [*I'm talking to business there.*]

Practically and immediately, we must recognize that we are not yet ready for World Federation. Realistically, the most we can hope for now is a safe reduction in military expenses and a long period of peace based on mutual trust between the Big Three.

During this period, every effort should be made to develop as rapidly as possible a body of international law based on moral principles and not on the Machiavellian principles of deceit, force and distrust—which, if continued, will lead the modern world to rapid disintegration.

The World Order Is Bankrupt

In brief, as I see it today, the World Order is bankrupt—and the United States, Russia and England are the receivers. These are the hard facts of power politics on which we have to build a functioning, powerful United Nations and a body of international law. And as we build, we must develop fully the doctrine of the rights of small peoples as contained in the United Nations Charter. This law should ideally apply as much to Indonesians and Greeks as to Bulgarians and Poles—but practically, the application may be delayed until both British and Russians discover the futility of their methods.

In the full development of the rights of small nations, the British and Russians can learn a lesson from the Good Neighbor policy of Franklin Roosevelt. For under Roosevelt, we in the Western Hemisphere built a workable system of regional internationalism that fully protected the sovereign rights of every nation—a system of multilateral action that immeasurably strengthened the whole of world order.

In the United States an informed public opinion will be all-powerful. Our people are peace-minded. But they often express themselves too late—for events today move much faster than public opinion. The people here, as everywhere in the world, must be convinced that another war is not inevitable. And through mass meetings such as this, and through persistent pamphleteering, the people can be organized for peace—even though a large segment of our press is propagandizing our people for war in the hope of scaring Russia. And we who look on this war-with-Russia talk as criminal foolishness must carry our message direct to the people—even though we may be called communists because we dare to speak out.

I believe that peace—the kind of a peace I have outlined tonight—is the basic issue, both in the Congressional campaign this fall and right on through the Presidential election in 1948. How we meet this issue will determine whether we live not in "one world" or "two worlds"—but whether we live at all.

Davies & Mejia Adds

SAN FRANCISCO, CALIF.—Anthony G. Richman is now connected with Davies & Mejia, Russ Building, members of the New York and San Francisco Stock Exchanges.

With Brush, Slocumb & Co.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, CALIF.—Brush, Slocumb & Co., 1 Montgomery Street, have added E. S. Arnold, Jr., to their staff.

With Nat'l Co. of Omaha

(Special to THE FINANCIAL CHRONICLE)

OMAHA, NEB.—Marion J. Kennedy is with the National Company of Omaha, First National Bank Building.

With Metropolitan St. Louis

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, MO.—Metropolitan St. Louis Company, 718 Locust Street, has added Eugene O. Potter to the staff.

NYSE Governors Defer Decision On Permissive Incorporation Issue

(Continued from page 1456)

New York 8, N. Y. The names of those submitting comment will be withheld on request. The latest comments which have been received follow:

Broker No. 27

I am strongly opposed to incorporation as I do not believe it would be good for the industry. For one thing, I do not think the limited liability of the corporation is any substitute for the unlimited liability of the partnership. The varying degrees of financial responsibility which permissive incorporation would inject between firms and between firms and their customers would certainly not make for unity in the brokerage business and could even cast a shadow over the whole industry.

The corporation laws of the state might very well conflict with the rules of the New York Stock Exchange at several point, and if so, it would probably be very difficult for the Exchange both to discipline members and to grant members favors. The Stock Exchange would very likely become endlessly involved in legal disputes and might, consequently, even have to incorporate itself. The tax advantage claimed by the advocates of incorporation is rather dubious, too, in my opinion. It is certain that the tax authorities would look upon the incorporated brokerage house as a personal holding company.

Broker No. 28

We wouldn't incorporate even if we could. Most of the business we do is for our own account and incorporation just wouldn't serve our purposes.

Broker No. 29

I believe I am talking for all the members of this firm when I say we have been rather apathetic over the proposition because, in view of the way our company is set up, we do not need the corporate form of organization. There are only three partners in our firm and we have only one branch office. Our company is small and is both closely knit and held. I can see though where in a large house because of limited liability the corporation might give each partner protection against the others.

Broker No. 30

I favor incorporation for several reasons, one of which is that because of the limited liability of the corporation, it gives the partners protection against one another. The argument of the opposition that the unlimited liability of the partnership affords partners and customers more protection against loss does not stand up. It is generally easier to find out what the assets of a corporation are than to learn what the several possessions of the various partners of a firm are worth. I really haven't gone sufficiently into the matter yet but I believe there is a tax advantage to incorporation, particularly in the event that a corporation makes a practice of declaring a dividend of about 50% of earnings. If I had to take a flyer on the question today, I would vote in favor of it.

Broker No. 31

I just don't see how incorporation would give the customer the protection he should have. Under the partnership rules, each partner is liable to the full extent of his possessions for all transactions in which the firm engages and this is as it should be. Only some very large houses, I suspect, want incorporation.

Broker No 32

We are going to be guided somewhat by what our tax advisers tell us as we feel that permissive incorporation is primarily a tax matter. If incorporation is made permissible, however, we would not incorporate ourselves until after we had a chance to see what the experience of other firms was with incorporation

Broker No 33

I am opposed to incorporation for our firm and, as it is just a step from "permissive" to compulsory incorporation, I am therefore also opposed to permissive incorporation for others. Incorporation would expose the brokerage industry to a whole new set of circumstances, as for instance the state corporation laws. As I see it, the customs and practices that have developed in the trade during the last 150 years are entirely adequate for the needs of the business.

Broker No. 34

There just isn't any way for a small firm which belongs to the New York Stock Exchange today to accumulate capital from earnings except by taking advantage of the provisions of the tax laws applying to the corporate form of organization. Unless incorporation is made permissible, in ten years or so, the various corporations in the securities industry will have more capital than the firms of the Exchange. Many partners of the Stock Exchange firms have no idea at all of what a corporation is like and so can have no comprehension of the advantages which can accrue from incorporation. That some present members of the Exchange could possibly lose business if banks and insurance companies were allowed to buy seats on the Exchange is no valid argument against permissive incorporation. Firms that must rely upon the good graces of some particular officer or officers of a bank or insurance company in order to stay in business can't even justify their existence let alone have any claim to sole rights in the field.

Airline Foods Debs. and Preferred on Market

Herrick, Waddell & Co., Inc., headed a group of underwriters Sept. 18 which offered $1,700,000 principal amount of 5% sinking fund debentures of Airline Foods Corp., due 1962, and 120,000 shares of the company's 5% cumulative convertible preferred stock, par value $25. The debentures were priced at 96% and accrued interest, to yield 5.20% to maturity. The preferred stock was offered at $25 per share.

Proceeds from sale of the securities will be used primarily for the expansion of the company's business through the acquisition of the capital stocks of four other companies, on which it has options. These companies are the David G. Evans Coffee Co., St. Louis; the Empire Biscuit Co., Brooklyn; San Jose Packing Co., San Jose, Calif., and the James A. Harper Supply Co., Kansas City, Mo.

Airline Foods Corp. is the parent of a group of subsidiaries engaged in the manufacture and processing of various foods which are sold under their own brand names, principally to large purchasers such as wholesale grocers, store chains, restaurant chains and bakeries. Other subsidiaries are engaged in the distribution of a widely diversified line of food products primarily to institutional consumers.

Removal of Controls Over Business Urged

Removal of Government controls over business "at the earliest possible moment" was advocated on Sept. 12 by Alfred Schindler, Under Secretary of Commerce, who told representatives of 50 national retail trade associations that "we can't go on indefinitely with an economy half free enterprise and half controlled." The meeting of the retailers was held in Washington at the invitation of Secretary of Commerce Wallace to discuss post-war problems. According to Associated Press accounts from Washington Mr. Schindler acknowledged that some controls "may be necessary temporarily," but declared that they must be eliminated "as soon as they have served their purpose."

From the same press advices we quote:

"Nelson A. Miller, Chief of the Marketing Division of the Commerce Department, said that sales of retail stores in the first seven months of 1946 were at an annual rate of $93,000,000,000, 'the largest in the nation's history.'

