

The COMMERCIAL and FINANCIAL CHRONICLE

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Juggling Gov't Statistics

Andrew Court charges Federal agencies issue figures pursuant to political expediency. Expresses sympathy for Truman's treatment by his statistical advisers. Citing Federal automotive figures, he reminds us that people can't ride on government statistics.

Serious depression and unemployment may result if Federal statistical agencies continue to shape their figures in the light of political expediency, says Andrew Court, General Motors labor economist. This warning was addressed to statisticians attending a meeting of the National Industrial Conference Board at the Hotel Waldorf Astoria September 26. Mr. Court spoke on "Reliability of Government Statistics."



Andrew T. Court

"Impossible public hopes and

(Continued on page 1677)

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Policies of the Price Decontrol Board

By ROY L. THOMPSON*

Chairman of the Price Decontrol Board

Head of Decontrol Board, pointing out its members are representative of agriculture, finance and industry, asserts they will carry out mandate of Congress without immediate expediency, political maneuvers, or pressure from any source. Cites extent of decontrols and increased production of certain commodities in recent months, and concludes, that if rate of decontrol continues, "price control and all its irritations and problems will be a long way toward bowing out of the picture."

This is my first opportunity to meet a cross section of the retailers of America since coming to Washington to take up my duties as Chairman of the Price Decontrol Board.

I have been told that when I talk to you ladies and gentlemen assembled here today, I talk to some 500,000 retailers whom you represent. I am very glad that the American Retail Federation has given me this opportunity to discuss with you some of the problems and policies of the Price Decontrol Board.

It is my hope that all of you, as well as the Board, through me, will benefit by the occasion. The Price Decontrol Board can profit by this opportunity to get, first hand, the attitude of retailing toward our job in the over-all

(Continued on page 1659)

*An address by Mr. Thompson at the Meeting of the State Association of Executives and Trustees of the American Retail Federation, Washington, D. C., Sept. 30, 1946.



Roy L. Thompson

The German Economic Situation

By HERBERT M. BRATTER

Special Correspondent of the "Chronicle"

Sabotage by Germans is suspected. Exports being stimulated by special clearing arrangements. Inflation situation serious. Power crisis growing. Coal production rising. Black market operations extensive, including travellers' bartering of doped-up pigs.

BERLIN, GERMANY—I was in an industrial office in the British Zone when an officer reported to his superior that there was a

great shortage of rations in one of the company's suburban plants and that he had a strong suspicion that the shortage was more than accidental. His point was that the Germans in charge of the food distribution were purposely seeking to create unrest among the workers.



Herbert M. Bratter

Colored Glasses and The Stock Market

By DEAN LANGMUIR

Economist holds stock price level depends on investors and psychology, rather than arithmetic formulas or other statistical procedures and hence security analysts should gauge changes in public thinking in lieu of economic forecasting. Cites 1929-1932 price movement as exemplifying wholly disproportionate swing between invincible optimism and black despair. Mr. Langmuir concludes present market decline largely due to disillusionment with previous over-optimistic disregard of disastrous labor situation and investor will resume rosy glasses only when full uninterrupted production is resumed.

A sudden, major decline in the stock market like that just experienced is seldom forecast. It surprises even the most experienced.

The trouble is that most stock market analysts direct their attention exclusively to the study of the economic situation. Living in a world of statistics, they believe that the course of the stock market will simply reflect changes in the business world, changes which they can observe with their statistical microscopes.

No assumption could be more false. Stock prices are simply the measure of future hopes and fears. They do, of course, give recognition to statistics of earnings and asset values, but primarily they measure the investor's expectations of future earnings and future

(Continued on page 1681)



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Traditional Banking Controls vs. Federal Reserve Recommendations

By **FREDERIC EDWARD LEE**
 Professor of Economics, University of Illinois

Dr. Lee criticizes the proposals of the Federal Reserve Governors to expand credit controls and contends grant of further powers would be a step toward complete nationalization of commercial banking system. Scores policy to enforce banks to adhere to low interest rate pattern of Treasury, and points out open market operations of Federal Reserve have become a serious inflationary factor. Holds U. S. central banking system has more extensive controls than that of any other country and calls plan revolutionary to require all banks, wherever located, to maintain uniform reserve against deposits.

The fact that Congress has now adjourned, and presumably will not return until the new session in January, may save the country

from some ill-timed and ill-advised banking legislation which otherwise might have come from the recommendations of the Board of Governors of the Federal Reserve System in their annual report for 1945, excerpts from which were recently released. The possibility that the new Congress may be somewhat different from the old may determine whether or not the Federal Reserve authorities will have a bill ready to introduce simultaneously in both houses of Congress, as they did on Feb. 6, 1935, when the so-called "Eccles Bills" paved the way for the Banking Act of 1935.

Once again we are confronted with the fact that in the consideration of these drastic and far-reaching proposals now being



Dr. Frederic E. Lee

The Second Year of Peace?