"However, he noted that price rises accounted for about two-thirds of the increase in sales value during the 1936-46 period and described this as a 'sobering and realistic factor' in any analysis of the trend.

"He said that total income payments rose more than dollar retail sales, rising 116% from 1939 through 1945, while sales advanced only 82% during the same period.

"Asserting that net income to farmers climbed from $4,000,000,000 in 1940 to $11,500,000,000 in 1945, Mr. Miller said that in terms of absolute buying power the farm market is over twice as great as before the war.

"Louis J. Paradiso, Acting Chief of the Office of Business Economics, told the retailers that during the first six months of 1946 manufacturers' stocks increased at a rate of an average $150,000,000 a month and that during July they increased $800,000,000."

In special advices Sept. 12 from Washington to the New York "Herald Tribune" it was stated:

"Commerce Department officials outlined the retail outlook for the reconversion period to the group as follows:

"Canned fruits and vegetables will be in record supply during the 1946-'47 season and total sales and consumption are expected to exceed last year.

"Soaps, shortening, lard and butter will be in short supply for the balance of this calendar year, but an improved position is expected early in 1947.

"Coffee and tea will be in adequate supply.

"Sugar will remain scarce probably longer than any other food item.

"Production of footwear will be a bit lower in the last half of this year than it was in the first half.

"Men's apparel is expected to reach record production levels before the end of this year, but the essential demand is expected to be for 28,000,000 suits, compared to an anticipated supply of 25,000,000 suits. Production in 1939 was about 21,000,000 suits.

"Hosiery will be a tight market for the remainder of the year.

"Cotton fabrics production—for apparel—will be slightly higher this year than last.

"Radio production will be about twice that of 1939 in the number of sets turned out.

"Demand for paper products will remain far ahead of supply for this year.

"Toiletries production is steadily increasing."

Securities Now in Registration

• INDICATES ADDITIONS SINCE PREVIOUS ISSUE

Acme Electric Corp., Cuba, N. Y.
June 26 filed 132,740 shares ($1 par) common stock. **Underwriters**—Herrick, Waddell & Co., Inc., and First Colony Corp. **Offering**—To be offered publicly at $5 a share. **Proceeds**—Company will receive proceeds from the sale of 68,880 shares and four selling stockholders the proceeds from the sale of 63,860 shares. Company also will receive proceeds from the sale of 20,000 warrants for common stock to underwriters at an aggregate price of $200. Of the net proceeds ($292,940) $50,000 will be used to pay current bank loans; about $20,000 will be used for machinery and equipment, and the remainder for working capital.

Acme-Hamilton Mfg. Corp., Trenton, N. J.
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 proceeds to fully discharge secured demand notes, mortgage notes and partial discharge of debenture indebtedness.

• Aero Research Corp., New York
Sept. 11 (letter of notification) 170,000 shares of $1 par common. **Offering**—Price $1 a share. No underwriting. For organizing business of developing inventions in connection with aircraft.

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; Gearhart & Co., Inc., 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.

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.

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 are offered for subscription to common stockholders of record Sept. 13 in the ratio of one additional share for each four shares held at $35 per share. Rights expire Oct. 21. 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 Colortype Co., Clifton, N. J.
Aug. 12 filed 30,000 shares ($100 par) cumulative preferred stock. **Underwriter**—White, Weld & Co. 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 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
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. Indefinitely postponed.

American Water Works Co., Inc., N. Y.
March 30 filed 2,343,105 shares of common (par $5) plus an additional number determinable only after the results of competitive bidding are known. **Underwriters**—To be filed by amendment. Probable bidders include Dillon, Read & Co. Inc., White Weld & Co., and Shields & Co. (jointly), and W. C. Langley & Co. and The First Boston Corp. (Jointly). **Offering**—Price to public by amendment. **Purpose**—The common stock, together with $15,000,000 10-year 3% collateral trust bonds (to be sold privately) are to be issued to acquire certain assets of American Water Works & Electric, liquidate two subsidiaries, Community Water Service Co. and Ohio Cities Water Corp., and provide cash working capital. Common stock is to be offered initially for cash to common stockholders of parent and to public holders of preferred stocks of Community and Ohio in exchange for their shares. Stock not subscribed or issued under exchange offers are to be sold for cash to underwriters. For details see issue of April 4.

American Wine Co., St. Louis, Mo.
July 24 filed 120,000 shares ($1 par) common. **Underwriters**—None. **Offering**—Shares being registered are held by Louis E. Golan, President of company, who acquired them last June 5 upon the surrender for cancellation of $432,000 of notes of the company. About 60,184 shares will be offered to stockholders of the company, including remaining shareholders of Cook's Imperial Wine Co., at $3.60 each and at the rate of 12 new shares for each 26 held. The remaining 59,816 shares will be retained by Golan. **Proceeds**—Proceeds to go to the selling stockholder.

American Zinc, Lead & Smelting Co., St. Louis
Sept. 6 filed 336,550 shares common stock (par $1). **Underwriting**—No underwriting. **Offering**—Stock will be offered for subscription to common stockholders of record on Nov. 1 in the ratio of one additional share for each two shares held. The subscription offer will expire on Nov. 21. Unsubscribed shares will be offered for subscription to officers and directors of the company. **Price**—By amendment. **Proceeds**—Working capital.

Ansley Radio Corp., Trenton, N. J.
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.

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.

Arkansas Western Gas Co. (9/20)
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 common stockholders of record Sept. 5 at $10 a share in the ratio of 3 shares for each 4 shares held. Rights expire at 11 a.m. CST Sept. 18. 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. Issue postponed indefinitely.

• Baidoe (W.) Ansah & Co., Inc., New York
Sept. 11 (letter of notification) 650 units of $100 par preferred and no par common. **Offering**—Price $100 a unit. No underwriting. For purchase of trucks and lumbering equipment and other general corporate purposes.

NEW ISSUE CALENDAR

(Showing probable date of offering)

September 20, 1946

Arkansas Western Gas Co.______________Common

September 23, 1946

Commonwealth Investment Co.__________Common
Scovill Manufacturing Co.______________Common

September 24, 1946

Greens Ready Built Homes, Inc.__Pref. & Common

September 25, 1946

Tampa Electric Co._______________________Bonds

October 1, 1946

Wheeling & Lake Erie Ry.______Equip. Trust Ctfs.

Barker Dome Oil & Gas Co., Dallas, Texas

Sept. 6 (letter of notification) 268,575 shares of $1 par common, of which 90,000 shares are owned by Southern Union Gas Co. Offering, common stockholders of Southern Union Gas will be offered the right to purchase the Barker Dome common at $1.10 a share in the ratio of one share of Barker Dome common for each four shares of Southern Union common held. No underwriting. For general business purposes.

● **Bendix Helicopter, Inc., New York**

Sept. 18 (letter of notification) 20,000 shares of common stock (par 50¢). **Offering**—To be publicly offered at $1.20 per share (estimated market). **Underwriter** — Bond & Goodwin, Inc. will act as broker. Proceeds to selling stockholders.

● **Berbiglia, Inc., Kansas City, Mo.**

Sept. 12 (letter of notification) 41,000 shares of 5% cumulative convertible $6 par preferred. Offering price, $6 a share. **Underwriter**—Estes, Snyder & Co., Topeka, Kans. To pay outstanding indebtedness and expenses and to open five additional stores in Kansas City, Mo.

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.

Blumenthal (Sidney) & Co. Inc., New York

Aug. 30 filed 119,706 shares (no par) common and subscription warrants relating to 30,000 shares thereof. **Underwriting**—None. **Offering**—Stock will be offered for subscription to common stockholders at $10 a share on basis of one share for each two shares held. Any unsubscribed shares will not be reoffered. **Proceeds**—For reimbursement of company's treasury for funds expended in redemption of 3,907 shares of 7% cumulative preferred on April 1, and for funds deposited in trust for redemption on Oct. 1 of remaining preferred shares.

Boston Stores of Chicago, Inc.

Sept. 10 filed 30,000 shares ($50 par) 5% cumulative preferred and 500,000 shares ($1 par) common. **Underwriters**—Paul H. Davis & Co. and Stroud & Co., Inc. **Offering**—Preferred will have non-detachable stock purchase warrants for purchase of 30,000 shares of common stock of the total common, 375,000 shares will be offered for sale for cash. 30,000 shares are reserved for issuance upon exercise of warrants attached to preferred and 95,000 shares are reserved for issuance upon exercise of outstanding warrants. **Price**—By amendment. **Proceeds**—Net proceeds, together with other funds, will be used to pay the company's 2% subordinated note in the principal amount of $5,268,750 and accrued interest.

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. Temporarily postponed.

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.

● **Brunner Manufacturing Co., Utica, N. Y.**

Sept. 13 filed 180,185 shares ($1 par) common. **Underwriters**—George R. Cooley & Co., Inc., Albany, N. Y., and Mohawk Valley Investing Co., Inc., Utica. **Offering**—Of the total, 110,000 shares will be offered publicly and the remaining 70,185 shares will be offered in exchange for 23,395 shares of Class B common of American Gas Machine Co., of Albert Lea, Minn., on the basis of three shares for each Class B share. **Price**—$10.25 a share. **Proceeds**—Net proceeds will be used to redeem the outstanding Class A common shares of American Gas and the outstanding preferred stock of Brunner. **Business**—Manufacture of commercial refrigeration condensing units and air compressors.

● **Buffonta Mines Ltd., Toronto, Can.**

Sept. 12 filed 1,000,000 shares $1 par (Canadian currency) common. **Underwriting** — George F. Jones Co., Inc., Buffalo, N. Y. **Price**—$1 a share, American currency. The underwriting commission will amount to 20 cents a share. **Proceeds**—For development of gold mining properties. **Business**—Gold mining.

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.

● **California-Pacific Utilities Co., San Francisco**

Sept. 6 filed $1,670,000 of first mortgage bonds, Series B, due 1971, and 33,610 shares ($20 par) common. **Underwriters**—To be determined by competitive bidding. Probable bidders include Halsey, Stuart & Co., Inc. (bonds only). **Proceeds**—Net proceeds will be used to redeem outstanding 3½% mortgage bonds of Eastern Oregon Light & Power Co., whose electric properties were recently acquired by the company; to pay off short term indebtedness and to reimburse its treasury for previous expenditures. **Business** — Operating public utility.

Camfield Mfg. Co., Grand Haven, Mich.

July 29 filed 220,000 shares ($1 par) common stock. **Underwriters**—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.

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 & South West Utilities Co.

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.

● **Chase Candy Co., St. Joseph, Mo.**

Sept. 12 filed $2,500,000 of 4% sinking fund debentures, due 1961; 100,000 shares ($20 par) 5% convertible cumulative preferred, and 170,000 shares ($1 par) common. **Underwriters** — F. S. Yantis & Co., Inc. and H. M. Byllesby and Co. (Inc.), Chicago, and Herrick Waddell & Co., Inc., New York. **Offering**—Common will be offered for subscription at $10 a share to common stockholders at rate of one share for each two shares held of record on Oct. 19. Shares of common not subscribed for will be offered for sale to officers, directors and employees. **Price**—The debentures will be offered at 100 and the preferred at $20 a share. The common will be offered to stockholders at $10 a share Pursuant to the common stock subscription rights, F. S. Yantis & Co. will purchase 100,000 shares of the 170,000 shares of common for investment. Any of the remaining 70,000 shares which are not subscribed for by stockholders and officers, directors and employees will be sold to the underwriters. **Proceeds**—Net proceeds, estimated at $5,856,125, will be used to pay the balance of the purchase price, amounting to $5,150,000, for acquisition of the candy manufacturing business operated by Clinton Industries, Inc., as its national candy division with plants in St. Louis, Mo., and Chicago. The balance will be used to redeem its 4% serial debentures and for additional working capital. **Business**—Manufacture of 5-cent candy bars, bulk candy, penny candy, plain package and fancy package candy.

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Clary Multiplier Corp., Los Angeles

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.

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.

Cole Manufacturing Co., Memphis, Tenn.

Sept. 6 (letter of notification) $250,000 of 5% serial debentures. Offering price, $1,010 a unit. **Underwriter**—Dempsey-Tegeler & Co., St. Louis, Mo. To increase working capital, establish additional warehouses and acquire inventory.

Colonial Sand & Stone Co., Inc., N. Y.

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. Indefinitely postponed.

Colorado Milling & Elevator Co., Denver, Colo.

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. Indefinitely postponed.

Columbia Aircraft Products Inc., Somerville, N. J.

June 26 filed 150,000 shares ($4 par) 30c cumulative convertible preferred stock, convertible into common stock in the ratio initially of 1½ shares of common for each share of preferred. **Underwriters**—Floyd D. Cerf Co., Inc., Chicago. **Offering**—Company 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.

Commercial Investment Co. (9/23)

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.

Commonwealth Aviation Corp., New York

June 28, 1946 filed 150,000 shares ($10 par) 4½% cumulative convertible preferred stock and 300,000 shares ($1 par) common stock. **Underwriters**—To be supplied by amendment. **Price**—$12 a share of preferred and $7 a share of common. **Proceeds**—Estimated net proceeds of $3,420,000 will be used for working capital.

Consolidated 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.

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. **Sale Postponed**—The company on Sept 19 postponed indefinitely the sale of the stock. Bids were advertised for Sept. 24.

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. Indefinitely postponed.

Cooper Tire & Rubber Co., Findlay, Ohio

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.

Crawford Clothes, Inc., L. I. City, N. Y.

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 stockholders. Indefinite.

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 convertible 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.

● **Delanne Aircraft Corp., New York**

Sept. 11 (letter of notification) 300,000 shares of $1 par common. **Offering**—Price $1 a share. No underwriting. For organization of business of manufacturing and selling airplanes.

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.

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

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

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.

● **Eastern Shore Gas Co., Snow Hill, Md.**

Sept. 9 (letter of notification) $42,000 5% notes, due 1960. Offering price, $1,000 a unit. **Underwriter**—Bioren & Co., Philadelphia. These securities are not offered on behalf of the issuer but represent an underwriting commitment from the present owner of the notes, Eastern Shore Gas Corp. of Delaware, East Orange, N. J.

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.

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.

Ero Manufacturing Co., Chicago

Sept. 5 filed 105,000 shares common stock (par $1). **Underwriter**—Straus & Blosser, Chicago. **Price**—$11.50 a share. **Proceeds** — Shares are being sold by stockholders.

● **Estados Unidos Mexicanos (United States of Mexico)**

Sept 16 filed $233,112,385 of outstanding securities of six Mexican railroads. **Offering**—Offering to holders of the railroad securties under terms of two plans, designated as Plans A and B for reduced interest rates on the securities and their eventual retirement. Plan A provides for retirement of the railway obligations at the rate of one peso for each dollar of principal amount and Mexico agrees to pay interest on such reduced principal expressed in pesos from Jan. 1, 1946, at an average rate of approximately 4.35%, the specific rates varying somewhat based on the seniority of the several issues. Under Plan B the holders waive interest from Jan. 1, 1946, and thereafter and Mexico agrees to provide annuities sufficient to retire the securities in accordance with percentages set forth under the plan. Such annuities would be paid until the entire principal amount of assenting plan B railways obligations shall have been retired. The offering is pursuant to an agreement made with the International Committee of Bankers on Mexico.

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.

● **Fidelity Discount Corp., Detroit**

Sept. 13 (letter of notification) 10,000 shares ($10 par) 6% cumulative convertible preferred. **Offering**—Price $10 a share. **Underwriter**—First of Michigan Corp., Detroit. For additional working capital.

Films Inc., New York

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.

● **Fiscal Research Institute Inc., New York**

Sept. 17 (letter of notification) 2,500 shares of 5% cumulated preferred stock (par $10) and 100 shares ($1 par) common. Not underwritten. Price preferred $10 per share; common $1 per share. For working capital.

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

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. Temporarily postponed.

Foreman Fabrics Corp., New York

July 29 filed 110,000 shares ($1 par) common stock, all outstanding. **Underwriters**—Cohu & Torrey. Price by amendment.