By **LEO CHERNE***

Executive Secretary, Research Institute of America

In reviewing the second year of peace, Mr. Cherne discusses factors in recent stock market decline. States there is a growing fear of war with Russia, but points out probability of hostilities is remote, as Russia is not prepared for war. Regarding fear of a second round of strikes, contends union leaders are inclined against it, because of depleted union treasuries and fear of adverse Congressional legislation. Sees no immediate depression ahead and predicts 1947 will show better business profits than any prewar year, but insists we must come to grips successfully with problem of more productivity.

The second year of peace—and there is a question involved there for the last word in that phrase—will in many ways be one of the

most turbulent years, in some ways be one of the most difficult years we have ever experienced. Many of the difficulties already exist in our minds. Our minds will produce many of the balance of the difficulties.

I didn't, when you were kind enough to invite me last year, pull any punches. I will pull even fewer today. The plain fact of only twenty-eight minutes to talk makes it impossible to pull any punches or hedge. My practice is to get out on a limb and let circumstances saw me off. Well, I'll start right from scratch. I was informed while eating lunch—and it didn't help my appetite—that a flash went to you indicating that I would answer or give the reasons behind the recent stock market crash. I



Leo M. Cherne

am delighted that the flash didn't indicate that I would also advise the particular securities to buy. Well, I'll try to answer the question as directly as I can.

Reasons for Stock Market Crash

The best that can be found out today, the stock market crashed for a series of reasons, almost none of them any good.

Now, take the reasons one by one. First, there is the growing fear that we will be at war with Russia within twelve months. I think I am in a good position to at least express an opinion on that possibility. I am persona nongrata with the Russian government. The Research Institute just recently published a study of the Communist and labor relations which has not increased the friendship of the Communists, thin enough as it was before. I have had few occasions to commend the actions of the Russian government. In other words, I feel no friendship for the Russian State; but in my view the possibility of war with Russia within the next twelve months or for

(Continued on page 1672)

Sidney Smith Partner In Ernest Smith Co.

Ernest Smith & Co., 2 Broadway, New York City, announces that Sidney H. Smith, member of New York Curb Exchange, has become a general partner of the firm.

The firm also announces that Max Freedman, who has retired as a general partner, will continue to be associated with them.

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PHILADELPHIA, PA.—Yarnall & Co., 1528 Walnut St., members of the New York and Philadelphia Stock Exchanges, announce the association with them of Ellwood E. Farrell.

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Must We Have Boom and Bust?

By ISADOR H. LUBIN and HENRY HAZLITT*

Prominent economists debate the following relevant factors: Responsibility for cyclical changes; relative effectiveness of government officials' vs. businessmen's judgment; interference of political motives with former and self-interest with latter; and comparative responsibility of war-induced goods shortage and monetary expansion for current inflation.

Mr. Hamilton Eames, Moderator: Even in boom times the average citizen isn't always entirely happy, because he never knows whether there's a threatening collapse just around the corner. He wants security, he wants a steady job at steady pay. Can these goals be assured, or are we going to have a boom and bust economy? Well it's a pleasure to have Mr. Lubin and Mr. Hazlitt discuss this question for us. To start us off, Mr. Lubin, do you believe that boom and bust is inevitable in our economy?



Henry Hazlitt



Isador Lubin

Mr. Lubin: The answer to that question, Mr. Eames, is obviously no and I would like to make that a capital N and a capital O and an exclamation point after it. To me the significant question is not whether or not we believe that a boom and bust is inevitable but why we come to the conclusion we hold. I be-

*Transcript of "Wake Up America" Program broadcast over WMCA (New York City), Sept. 22, 1946. Mr. Lubin was formerly Special Economic Assistant to President Roosevelt and Commissioner of Labor Statistics, and presently is a member of the United Nations Economic and Employment Commission; Mr. Hazlitt is columnist of "Business Week," editorial contributor to the "New York Times," and author of "Economics in One Lesson."

(Continued on page 1666)

The Bull Market Is Not Over

By JOHN L. ROWE

Investment Counsellor ascribes decline in stock prices primarily to unfavorable technical position of market arising from (1) prohibition of margin operations; (2) restrictions on floor trading and (3) absence of short selling. Sees much to rejoice over in basic trade conditions, and holds discord in political, industrial and social spheres "is only on surface." Concludes present correction of stock prices is interlude preceding a long bull market.

Radio commentators, Wall Street statisticians, Dow Theory students, investment counsellors, brokers and chart hounds who trade

stocks on the theory of the averages are having a field day. On every side, investors are asking why the stock market in the face of booming business should suffer one of the fastest and sharpest drops on record.

It is well to remember



John L. Rowe

that three factors—and only three—govern the price of securities. These are (1) conditions within the market itself (technical aspects); (2) development outside the market; (3) the basic condition of industry and trade.

Technical Aspects of Market

In discussing these three points, let us first consider the conditions prevailing in the stock market itself, prior to the September slide. Under the Securities Exchange Act of 1934, control of the use of credit for the purchase or

(Continued on page 1660)

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"Red Herring" Prospectuses and the SEC

By JAMES J. CAFFREY, Chairman SEC*

SEC Chairman, for furthering spread of information to prospective investors, announces Commission's contemplated adoption of following new rules (1) that a legitimate "red herring" prospectus, complying with specified regulations, be not considered an unlawful offer to sell, or solicitation of an offer to buy; and that, except for price and other underwriting information, it be complete; (2) that lawful final prospectus could consist of red herring plus a supplemental document containing fuller information and correction of previous inaccuracies; and (3) abolition of duplication of material.

Sometime ago I saw a cartoon of a woman sitting in her broker's office carefully instructing him on how she wanted her investments handled. She ended by telling him, with commendable caution, "Now, just before the next depression I want you to sell all my stocks and bonds."

The story not only shows how some people expect prophetic vision of the financial community, but it shows also one of the important ways in which disillusion and disrespect with the financial community originates. That woman, utterly uninformed about what she owns and what she buys, expects the impossible of her broker. Of course, while her broker stands ready to give her legitimate services, he is not superhuman. But his failure to call every turn in the market will be regarded by that woman as a breach of his obligations.



James J. Caffrey

(Continued on page 1674)

*An address by Mr. Caffrey at Dinner in honor of National Association of Securities Administrators, New York City, Sept. 27, 1946.

Crucial Period Ahead for Investors

D. D. (Pat) Murphy, newly elected President of National Association of Securities Administrators, particularly warns War Bond Owners and Veterans against Switching to securities of doubtful value. Upholds dual Federal-State system of regulation.

The next 18 months to two years will be a crucial period for the American investing public. Veterans and war bond owners will find



D. D. Murphy

increasing opportunities for their hard-earned savings. Security swindlers are going to find pickings slimmer than ever. Cooperation of Canadian government security officials with the American Department of State and the Securities and Exchange Commission has almost stopped gold mine swindles in many states in this country. A dual system of

security protection for the public is more necessary now than ever before.

These were some of the statements made last week by D.D. (Pat) Murphy, Securities Commissioner of South Carolina, following his election to the presidency of the National Association of Securities Administrators at their 29th annual convention at the Hotel Commodore, New York City. Mr. Murphy who has been with the South Carolina Securities Department for the last ten years, three of which have been as Commissioner, travels every year to virtually every state in the Union to examine the books and operations of the companies (Continued on page 1662)

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Fraud in Securities Transactions And the Protection of Investors

By EDMOND M. HANRAHAN*

Commissioner, Securities and Exchange Commission

Commissioner Hanrahan emphasises SEC under Securities Act of 1933 is not concerned with appraising a new security's investment merits, effective registration being "no green light for investment." Says information is keynote of both securities acts. Calls on investor to cooperate with enforcement officers, by thinking three times before buying or selling securities.

The federal securities acts, in particular the Securities Act of 1933 and the Securities Exchange Act of 1934, were adopted by the Congress to

supplement the protection of securities investors otherwise afforded by the state "blue sky" authorities.

It seems to me not inappropriate to remind ourselves that the principal objective of the Securities Act of 1933 has been, and is, to protect investors by requiring a full and

*An address by Mr. Hanrahan before the National Association of Securities Administrators, New York City, Sept. 27, 1946.



E. M. Hanrahan

accurate disclosure of the material facts regarding securities offered for sale in interstate commerce or by use of the mails. To accomplish this objective, the Act provides that, before non-exempt securities may be offered or sold to the public through the mails or in interstate commerce, a registration statement must be filed with the Commission and must be effective. When the statement is filed, it becomes a public document designed to set forth all the material facts known to the issuer and the underwriters with regard to the company and the securities to be sold.

Although each registration statement is examined by the Commission's staff, such examination does not involve, nor is it concerned with, an appraisal of (Continued on page 1664)

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International Fund and World Bank Convene

Directors of both institutions hold joint meeting and hear message from President Truman and address by Treasury Secretary Snyder. Truman sees urgent need to put plans to work. Snyder expresses hope all peace loving nations will join institutions as their charters are broad enough to encompass various types of economic and trading systems. Sees immediate need for underwriting reconstruction loans. World Bank calls for additional assessments for capital and Eugene Meyer, its President, in address, states large loans are to be extended and efforts are being made to provide market for Bank's obligations.

The representatives of 39 member nations of the International Monetary Fund and the Bank for Reconstruction and Development



President Truman



Eugene Meyer



John W. Snyder

met in Washington on Sept. 27 and heard a message of welcome from President Truman and an address by Secretary of Treasury, (Continued on page 1676)

Emil Schram Discusses Margin Prohibition and the Market Break

Stock Exchange President asserts prohibition of credit on securities is unsound and discriminatory, and has diverted investment funds into commodity and real estate speculation. Asks Comptroller of Currency to investigate non-Exchange security loans. Pleading for a "capital crusade," he charges Federal Government with having insidiously victimized private capital with "creeping paralysis". Urges modification of taxation on capital gains and dividends.