Forest City Mfg. Co., St. Louis

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 $1.25 cumulative convertible preferred stock (par $25). **Underwriter**—Blyth & Co., Inc. **Offering**—Underwriters are making exchange offer to holders of Class A preferred on share for share basis plus a cash adjustment. **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.

• **Fresh Dry Foods, Inc., Columbia, S. C.**

Aug. 30 filed 450,000 shares (10¢ par) common. **Underwriter**—Newkirk & Banks, Inc. **Offering**—Of the total company is selling 350,000 shares and two stockholders, Roland E. Fulmer and Louis H. Newkirk, Jr., are selling the remaining 100,000 shares. **Price**—$6 a share. **Proceeds**—For purchase of sweet potatoes, plant expansion, additional storage facilities, research and development work and working capital. **Business**—Dehydration of sweet potatoes and white potatoes.

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. Indefinitely postponed.

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

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.

Grand Canyon-Boulder Dam Tours, Inc., Boulder City, Nev.

Sept. 3 filed 636,500 shares ($5 par) capital stock. **Underwriting**—There will be no underwriting but Everett N. Crosby, President and James Manoil, Treasurer, will act as selling agents. **Offering**—Of the total 500,000 shares will be offered to the public and the remaining 136,500 shares will be reserved for issuance partly in payment of an indebtedness. Partly as a commission to the selling agents and partly on exercise of options. **Price**—$5 a share. **Proceeds**—For refinancing of company and for working capital and funds for development and construction program.

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. (9/24)

Sept. 11 (letter of notification) 27,000 shares 60 cent cumulative convertible preferred stock (par $10) and 11,900 shares of common stock. Price, $10 per share for preferred and $2.50 per share for common. **Underwriter**—R. H. Johnson & Co., New York and Shillinglaw, Bolger & Co., Chicago. Proceeds for working capital, etc.

Griggs, Cooper & Co., St. Paul, Minn.

Sept. 3 (letter of notification) 12,000 shares ($1 par) common. **Underwriters**—Kalman & Co., Inc., St. Paul. **Price**—$25 a share. **Proceeds** — For improvement and modernization program.

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.

• **Hancock Oil Co. of California, Long Beach, Calif.**

Sept. 13 (letter of notification) 140 shares of Class A common capital stock. **Offering**—Price at market on Sept. 20 on Los Angeles Stock Exchange. **Underwriting**—The sales will be through the brokerage firm of Akin-Lambert Co., Los Angeles. The stock is being sold for the account of holders of outstanding fractional scrip certificates and net proceeds will be deposited for disbursement to such holders, pro rata, upon surrender of the certificates held by them.

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.

• **Hartford Heat Treating Corp., Hartford, Conn.**

Sept. 11 (letter of notification) 14,000 shares ($5 par) 6% cumulative preferred and 42,000 shares (10¢ par) common. Offering price, $5.20 a preferred share and 10 cents a common share. **Underwriter**—Henry C. Robinson & Co. will act as selling agent.

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

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.

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.

• **Insurance Securities Inc., Oakland, Calif.**

Sept. 16 filed 3,280 units of $1,000 each single payment plan, series T, and 5,600 units of $1,200 each accumulative plan, Series D, and such indeterminate amount of investment units as may be necessary to service the agreements. **Underwriter**—Raymond H. Miller will act as sales agent. **Price**—At market. **Proceeds**—For investment. **Business**—Investment house.

International Dress Co., Inc., New York

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.

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.

Joe Dandy Mining Co., Colorado Springs, Colo.

Sept. 5 (letter of notification) 888,500 shares (1¢ par) common stock on behalf of Inter-Mountain Shares, Inc. Offering price, 2 cents a share. **Underwriter**—Inter-Mountain Shares will do its own selling. Proceeds go to the selling stockholder.

Kalamazoo (Mich.) Vegetable Parchment Co.

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.

• **Longyear (E. J.) Co., Minneapolis, Minn.**

Sept. 12 (letter of notification) 400 shares of $100 par preferred. Offering price, $100 a share. No underwriting. To increase working capital.

Mada Yellowknife Gold Mines, Ltd., Toronto

June 7 filed 250,000 shares of capital stock (par 40c). **Underwriters** — Names to be supplied by amendment. **Offering**—Stock will be offered publicly in the U. S. at 40c a share (Canadian money). **Proceeds**—Proceeds, estimated at $75,000, will be used in operation of the company. **Business**—Exploring and developing gold mining properties.

Maine Public Service Co., Preque Isle, Me.

June 25 filed 150,000 shares ($10 par) capital stock **Underwriters**—To be determined through competitive bidding. Probable bidders include The First Boston Corp.; Kidder, Peabody & Co., and Blyth & Co., Inc. (jointly); Harriman Ripley & Co; Coffin & Burr and Merrill Lynch, Pierce, Fenner & Beane. **Proceeds**—The shares are being sold by Consolidated Electric and Gas Co., parent of Maine Public Service, in compliance with geographic integration provisions of the Public Utility Holding Company Act.

May McEwen Kaiser Co., Burlington, N. C.

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.

• **Mica Mountain Mines, Inc., Salt Lake City**

Sept. 11 (letter of notification) 171,000 shares of common for company, and 22,937 shares to be reoffered in the alternative for an oversale of offering covered by letter of notification filed Jan. 2, 1946. Offering price, 171,000 shares — 25 cents each; 22,937 shares — 20 cents each. Underwriting, for the 171,000 shares only—Howard R. Clinger and O. M. Lyman, both of Salt Lake City. To finance operations until production returns begin.

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.

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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

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.

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. Indefinitely postponed.

National Alfalfa Dehydrating & Milling Co., Lamar, Colo.

June 28 filed 28,960 shares of 4½% cumulative preferred stock ($100 par), 250,000 shares of common stock ($1 par) and warrants for 28,960 common shares (attached to preferred stock). **Underwriters**—Stone & Webster Securities Corp., and Bosworth, Chanute, Loughridge & Co. Price by amendment. **Proceeds**—Shares are outstanding and are being sold by stockholders. Temporarily postponed.

National Manufacture and Stores Corp., Atlanta

June 12 (letter of notification) 8,500 shares of common stock. Offering price, $35 a share. **Underwriters**—Clement A. Evans & Co., Inc. **Proceeds**—For redemption of outstanding $2.50 class A non-cumulative stock. Postponed indefinitely.

Newburgh Steel Co., Inc., Detroit

Aug. 2 filed 30,000 shares of 6% cumulative convertible preferred (par $10), and 30,000 common shares ($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. Expected late October or early November.

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.

Northern Engraving & Mfg. Co., La Crosse, Wis.

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. Indefinitely postponed.

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., New York

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.

● **Ohio Associated Telephone Co., Marion, O.**

Sept. 11 filed $3,250,000 of first mortgage bonds, 2⅞% series, due 1976; and 35,000 shares (no par) $2 cumulative preferred. **Underwriters** — Paine, Webber, Jackson & Curtis and Stone & Webster Securities, both of New York. **Offering**—Of the preferred being registered, 21,-000 are being sold by the company and the remaining 14,000 are being sold by General Telephone Corp. **Price**—By amendment. **Proceeds**—Net proceeds to the company will be use to redeem its $1,770,000 of 3½% first mortgage bonds, due 1970, at 107½%; to repay $1,450,-000 in bank loans; to pay General Telephone Corp. $937,518 in retirement of its 6% cumulative preferred owned by General and to reimburse its treasury for funds previously expended.

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.

● **Old Town Ribbon & Carbon Co. Inc., Brooklyn, N. Y.**

Sept. 19 filed 140,900 shares ($5 par) common. The shares are being sold by three stockholders. **Underwriter**—The First Boston Corp., New York. **Price**—By amendment. **Business**—Manufacture of record Hectograph carbon papers, inked ribbons and related products.

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.

Pacific Telephone and Telegraph Co., San Francisco

Sept. 6 filed $75,000,000 of 40-year debentures, due 1986. **Underwriters**—By competitive bidding. Probable bidders include Morgan, Stanley & Co., Blyth & Co., Inc., Halsey Stuart & Co., Inc. **Proceeds**—Net proceeds will be used to reimburse its treasury for previous expenditures for extensions and improvements to its plant and plants of subsidiaries. Remaining proceeds will be used to repay outstanding advances from American Telephone & Telegraph Co., parent, which are expected to nearly equal the amount of the proceeds from the sale of the debentures, the registration stated.