President Emil Schram of the New York Stock Exchange during the past week seized several opportunities to urge the need for re-



Emil Schram

considering credit policy regarding securities, in the light of the recent market liquidation. Addressing the Annual Dinner of the Boston Stock Exchange Sept. 30, he pointed out the general stifling of private capital, expressing fear of a resulting "bureaucratic depression." These beliefs were also expressed during the meetings of the National Association of Securities Administrators in New York City last week. We first append the full text of Mr. Schram's remarks in Boston, as follows:

Those of us charged with responsibility in the world's money center, New York City, are primarily interested first, last and continuously in the solvency of our government, its credit, and

the integrity of its money. In plain language, we are interested in how many dollars our government has to spend by way of Federal revenues without resort to borrowing, and in what those same dollars will buy in goods and services. It is high time that the laboring man, the farmer, the white collar worker, as well as the banker and, yes, the government employee, interest themselves vitally in this all-important (Continued on page 1680)

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Observations

By A. WILFRED MAY

What Do You Really Mean, Uncle Joe?

Today (Wednesday) the Soviet Stalwarts at Lake Success released their inhibitions and reopened their fire on the West; confounding even their hitherto highly sympathetic Mr. Lubin by charging him and his fellow-committeemen with a "capitalist plot" for world domination. The alleged "peace crime" consisted of submitting a long and carefully considered report and recommendation to establish a UN commission to repair Europe's devastations. This vitriolic attack follows by only a few days Mr. Gromyko's insistence not only on sole economic dominance of the Danube, but on exclusive military control as well.



A. Wilfred May

So the net result of Marshall Stalin's "sweet and reasonable" pronouncement of last week was merely to obfuscate further the war-peace outlook. And this when clarification of this "twilight period" is most necessary—for a number of reasons.

Realistic domestic understanding and agreement about our true status is necessary in many spheres. Take the matter of bases in relation to our international obligations regarding UN trusteeship. As a result of our "fluid" relationship with the Soviet, we don't know whether on the one hand to take the risk of depending on the United Nations for our future security, or on the other hand to establish "defensive-offen-

(Continued on page 1679)

Schram in Interview, Says FRB Should Review Margin Question

The Federal Reserve Board should reconsider and re-appraise the whole question of margin trading in securities, Emil Schram, President of the New York Stock Exchange, said yesterday in the course of an interview with a representative of the "Chronicle," in which he elaborated upon the statements concerning margin requirements which he had made in Boston early this week.

The securities business can safely be done on a 50% marginal basis and the Federal Reserve Board should set a date for the return of margins to this level, he thought.

It is the Federal Reserve Board's job to prevent the use of excessive credit in the purchase of securities and the credit employed for this purpose has not been excessive, Mr. Schram declared. It is against the law for the board to attempt to control the prices of securities by tightening or relaxing the margin requirements as the prices of securities go up or down, he said. It is not the board's function to determine whether prices are low or high, Mr. Schram believed.

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Also associated with the firm will be E. C. Erwin.

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What Is the Dollar?

Edward Henry Neary, Attorney, noting Treasury Secretary Snyder's letter to International Monetary Fund fixing gold value of dollar, attacks morals and ethics in present law obstructing dollar's free convertibility into gold.

Editor, Commercial & Financial Chronicle:

There has been want of understanding and much misunderstanding of what the dollar was and is. U. S. Code, title 31, sec. 314, provided before amendment that the dollar consisting of 25.8 grains of gold 0.9 fine be the standard unit of value. The standard unit of

currency was the eagle of 258 grains gold 0.9 fine, i. e. \$10 (ib.

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sec. 315). The Thomas Amendment (A. A. A. sec. 43 (b) (2)) gave the President power to fix the weight of the "gold dollar" at 15 5/21 grains gold, 0.9 fine, a depreciation of 1059/105 grains. Prior thereto and subsequently promises to pay billions of dollars were issued. What were and are dollars?

Sept. 18, 1946, the Secretary of the Treasury answered the question as follows: "I have the honor, on behalf of the United States Government, to inform the International Monetary Fund that the par value of the dollar is fifteen and five-twenty-firsts (15.5/21) grains of gold nine-tenths (9/10) fine. This par value * is identical with the weight and fineness of the United States dollar in effect on July 1, 1944, referred to in Article IV, Section I, of the Articles of Agreement of the International Monetary Fund."

Will the fact that the dollar has been officially, clearly and distinctly defined, cause a change in the attitude of the people toward their money? Time will answer. Meantime observe that there are two triplex sets of aspects of money. First, so often stated, i. e. money is the standard of value, medium of exchange and repository of value. Our money fails in the last but such money has proved to be popular time and again, though always with terribly injurious effects. The second set, money has a legal, economic and moral aspect. The laws are in the Constitution, U. S. Code, title 31, Money and Finance, title 12, Banks and Banking, and parts of others; curiously, the Trading With the Enemy Act of Oct. 6, 1917; then a succession of proclamations, orders, statutes, joint resolutions, regulations, etc., which with some court opinions, number 264 during the period commenced March 6, 1933, to Oct. 10, 1940, both inclusive. Some of the Acts amend or repeal prior Acts without specifically mentioning them; the U. S. Revised Statutes are sometimes amended, e. g. sec. 3700. It almost looks as though only the fabled Philadelphia lawyer could know the law!

Then there is economics, alone a subject for a Prof., Ph. D.!

Lastly, I should say most important, morals alias ethics which, perhaps, requires a Rev., S. T. D.

Ignorance of what it is one's duty to know is one of the most injurious errors (sins, theists would say).

Apparently it is the duty of a voter to master the abstract, abstruse and philosophic theories of the Doctors of three different branches of learning! Are we all damned? No, the law of God is written in men's hearts, conscience. Almost anyone can understand the proposition that the dollar is 15 5/21 grains of gold 0.9 fine and that if the gold is not paid, when dollars are promised, it is against common morals! "Clearly canst thou see that evil leadership is the cause which hath made the world sinful and not nature that may be corrupted within you."—(Dante, Purgatory, XVI, 103.)

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Barnes-Turley Admits Schultz, Tegtmeyer

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL. — George W. Schultz and William H. Tegtmeyer have been admitted to partnership in Barnes & Turley, 120 South La Salle Street. Mr. Tegtmeyer was formerly an officer of Allen, Swift & Co., Inc. Mr. Schultz was manager of the trading department for Carter H. Corbrey & Co.

U. S. Global Foreign Trade Policy

By CLAIR WILCOX*

Director, Office of International Trade Policy, Department of State

State Department official lays down as fundamentals of United States trade policy (1) larger volume of international trade; (2) U. S. foreign trade carried on by private enterprise; (3) multilateral rather than bilateral trade; and (4) elimination of trade preferences. Outlines proposed charter for International Trade Organization, and contends we do not propose to abandon tariffs or to exploit undeveloped and small countries. Commends initiative of U. S. in seeking to establish a broad foreign trade policy, and holds principles may be difficult to enforce but not impractical under present international situation.

There are three generalizations concerning American diplomacy that must be known to every school boy. The first is that foreign



Clair Wilcox

diplomats are exceedingly clever, that American diplomats are not very bright, and that when the two sit down together the Americans invariably lose their shirts. The second is that diplomatic negotiations are always, so shrouded in secrecy that the American people cannot discover how badly they are being sold out. And the third is that these negotiations are usually accompanied by a flood of propaganda, at considerable expense to the taxpayer.

All of these things you will doubtless hear, again and again, as this Government enters into the preparatory meetings leading

*An address by Mr. Wilcox before the 280th Meeting of the National Industrial Conference Board, New York, Sept. 28, 1946.

up to the World Conference on Trade and Employment that are planned for the coming months. In order that you may be adequately prepared for the loss of your shirts, the impenetrable silence, and the noisy propaganda that lie ahead, I should like to give you some indication of just what your Government is up to.

Fundamentals of United States Trade Policy

The international trade policy that has been espoused by the United States is based upon four fundamental principles. First, we believe that the volume of international trade should be large—larger, certainly, than it was between the wars. Second, we believe that international purchases and sales should be made, at our end of the transaction, at least, by private enterprise. Third, we believe that trade should be multilateral rather than bilateral. And fourth, we believe that it should be non-discriminatory. I should like to examine each of these propositions in turn.

First, I have said that the volume of international trade should (Continued on page 1673)

Automotive Industry Beset With Difficulties: Sloan

Chairman of General Motors, in discussing the importance of motor transport and motor industry in the national economy, asserts indifferent workers take place of effective workers, work stoppages take place of continuous operation, and absenteeism takes place of full service. Says solving strictly economic problems with a national political formula will not work, but expresses confidence in future.

Addressing the opening meeting of the National Highway Users Conference in Washington on Sept. 26, Alfred P. Sloan, Jr., Chairman



Alfred P. Sloan, Jr.

of the organization and Chairman of the Board of General Motors Corporation, stated that the automotive industry, despite the heavy demand for its products, is beset with difficulties arising mainly out of deterioration of its workers.

"As a representative of the automotive industry," Mr. Sloan said, "I do not know how many times I have made the observation down through the years, that next to food, shelter and clothing, the motor car in its various forms, has had the first lien on the purchasing power of the consumer. Although this preference may be said to have both its social as well as its economic components, our experience in the war has fully demonstrated, I believe—even if the fact needed demonstration—that the social side, however important and useful it may be, is really a by-product. The fact stands out crystal clear that the American economy as now consti-

tuted, can not function without the motor car, the motor truck and its supporting services. Many communities, even those embracing large aggregations of people—particularly those of more recent development—have been built around the motor car as a means of transportation. It is indispensable. In over 54,000 smaller communities the motor vehicle is the sole means of contact.

"All this is not new," he continued. "Most of us realize it from our own experience and observation. But we do not always stop to appreciate, because it is less apparent, how dependent we are in the effective capitalization of this instrumentality of social and economic progress on the highway and its problems of safety, adequate capacity, flexibility and convenience. The problem of the highways is in many areas—more than we appreciate—most acute, even today. And as of tomorrow, if we succeed in adopting such national economic policies as will permit the maintenance of the higher national incomes we have hopes of obtaining and which scientific progress offers us, the resulting increase in our standard of living must, of necessity, reflect itself in an increased automotive population as compared with pre-

(Continued on page 1679)

Management's Future In Labor Relations

By GORDON L. HOSTETTER*

Director, The Employers' Association of Chicago

Asserting that under unequal labor laws, management is helpless, Mr. Hostetter attacks Wagner Act as an instrument of labor warfare, engendering suspicion and hate. Warns present untractable attitude of labor unions is destroying labor organizations as well as free enterprise. Sees need of a rebirth of goodwill, sympathetic understanding and cooperation to replace suspicion and hatred "born of incessant propaganda and governmental sharpshooting" by way of restrictive and unequal laws to obtain labor-management harmony bringing bigger things to both.