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. Indefinitely postponed.

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.

● **Paoli-Malvern Airpark Corp., Malvern, Pa.**

Sept. 13 (letter of notification) 100,000 shares of $1 par Class A common. **Offering**—Price $3 a share. No underwriting. For organization of airport business.

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.

● **Penn Utah Mining Co., Beaver, Utah.**

Sept. 13 (letter of notification) 5,472 shares ($10 par) common. **Offering**—Price $10 a share. No underwriting. For working capital; payment of mortgage installments and other expenses.

Plastic Molded Arts, Inc., New York

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.

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 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 Foil & Metal Mills, Inc., Danbury, Conn.

Sept. 6 filed $500,000 of 3½% notes, due 1966; 2,500 shares of 3½% preferred stock (par $100) and 15,000 shares of common stock (no par). **Underwriting** — No underwriting. **Offering**—The securities being registered include notes, preferred and common previously sold to private subscribers for an aggregate price of $464,384. The company is offering to repurchase these securities with interest and reoffer them to the public. The purpose of the recission offer is because the earlier securities were not registered with the SEC. **Price**—The notes will be sold at 100, the preferred at $100 a share, and the common at 10 cents a share. **Proceeds** — Proceeds will be added to general corporate funds.

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.

Rowe Corp., New York

July 29 filed 100,000 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. Offering indefinite.

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., New York

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. Temporarily postponed.

Scovill Manufacturing Co. (9/23)

Aug. 15 filed 149,548 shares ($25 par) common stock. **Underwriters**—Morgan Stanley & Co., New York. **Offering**—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.

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 of preferred $10.75 per share; price of common, $5.625 per share. **Proceeds**—Company is selling the 25,000 shares of preferred to the underwriters at $10 a share and stockholders are selling 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. Offering date indefinite.

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.

● Seaboard & Western Airlines Inc., Wilmington, Del.

Sept. 16 (letter of notification) 100,000 shares ($1 par) common. Offering price, $1 a share. No underwriting. For purchase of surplus aircraft from War Assets Administration by a group of present and prospective veterans, to equip and operate passenger and cargo air service.

● Sherman Industrial Foundation, Inc., Sherman, Texas

Sept. 6 (letter of notification) preorganization subscriptions aggregating $105,000 which will be surrendered in exchange for 2,100 shares (par $50 each), of common. Offering price, $50 each. Underwriting, Colwick and Son, brokers. Members of the Sherman Chamber of Commerce have agreed to take the stock for the purpose of establishing a post-war planning and development fund. For purchase of industrial sites and build buildings for purpose of attracting additional industries to Sherman.

● Silica Products Co. Inc., Tacoma, Wash.

Sept. 9 (letter of notification) 300 shares ($100 par) capital stock. Offering price, $100 a share. **Underwriting**—The shares will be sold through agents. For development and production of agricultural and commercial lime, feldspar, and silica.

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.

Soss Manufacturing Co., Detroit, Mich.

Sept 3 filed 40,000 shares ($25 par) 5% cumulative convertible preferred. **Underwriter**—Ames, Emerich & Co., Inc., Chicago. **Offering**—To be offered to common stockholders for subscription at $25 a share in the ratio of one preferred share for each five shares of common held unsubscribed shares will be sold to underwriters at same price. **Price** — Public offering price of unsubscribed shares by amendment. **Proceeds**—For expansion of plant facilities and for additional working capital.

Southwestern Public Service Co., Dallas, Texas

July 24 filed $20,000,000 of first mortgage bonds, series due 1976. **Underwriters**—To be supplied by amendment. Probable bidders include Dillon, Read & Co. Inc.; Halsey, Stuart & Co. Inc., and Blyth & Co., Inc. Price by amendment. **Proceeds**—Net proceeds, with other funds, will be used to redeem $17,500,000 of 3⅛% first mortgage bonds, due 1974, at 106⅛%, and to purchase the electric, water and ice properties of West Texas Utilities Co. located in the northwestern portion of the Texas Panhandle for $2,135,000.

Soya Corp. of America

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.

Standard Brands, Inc., New York

Sept. 6 filed 220,000 shares (no par) cumulative preferred stock. **Underwriters**—Dillon, Read & Co. Inc. and Blyth & Co. **Offering** — Offering is subject to an offer of exchange to holders of company's 200,000 outstanding shares of $4.50 cumulative preferred. In the event the public offering price of the new preferred is $100 a share, holders of the old preferred will be granted the opportunity to exchange their stock for new preferred at the rate of 1 1/10th shares of new preferred for each share of old preferred. **Price** — By amendment. **Proceeds** — Company will use net proceeds from any shares sold to the public to redeem all unexchanged shares of old preferred at $110 a share.

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

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

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.

Stix, Baer & Fuller Co., St. Louis

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."

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 Electric Corp. of Chicago

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.

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.

Tampa Electric Co., Tampa, Fla. (9/25)

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-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. Offering date indefinite.

Upper Michigan Power & Light Co., Escanaba, Mich.

July 18 (letter of notification) 5,500 shares of 4¼% first preferred stock series B ($50 par). Offering price, $50 a share. **Underwriter**—First of Michigan Corp., Detroit. **Proceeds**—For enlargements and improvements of power plant facilities.

Velvet Freeze, Inc.

July 24 filed 203,500 shares of stock which are to be sold for the account of certain stockholders. **Underwriters**—Sherck, Richter & Co., and Straus & Blosser. **Offering**—Of the total, 200,000 shares will be sold through the underwriting group at $8.50 a share, and 3,500 shares will be offered to certain employees at $7.50 a share.

Virginia Dare Stores Corp., N. Y.

July 3 filed 90,000 shares of 5% cumulative convertible preferred stock, ($10 par). **Underwriters**—Newburger & Hano; Kobbe, Gearhart & Co., Inc., and D. Gleich Co. **Offering**—Underwriters propose to offer the shares in part to the public and the balance to certain dealers, among whom any underwriter may be included, at the public offering price, less certain concessions. Price $10 per share. **Proceeds**—It is presently anticipated that $437,500 will be used to acquire the capital stock of Williams Stores, Inc., and Levitt Millinery Co. The balance will be applied to general corporate purposes. Issue temporarily postponed.

Webster Electric Co., Racine, Wis.

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.

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 Crude Oil Co., Venice, Calif.

Sept. 4 (letter of notification) 250,000 shares of common on behalf of the company and 100,000 shares on behalf of Henry L. Rath, President. Offering price, 10 cents a share. Underwriting, the company and officers. For further drilling operations to develop petroleum gas.

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.

(Continued on page 1494)

(Continued from page 1493)

Westinghouse Electric Corp.
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 in ratio of 1/8 share for each share of common or preferred held. Unsubscribed shares will be sold to underwriters. **Price**—By amendment. **Proceeds**—To reduce bank loans. Offering temporarily postponed.

● **West Ohio Gas Co., Lima, Ohio**
Sept. 10 (letter of notification) 48,000 shares ($4 par) common. Offering, to common stockholders for subscription at $4 a share in the ratio of one share for each five shares held. No underwriting. To be added to general funds.

West Virginia Water Service Co.
Aug. 6 filed 46,400 shares (no par) common. **Underwriter**—Shea & Co., Boston. Price, by amendment. **Proceeds**—Shea & Co. is selling 26,400 shares for its own account and the remaining 20,000 shares are being sold by Allen & Co., New York, with Shea as underwriter.

Wheatley Mayonnaise Co., Louisville, Ky.
Aug. 16 (letter of notification) 10,000 shares ($5 par) common, to be offered for subscription to stockholders at $10 a share in the ratio of one share for every five shares held. No underwriting. For retirement of bank loans and expansion program.

White's Auto Stores, Inc., Wichita Falls, Texas
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.

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.

● **Yolande Corp., New York**
Sept. 17 filed 50,000 shares ($1 par) common stock. **Underwriters**—Headed by E. F. Gillespie & Co., and includes Childs, Jeffries & Thorndike, Inc., New York; Courts & Co., Atlanta; Irving Rice & Co., St. Paul, and Maxwell, Marshall & Co., Los Angeles and New York. **Price**—$10 a share. **Proceeds**—Estimated net proceeds of $400,000, together with $87,125 from the sale of 10,250 additional common shares to J. William Anchell, Vice-President, at $8.50 a share, will be used partly for the purchase of 10,995 shares of capital stock of Island Needlework, Inc., of Puerto Rico, out of a total of 11,000 outstanding shares. The shares will be purchased for a total price of $220,522 from Mrs. Gertrude S. Korsh, sister of Herbert L. Miskend, President and Treasurer of Yolande Corp. Of the remaining proceeds, $68,750, plus dividends, will be used to redeem at $110 a share the company's 625 shares of $100 par 6% cumulative preferred stock. The balance will be used to reimburse the company's treasury for previous expenditure and for additional working capital. **Business**—Manufacture and wholesale distribution of lingerie.

Prospective Security Offerings

(NOT YET IN REGISTRATION)

● INDICATES ADDITIONS SINCE PREVIOUS ISSUE

[EDITOR'S NOTE—The strike of truckmen in New York City, having cut off delivery of newsprint to us, we have been obliged to effect certain economies in today's issue in order to conserve stock on hand. Accordingly, we are limiting our coverage of "prospective" financing in this issue to only those undertakings which have come to hand during the past week, thus omitting the items of this nature which were previously carried in our columns on Sept. 5. We regret the necessity for this action and will resume the usual complete tabulation as early as circumstances permit.]

● **American Bosch Corp., Springfield, Mass.**
Sept. 18 the Alien Property Custodian stated that it is expected that the 535,000 shares (77.24%) of the stock of the corporation held by enemy aliens will be offered for sale this Fall. Probable bidders include Glore, Forgan & Co. and Lehman Brothers (jointly), and Blyth & Co., Inc., and Merrill Lynch, Pierce, Fenner & Beane (jointly).

● **Expreso Aereo Inter-Americano, S. A.**
July 27 company announced agreement to acquire control of two Cuban Airlines. Stockholders on Sept. 17 voted to increase the 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.

● **General Housing & Development Co.**
Sept. 16 reported early filing by notification of 58,000 shares of 7% cumulative sinking fund preferred (par $4) and 116,000 common shares expected to be offered in units of one preferred share and two common shares at $5.10 per unit. Underwriters will be W. H. Bell & Co. and Henry C. Robinson & Co.

● **Georgia Power Co.**
Sept. 10 the possibility of new financing seen in connection with company's announced new $47,000,000 electrical expansion program, bringing planned improvements to $99,000,000 to meet Georgia's growing industrial needs and to provide power for the State's farmers. The new $47,000,000 program is scheduled for completion by 1949. This new expansion is in addition to the proposed $45,000,000 hydro-electric project at Clark's Hill, above Augusta, on the Savannah River, and the $7,000,000 project on the Oconee River, near Milledgeville, both of which are contingent upon approval by the Federal Power Commission. The $47,000,000 construction comprises $15,000,000 for four new steam generating units, $32,000,000 for new transmission and distribution lines and substations, and $1,750,000 for 1,300 miles of rural electric lines.

● **Goodyear Tire & Rubber Co., Akron, Ohio**
Sept. 16 reported possible refunding later this year of outstanding $5 preferred stock and privately held debentures. Traditional underwriters, Dillon, Read & Co., Inc.

● **Lemcke (R. A.) Realty Co., Indianapolis**
The liquidating trustees for the Fletcher American National Bank of Indianapolis will receive bids up to 10 a.m. Oct. 4 for the purchase of 1,302 shares of Lemcke common stock (par $100).

● **Muhlebach (George) Brewing Co., Kansas City, Mo.**
Sept. 13 reported company contemplating some new financing. Early registration expected with Ames, Emerich & Co. as probable underwriters.

● **St. Regis Paper Co.**
Sept. 18 stockholders approved 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 authorized an issue of 250,000 shares of new preferred stock, ($100 par) to be issuable in series, as the directors may determine. Probable underwriters, White, Weld & Co.

Wheeling & Lake Erie Ry. (10/1)
Company is inviting bids for $1,720,000 of equipment trust certificates dated Oct. 1, 1946, and maturing from April 1, 1947, to Oct. 1, 1956. Bids must be received before 12 noon E.S.T. Oct. 1. The company stipulated that bidders must name a price of at least 99.

Trippe and Rogers Named Directors

Juan Trippe, President of the Pan American World Airways, and Edward S. Rogers, Chairman of the Board of Sterling Drug, Inc., have been elected members of the Board of Directors of the Commerce and Industry Association of New York, it was announced on Sept. 4 by Thomas Jefferson Miley, Secretary of the Association. A pioneer of American aviation, Mr. Trippe is the founder and, since its inception, has been head of Pan American. He left Yale during the first World War to enlist in the Naval Air Service. Returning after the Armistice, he was graduated in 1920 from the Sheffield Scientific School, where he organized the first student flying club in America. Following in the steps of his father, the late Charles White Trippe, an investment banker, he served as an apprentice in the firm of Lee, Higginson & Company, but left to devote his time to a small air line he had established in Long Island. In 1925, he organized Colonial Airways. Creating Pan American Airways he instituted the first U. S. international air route between Key West and Havana late in 1927, which has grown into the aerial network of Pan American World Airways operating over more than 90,000 air miles. A member of the Institute of the Aeronautical Sciences, Mr. Trippe is a director and the Vice Chairman for the U. S. of the Air Transport Commission of the International Chamber of Commerce; President of the International Air Traffic Association, the directing body for international air transport throughout the world, and is a member of the executive committee of the Business Advisory Council for the Department of Commerce.

Mr. Rogers has been serving as Chairman of the Committee on Protection of Industrial Property and as a member of the War Service Committee of the Commerce and Industry Association. Recognized internationally as a legal authority on trade marks, fair trade and patents, he was counsel to Sterling Remedy Company even before its transition in 1900 into Sterling Drug, Inc., of which he became Board Chairman in August, 1941. He received his LL.B. degree from the University of Michigan in 1895. He also holds the honorary degrees of LL.M. (University of Michigan, 1910), LL.D. (University of Michigan, 1930) and Pharm. D. (University of Southern California, 1938.) During the first World War he was a member of the Patent, Trade-Mark and Copyright Board of the Federal Trade Commission, having to do with the disposition of enemy alien patents seized at that time. Mr. Rogers was American delegate to the Inter-American Conference to negotiate a Convention on Trademarks and Commercial Names (1929 and 1931); American representative and member of the Executive Committee of the Inter-American Commission for the Protection of Industrial Property (1931-1941); Past President of the Permanent Committee for the Protection of Industrial Property (Paris), and member of the National Advisory Council to the Committee on Patents of the U. S. House of Representatives.

Our Reporter's Report

The investment bond market has weathered the storm of the recent break in equity prices in rather convincing fashion. True, speculative liens have gone pretty much along with stocks but this cannot be said of the gilt-edge list where ground has been given only slightly and grudgingly.

Potential bargain - hunters, and these include chiefly large institutional investors, have had little, if any opportunity, to better their positions though they doubtless have been hoping for the chance what with funds piling up for want of attractive outlets.

Taken on a yield basis corporate bonds falling into the triple A rating category have given up only a very minor fraction pricewise.

Those used in Moody's average compilation, for example, were selling Aug. 20 last at prices to return an indicated average yield of 2.50%. Currently the indicated return on the same bonds averages around 2.58%.

Broken down into groups the picture works out pretty much the same. Best grade public utility obligations were offering a return of just about 2.50% on Aug. 20 and they are now selling to yield about 2.56%.

The high-grade rail list shows about the same measure of recession, the yield on the August date having been 2.59%, while currently it is around 2.65% to the buyer.

Industrials sagged a trifle more to increase the yield about 11 basis points in the same period. or from 2.41% to a current 2.52% basis.