If the present trend in labor relations continues for any considerable time and if this trend continues to be supported by a governmental policy



Gordon L. Hostetter

looking to the support of organized labor, regardless of its responsibility or lack of it, management, as we are accustomed to view it, has no future. In a considerable part of our economic structure it has already ceased to exist from the standpoint of any effective control or influence over the people to whom it provides jobs. Control, in the absolute sense in many instances, has passed into the hands of labor unions which, in some cases at least, are manipulating it in a way that appears designed to divorce labor completely from any sympathetic understanding of the fact that its interest is inextricably interwoven with that of management. In fact, it can be conclusively shown that some segments of our labor union edifice seek the destruction of our private enterprise structure and its replacement by a system of state or socialist control from which management, as we now know it, would be completely removed.

Management Helpless
Management is without effective means of combating this situation. (Continued on page 1685)

*An address by Mr. Hostetter before the National Association of Personnel Directors, Chicago, Ill., Sept. 20, 1946.

Officials of Bank And World Fund

(Twenty Second of a Series)

Y. T. SHEN

Executive Director of the Bank

Mr. Shen Yuen-ting, 51-year-old Chinese executive director of the World Bank, is not only an old hand at finance but to his skill at banking adds the experience of educator and editor. Since China is one of the "Big Five" BW countries, Mr. Shen's post is an appointive one.



Y. T. Shen

Shen was born in Chekiang Province and educated first in China, at Fuh Tan University, Shanghai, and later in the United States. During World War I he studied at the University of California. In 1919 he graduated from the School of Business at Columbia University, where he studied under the late Prof. H. Parker Willis.

Holding the degrees of B.S. and M. S., Shen following his return to China became professor and dean of the College of Commerce of Southeastern University, Shanghai, positions he held during 1922-24. During the latter year Mr. Shen also served as editor of the Shanghai Bankers' Weekly.

Commencing in 1925, and continuously to date, Mr. Shen was sub-manager of the Continental Bank, Ltd., at Shanghai. Distinguished in Chinese business circles, Shen is director of various companies, including the National Commercial Bank, Ltd., Shanghai; The Kiuan Commercial Bank, Ltd., Shanghai; the Kwan-chin Cotton Mill, Ltd., Wusih; the Kwanfoong Flour Mill, Wusih, and the Union Real Estate Co., Ltd., Shanghai.

Trapped in Shanghai by the invasion, Mr. Shen throughout the war was unable to leave Japanese-controlled territory. His appointment to the World Bank was made by the Chinese Government in March.

Holds Cash Basis Cushioned Stock Market Break

The October issue of the "Monthly Review of Credit and Business Conditions" of the Federal Reserve Bank of New York analyzes the effects of the recent stock

market break and takes the view that the enforced cash basis for security trading of the stock exchange was a factor in mitigating the adverse effects on business.

Commenting on the situation the "Review" remarks that the sharp downturn in stock prices during the past month carried the average level, measured by the Standard and Poor's Corporation index in 402 stocks, down by about 12%, and, added to the gradual recession of the three preceding months, made the total fall from the peak at the end of May about 21%. Many individual stocks and groups of stocks, of course, had much greater drops from their peak levels. A "correction" of some magnitude at some time before the end of this year had been rather generally expected, in view of the almost uninterrupted rise in the general level of stock prices for four years, but the extent of the fall was apparently greater than had been anticipated.

Continuing, the "Review" concluded:

"Because transactions on the stock exchanges have been so largely on a cash basis, the repercussions of the decline in stock prices on business activity can hardly be as great as on some occasions in the past when credit

was much more extensively employed. The reduction of bank loans for the purpose of purchasing or carrying stocks has been negligible, in contrast to past periods of severe stock price declines when wholesale repayment of security loans brought about a substantially larger contraction in demand deposits. Consequently, the substantial decline in security prices has not brought about any material reduction in the aggregate volume of liquid assets at the disposal of the public. Since the turnover of securities in a cash market merely results in a shift in the ownership of cash assets, the vast reservoir of purchasing power remains unchanged. Some individuals, however, may own more and others less, depending upon whether their trading in stocks has resulted in profit or loss. The main questions concerning the effects of the fall in stock prices on business are whether it will induce a more cautious attitude on the part of business and the general public with respect to expenditures and commitments, and how long it will prove to be a serious obstacle to needed business financing through new security issues."

Reports Quality of Business Deteriorating

Business Survey Committee of Purchasing Agents, headed by Geo. E. Price, give composite view that much business is not profitable. Say price increases are slowing down and that inventories are improving.

A noticeable decline in the number reporting better business is evident, says a report on a survey of industrial purchasing opinion issued by a committee of the National Association of Purchasing Agents, headed by Geo. E. Price of the Goodyear Tire & Rubber Company. While the volume of business continues good, the quality of business seems to be deteriorating, says the report. Much business is not profitable. Many companies, even with a larger volume, are doing well to break even on costs.