With the fall in stock prices having sidetracked many potential equity offerings, including the large block of additional common stock which Consumers Power Co. was originally scheduled to sell via competitive bids next Tuesday, interest in the coming week will be centered on the distribution of $7,500,000 Tampa Electric Co. first mortgage bonds of 1976. This issue is scheduled to reach the market on Sept. 25, and the company will use the proceeds to repay certain existing debts and provide for new construction.

The above - mentioned Consumers Power Co. undertaking has been tabled indefinitely. The company contemplates the sale of a sufficient amount of stock to provide it with $20,000,000 new working capital. This sale, incidentally, will provide a price basis for working out disposition of Common-wealth & Southern Corp.'s holdings. As parent concern it owns all common stock now outstanding.

Pacific Telephone

After the Tampa Electric issue is out of the way, the new issue market faces a period of pronounced quiet until the early part of next month when, on Oct. 8, Pacific Telephone & Telegraph Co., is slated to market $75,000,000 of new 40-year debentures.

This undertaking, like other similar projects on the part of Bell System companies, is designed to provide part of the funds needed by the company to go ahead with work accumulated during the war years and represents a new money venture.

With the debenture sale completed the company plans to offer to shareholders 328,125 additional shares of common stock, when as and if, California, Washington and Oregon utility boards clear the track. Since American Telephone & Telegraph owns 89.34% of the stock outstanding this part of the program is quite clearly very largely cut and dried.

Cincinnati Gas Offering

Bankers handling the Cincinnati Gas & Electric Co., common stock which was left unsubscribed by Columbia Gas & Electric Corp., shareholders, are well satisfied with the manner in which that issue has been moving along to investors.

The company originally offered 2,040,000 shares of the Cincinnati stock at $26 a share, to its holders, who acquired 592,475 shares leaving the underwriting bankers with the task of marketing the balance of 1,447,525 shares to the public at the same price.

Recent tabulation of sales made by the 232 member underwriting group indicate that they have disposed of well over 500,000 shares of their holdings, which would mean that upward of 1,100,000 shares of the overall block had been definitely placed.

Plans for Servicing Of Czech Bonds

The Foreign Bondholders Protective Council, Inc., made known on Sept. 16 plans which it recommends for servicing of the bonds of the Czechslovakia State Loan of 1922, Series A and Series B, stating with respect thereto that:

"Negotiations have taken place recently in London between representatives of the Czechoslovakian Ministry of Finance, the Foreign Bondholders Protective Council, Inc., and the British Council of Foreign Bondholders, regarding a plan of service on the external bonds of the Czechoslovak Government. Representatives of the Committee of the Amsterdam Stock Exchange also attended. The Council was represented by its President, James Grafton Rogers. Since Oct. 1, 1939, the American-held dollar bonds have received no interest. Outstanding bonds of the dollar tranches are reported at about $1,723,300. This figure excludes bonds held by the Czech Government, certain Czech institutions and nationals, which bonds are to be cancelled.

"After certain formalities have been complied with, it is understood an announcement will be published, giving in detail the modified terms of debt service proposed by the Czechoslovakian Government."

As to the Greater Prague Mortgage Loan of 1922, the Protective Council says:

"The City of Prague authorized representatives of the Czechoslovakian Ministry of Finance to negotiate in London recently with representatives of the Foreign Bondholders Protective Council, Inc., and the British Council of Foreign Bondholders, for a plan of service on the external bonds of the City of Greater Prague. The American-held dollar bonds of this City have received no interest since May 1, 1939. Outstanding bonds of the dollar tranche are reported at $604,000. This figure excludes bonds held by the city which are to be cancelled."

As in the case of the Czechoslovakia bonds the Council, after presenting a summary of the proposals stated that after certain formalities had been complied with details of the modified terms of debt service would be published. In the New York "Times" of Sept. 16 it was noted:

"The plan includes the extension of the maturity of both bond issues to Oct. 1, 1960, and modification of interest payments as well as sinking fund and redemption provisions. Holders of the American-held bonds of both issues have received no interest since 1939.

"The British Council of Foreign Bondholders also is recommending that the holders of the sterling bonds accept the proposal."

State-Wide Pension Plan Announced By Pennsylvania Co.

A pension plan which will enable any bank in Pennsylvania to pay old age retirement benefits to its officers and employees has been established by the Pennsylvania Company for Insurances on Lives and Granting Annuities, it was announced on Sept. 13. Invitations to join the plan are being sent to banking institutions throughout the State. The Penco Pension Trust Plan, the name under which it will be administered, is the first state-wide participating fund of its kind organized in the banking history of the country, says the announcement from the company, which also has the following to say regarding the plan:

"Its objectives are to assure employees and officers of participating institutions a reasonable income at retirement age, in addition to Social Security benefits, and to increase personnel efficiency by thus eliminating the financial worries of old age. All permanent employees and officers of a participating institution will be eligible to enter the plan upon meeting the service requirements established by their respective organizations. Normal retirement will be at 65 years of age for both men and women.

"The fund will be established on a sound actuarial basis and will be administered by the Pennsylvania Company as trustee. Purchases and sales of all investments will be subject to the approval of a pension committee composed of three members elected by the participating banks. The Penco Pension Trust Plan is so constructed that participating institutions will not be required initially to draw heavily on capital funds in order to provide for past service benefits. Reserves which have been accumulated for an employee or officer who does not survive to retirement age or whose employment ends before 20 years of service will be available to the employer in the form of a credit against future contributions. Officers of the Pennsylvania Company point out that by pooling many relatively small funds into one large fund, the Penco Pension Trust Plan affords a stability in asset values and interest yields which could not otherwise be obtained. Also definite economies in operating costs can be effected.

Aliens May Not Have Stock of Seized Corps.

A general order prohibiting the transfer or acquisition by an alien of stock of corporations seized during the war by the Alien Property Custodian, James E. Markham, and held vital to the defense economy of the United States was issued on Sept. 10 by Mr. Markham. The order prohibits "any interest in stock in designated key corporations, seized by the APC, from being transferred to or acquired by any person not an American national." Mr. Markham, in issuing the order, explained that "in many instances shares of stock in domestic corporations seized by the Alien Property Custodian during the First World War, and subsequently sold by him to Americans, were found at the time of World War II to have again come under enemy ownership and control as the result of intermediate sales or transfers." The advices from the Alien Property Custodian further said:

"The regulation—APC General Order No. 35—provides that certain business enterprises in which stock is held by the APC and which are vital to the defense economy of the United States will be designated 'key corporations" and restrictions will be placed on the resale of the vested shares.

"At the same time, Mr. Markham issued Order No. 1 under General Order 35, designating the American Bosch Corp., Springfield, Mass., as a key corporation within the meaning of the order. In general terms, the order defines 'American national' as the United States or any subdivision or agency thereof, any individual who is a citizen of and resident in the United States, any partnership or corporation having its principal place of business in the United States provided that 75% interest in the organization is owned by American citizens who are resident in the United States.

"Mr. Markham went on to explain that every key corporation, when so directed by the APC, will stamp or print on all certificates hereafter issued representing shares of vested stock a statement of the prohibitions and restrictions on the sale or transfer of the stock. Under the order, each key corporation is required to furnish the APC periodic lists of the names and addresses of the holders of record of the stock vested and sold by the Custodian.

"Mr. Markham pointed out that American Bosch Corp. was the only firm designated a key corporation at this time because it is expected that it will be offered at public sale some time this fall."

With First Sec. Corp.

DURHAM, N. C.—Leonard R. Kincaid is with First Securities Corporation, 111 Corcoran Street.

HELP WANTED

Advertising-New Business Manager

A growing financial institution located in a New England City with a 250,000 population is seeking a person to handle all its advertising, preparation of copy for newspapers and pamphlets, direct - mail and public relations. Copy writing experience required. May be male or female over 27 years of age. Write Box S 19, Commercial & Financial Chronicle, 25 Park Place, New York 8, N. Y., stating experience, qualifications, age and salary expected.

DIVIDEND NOTICES

Exide BATTERIES

THE ELECTRIC STORAGE BATTERY COMPANY

184th Consecutive Quarterly Dividend

The Directors have declared from the Accumulated Surplus of the Company a dividend of fifty cents ($.50) per share on the Common Stock, payable September 30, 1946, to stockholders of record at the close of business on September 16, 1946. Checks will be mailed.