Labor problems and unsettled international affairs seem gradually to retard further improvement in business. Expansion in production is directly hampered by the lack of necessary materials and fabricated parts. Backlogs of orders seem to be still on the increase. Many buyers believe this situation is dangerous and may spell trouble for many firms if not carefully watched.

(Continued on page 1658)



George E. Price, Jr.

Labor problems and unsettled international affairs seem gradually to retard further improvement in business.

Labor problems and unsettled international affairs seem gradually to retard further improvement in business.

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Utility Earnings Gains Tapering Off

For the month of January, 1946, all Class A and B electric utilities showed a gain of 41.0% in net income as compared with the previous year. In February the increase was 34.7% and for the first quarter 39.3%. In April the percentage remained at 32.4% but in May dropped to 20.2%; June showed only 15.1% gain, but July rose again to 20.6%.

The income statement of the electric utilities includes a number of variables. Residential and industrial revenues are about equal, each about 174% of net income in July, while commercial sales are somewhat smaller and miscellaneous sales less important. On the outgo side, labor costs are now most important, amounting to 122% of net income. Miscellaneous expenses and taxes come next in importance, each being roughly equal to net income. Fuel now amounts to about four-fifths of the amount of net, depreciation somewhat more than one-half, and fixed charges (including amortization) approximately one-half. Changes in these ten factors should all be considered in trying to forecast the trend of net earnings.

Residential revenues seem bound to show further gains as new residential construction and the use of new appliances gradually enter the picture.

The commercial gain seems less assured; the big increase already registered (see accompanying

table) was due largely to removal of "brown-out" and other restrictions on display lighting. Industrial revenues, currently running behind last year due to the loss of the special wartime load for producing aluminum, etc., seem likely to recover moderately when bottlenecks are straightened out and strike activities wane, unless there is a decline in consumer demand for goods—which appears unlikely. The trend of miscellaneous revenues is harder to forecast.

Turning to the expense side, fuel costs seem likely to show some further increase as bigger coal bills are more fully reflected. Also, hydro-electric conditions were very favorable last year and this condition is unlikely to continue. Labor costs are already running heavily over last year, reflecting employment of returned servicemen, plus wage increases probably averaging 15-20%. As indicated by the Pittsburgh strike, labor troubles are not yet over and some further increase in this

item seems probable, particularly if utility employees share the trend toward decreased efficiency which is evident in other industries.

As regards depreciation, this item has been on a relatively high level as compared with past years. Substantial write-offs of plant account, together with changes in appreciation theories, may result in some further reduction in this item. There is also some saving due to the ending of accelerated war-time amortization. The utilities will do well if they can continue the 1946 level of earnings in 1947.

The utilities have benefited very heavily by reduced taxes this year, as reflected in the July decrease of 16% for all taxes, and also the reduction of 18.6% in amortization and 11.7% in other income deductions (the latter items were unusually heavy last year and served as an offset to taxes). This benefit will continue through 1946 and the rate of saving may increase at the year-end, since charge-offs last year were heavy.

Interest charges will continue to run below last year but as new refunding operations have been checked by the decline in the markets, increased savings this year may be small and the rate of decline may taper off somewhat.

Summarizing, the anticipated gain in residential revenues and recovery in industrial sales must be balanced against delayed rate cuts and against further increases in fuel and labor costs. Miscellaneous costs (largely materials) may also increase as a result of price advances permitted by OPA. If the gain in costs can be held to an average of 5% over the July level, it might be offset by gains in residential and industrial revenues, together with some further slight savings in interest charges and preferred dividend requirements. While this year's rate of gain in net income may taper off during fall, December should make a good showing. After that the monthly comparisons may be somewhat irregular.

Our Constitution in Danger!

By J. REUBEN CLARK, JR.
Former Ambassador to Mexico

President, Foreign Bondholders Protective Council, Inc.

Prominent industrialist and jurist outlines distinction between old Roman and Common Law or Constitutional concept of government. Points out although we adopted Common Law concept, alien ideologies are disrupting our form of government and are undermining separation of its Executive, Legislative and Judicial branches. Cites instances in which Federal Executive power is usurping both individual liberties and local jurisdictional freedom and contends such usurpations are not due to war necessity. Asserts subversive elements plan building a soviet regime by creating chaos in our government.

There are two basic judicial systems in the so-called civilized world today: The Common Law system and the Roman or Civil Law

system. In their elemental concepts these two systems are as wide apart as the two poles; indeed, they are opposite and directly hostile, the one to the other. They cannot live together in peace; one or the other must prevail.

First, then, is the Common Law system which has its highest development in the Constitution of the United States. Here the sovereignty, the ultimate, final authority, rests in the people themselves. They rule through appointed representatives to whom they delegate power and



J. Reuben Clark, Jr.

authority. They choose their agents or representatives who are to make the laws, those who shall judge the laws and those who shall execute them.

Each of these three groups is guided as to general principles by a written constitution, framed and adopted by the people themselves, which bestows upon each group the powers, duties and responsibilities which the people wish each group to have and to exercise. These agents or representatives have and may exercise only the rights and authorities which the people have conferred upon them. If they exercise any others, they are usurpers and their acts are illegal. All the residuum of power rests in the people.