H. C. ALLAN, *Secretary and Treasurer*

Philadelphia 32, September 6, 1946

ARKANSAS WESTERN GAS COMPANY

Dividend Notice Common Stock

The Board of Directors of Arkansas Western Gas Company has declared a quarterly dividend of twelve and a half cents (12½c) per share, payable September 30, 1946, to its holders of common stock of record September 15, 1946. Checks will be mailed from The First National Bank of Chicago on or about September 30, 1946.

L. L. BAXTER, President

AMERICAN MANUFACTURING COMPANY
Noble and West Streets
Brooklyn, New York

The Board of Directors of the American Manufacturing Company has declared a dividend of 25c per share on the Common Stock, payable October 1, 1946, to Stockholders of Record at the close of business September 19, 1946. Transfer books will remain open.

ROBERT B. BROWN, Treasurer.

Dividend Notice of
THE ARUNDEL CORPORATION
Baltimore, Md.

September 16, 1946

The Board of Directors of the Arundel Corporation has this day declared 25 cents per share as the regular quarterly dividend on the no par value stock of the corporation issued and outstanding payable on and after October 1, 1946, to the stockholders of record on the corporation's books at the close of business September 20, 1946.

MARSHALL G. NORRS, Secretary.

UNITED FRUIT COMPANY

DIVIDEND No. 189

A dividend of fifty cents per share on the capital stock of this Company has been declared payable October 15, 1946 to stockholders of record September 19, 1946.

LIONEL W. UDELL, Treasurer.

DIVIDEND NOTICES

To Holders of

Norfolk and Western Railway Company

First Consolidated Mortgage Four Per Cent. Gold Bonds Due October 1, 1996.

Notice is given hereby that the above described bonds should be presented to the Successor Trustee under the Mortgage, Bankers Trust Company, Corporate Trust Department, 16 Wall Street, New York 15, N. Y., on or after **October 1, 1946, for the** purpose of having coupon sheets attached covering interest due April 1, 1947, to October 1, 1996, both inclusive. Form of letter of transmittal may be obtained at the office of Bankers Trust Company.

Coupon No. 100, due October 1, 1946, should be detached and collected in the usual manner.

NORFOLK AND WESTERN RAILWAY COMPANY,
L. W. COX, *Secretary.*

Philadelphia, Pa., September 4, 1946.

LION OIL COMPANY

A quarterly dividend of 35¢ per share has been declared on the Capital Stock of this Company, payable October 15, 1946, to stockholders of record September 27, 1946. The stock transfer books will remain open.

E. W. ATKINSON, *Treasurer*

September 10, 1946

United Shoe Machinery Corporation

The Directors of this Corporation have declared a dividend of 37½c per share on the Preferred capital stock. They have also declared a dividend of 62½c per share on the Common capital stock. The dividends on both Preferred and Common stock are payable October 5, 1946, to stockholders of record at the close of business September 17, 1946.

WALLACE M. KEMP, Treasurer.

FINANCIAL NOTICE

EASTERN RACING ASSOCIATION, INC.

The Directors of Eastern Racing Association announce that the Old Colony Trust Co. of Boston and Bank of The Manhattan Co. of New York have today been appointed Transfer Agents and Dividend Disbursing Agents for Eastern Racing Association Preferred Stock.

Customers' Brokers Believe It Is Now Up to Schram to Try to Get Margin Rules Changed

Though feeling the period of a declining stock market is no time to bring pressure on Federal Reserve for resumption of margin trading, Association of Customers' Brokers at annual meeting yesterday nevertheless believed question of margins to be of such important timely interest as to warrant lengthy discussion. Association's unsuccessful efforts since last spring to have the Federal Reserve change its policy and make a public statement to that effect long in advance of any lowering of requirements were reviewed. Officers elected.

Feeling that the period of a declining stock market is no time to bring pressure on the Federal Reserve for the resumption of margin trading, the Association of Customers' Brokers at its annual meeting late yesterday afternoon at Oscar's Oldelmonico's Restaurant on Beaver Street nevertheless believed the question of margins to be of such importance and timely interest as to warrant lengthy discussion.

Emil Schram, President of the New York Stock Exchange and as representative of the securities industry as anyone can be, it was thought, should make the next move to try to get the Federal Reserve to lower the margin requirements. The Association's unsuccessful efforts since last spring to try to get the Federal Reserve to change its policy and to make a public statement to that effect long in advance of any lowering of requirements were reviewed.

A committee was named to study the probable efforts on the securities market, particularly with regard to the welfare of customers, of the threatened shutdown of the New York Stock Exchange by its unionized employees. The members of the Association were worried over what could happen in the event of a strike in a critical market and felt that they should be informed as to what steps are being taken to meet any eventuality which might develop. Another committee was named to look into the feasibility of indicating short sales on the tape.

The following officers were elected: Richard M. Ross, Dean Witter & Co., President; Archie F. Harris, Merrill Lynch, Pierce, Fenner & Beane, Vice President; N. Leonard Jarvis, Hayden Stone & Co., Treasurer; Andrew W. Shuman, Delafield and Delafield, Secretary. Named to the executive committee (terms expire in year indicated) were: Lester Robins (1950), Francis I. duPont & Co.; Donald C. Blanke (1950), Eastman, Dillon & Co.; Fred C. Rugen (1950), Cohu & Torrey; John A. Hevey (1950), Ira Haupt & Co.; James F. Hughes (1948), Auchincloss, Parker & Redpath; Frank P. Rinckhoff (1949), E. F. Hutton & Co.; Kenneth I. Walton (1949), Bache & Co., and Alfred M. Elsesser (1949), Kidder, Peabody & Co.

Borrowings on NYSE Lower in August

The New York Stock Exchange announced on Sept. 4 that borrowings reported by member firms as of the close of business Aug. 30 aggregated $508,946,845 as compared with the figures of $598,394,909 on July 31. Details as given by the Exchange follow:

The total of money borrowed from banks, trust companies and other lenders in the United States, excluding borrowings from other members of national securities exchanges, (1) on direct obligations of or obligations guaranteed as to principal or interest by the United States Government, $203,955,727 (2) on all other collateral $304,991,118; reported by New York Stock Exchange Member Firms as of the close of business August 30, 1946 aggregated $508,946,845.

The total of money borrowed, compiled on the same basis, as of the close of business July 31, 1946, was (1) on direct obligations of or obligations guaranteed as to principal or interest by the United States Government $241,957,420, (2) on all other collateral $356,437,489. Total on July 31, $598,394,909.

Merrill Lynch Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL. — James E. Dewey, James G. Hull, and Paul A. Schroeder are now with Merrill Lynch, Pierce, Fenner & Beane, Board of Trade Building.

Potsdam on Election Day

(Continued from page 1460)

sign of the red flag. I saw very few campaign posters of other parties. Yes, in one street I did see a one-man parade, a fellow carrying a sign appealing for votes for CDU, the Christian Democratic Union. Either he was quite brave or a knave.

Some of the SED slogans which covered the town were directed toward women voters. All were cleverly worded with many self-memorizing rhymes. One of them indeed seemed to plagiarize Lincoln with "Mit Dem Volk, Fuer Das Volk" (with the people, for the people).

The hothouse grapevines still stretch themselves sleepily in their terraced warmth at Sans Souci. The Potsdam palaces still stand, although not all of them are whole. Many contain paintings and art works which the natives say the Russians have not taken, although on questioning the natives admit that German troops plundered Russia and other lands. Outside the orangerie is a weathered cardboard notice: "Who plunders will be shot."

Much bemedalled Soviet soldiers and officers strolled through the parqueted halls and grounds this chill late summer afternoon. The German guide tells the American visitors about past centuries and their kings. But the eye distracts the ear. For here is history being made. This is election day in Potsdam.

Two with Merrill Lynch

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, CALIF. — Willard R. Griswold, Jr. and Ralph J. Preminger have been added to the staff of Merrill Lynch, Pierce, Fenner & Beane, 301 Montgomery Street.

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PERIOD	NET SHIPMENTS
1st quarter	$147,321.36
2nd quarter	237,299.55
2 Mos. Ending Aug. 31	260,026.16