The legislative branch shall enact the law, but only such laws and only on such subjects as the people have authorized by their constitution. It may not judge or enforce the law.

The judicial branch of government is set up to interpret con-

(Continued on page 1384)

*Radio address by Mr. Clark over Station KSL, sponsored by the Sons of the American Revolution, Salt Lake City, Utah, Sept. 17, 1946.

Army Lost \$50,000,000 to GI Exchange Operators

By HERBERT M. BRATTER

Correspondent cites payments of Allied Military marks, which will represent dead loss when monetary reform plan is adopted. Alleges profiteering in German "loot" at U. S. expense.

BERLIN, GERMANY—In an article in the "Chronicle" last November and on other occasions, the writer has reported on the fact that the GIs and Army officers

abroad—including some of fairly high rank—have been the beneficiaries of the loose foreign-exchange business so long conducted by the Army in this and all other theatres of war.

How much that laxity and financial unpreparedness cost the taxpayer, up to the introduction this month of dollar-denominated military currency for the use of American personnel, no one has been officially informed. However, the writer can state that the total here has been not less than \$50,000,000.

GIs and officers have acquired allied military currency from the people of the occupied and liberated countries through the sale at fantastic prices of, for a time, wrist watches, and all along of cigarettes. For a long time, as related in a recent dispatch, they could get their money converted into dollars with no or little trouble.

The writer learns that, exclusive of the Russians, who printed unknown but certainly very large amounts of the Allied Military notes from American-made plates, there were printed for the other powers 20,000,000,000 reichsmarks of Allied Military marks. Of these, however, only about 3½ billion marks were used. Today the American Army is estimated to hold a cash balance of 1½ billions of Allied Military marks, which are no longer used by American personnel, having been replaced by the new dollar scrip.

The United States Army in all paid out about 6 billion marks of the Allied Military marks and received from GIs, officers and civilians 6½ billions, or 500,000,000 marks more than it paid out. How much of this amount represents Russian printed Allied Military currency the writer does not know, but the whole amount will represent a dead loss to the United States upon the adoption of a monetary reform plan, such as the American plan at present under quadripartite discussion.

Some persons here deplore the breakdown of American morals involved in profiteering in German "loot" at Uncle Sam's expense. The amount of the profit is believed to be very substantially in excess of the 500,000,000 marks, or \$50,000,000 at the military rate of exchange. Not only did the boys send home \$50,000,000 more than their pay; but they also in many cases lived practically free at the American Government's expense for many months, buying at commissaries and PXs Army-imported American goods purchased by the government in the States for dollars, with Allied Military marks acquired by the personnel so facily under the currency system managed, or rather not managed, by the War Department at home and the Army abroad.

The full story can only be obtained in the Pentagon Building in Washington.

Thurlo Purdy With Kidder, Peabody & Co.

Kidder, Peabody & Co., 17 Wall Street, members of the New York Stock Exchange, announce that Thurlo Purdy has become associated with the firm after termination of over three years army service. Mr. Purdy, formerly with Yeager & Anderson, Inc., investment counsel, has been in the investment business for nearly 15 years and had previously been with Kidder, Peabody & Co. from 1929 to 1931.

Investment Cos. Ass'n. Elects Robt. MacGregor

Robert E. MacGregor of Minneapolis, President of Investors Syndicate and its affiliated open-end investment funds, Investors Mutual Inc., Investors Selective Fund, Inc., and Investors Stock Fund Inc., has been elected a member of the executive committee of the National Association of Investment Companies for a three year term, according to an announcement made here today by the association's office.

Neville, Rodie & Co. Admit Arthur Allen

Neville, Rodie & Co., 522 Fifth Avenue, New York City, members of the Investment Counsel Association of America, announce that Arthur E. Allen, Jr. has been admitted to general partnership in the firm.

SALES, REVENUES AND INCOME OF ELECTRIC UTILITIES				
	12 mos. end. July 1946	Per Cent Increase	Month July 1946	Per Cent Increase
Sales of Electric Energy (millions Kwh):				
Residential Service	29,433	12.6	2,305	12.2
Commercial Service	24,322	11.4	2,129	13.0
Industrial Service	83,610	*17.1	7,275	*10.1
Other Sales to Ultimate Consumers	19,521	*6.3	1,613	*4.6
Sales to Other Electric Utilities	38,147	*2.4	3,228	1.8
Total Sales of Electric Energy	195,033	*6.6	16,550	*2.0
Revenues:				
Residential Service	988,788	7.8	77,547	5.9
Commercial Service	716,151	10.7	60,684	11.2
Industrial Service	894,221	*11.0	77,449	*5.4
Other Sales to Ultimate Consumers	303,419	*1.7	25,661	*0.5
Sales to Other Electric Utilities	244,258	*2.9	21,682	5.9
Other Electric Revenues	35,638	69.7	3,226	13.2
Total Electric Operating Revenue	3,182,485	1.0	266,249	2.9
Operating Expenses and Taxes:				
Fuel	365,762	*8.1	35,014	7.8
Salaries and Wages	578,143	11.3	54,308	22.0
Other	547,568	3.7	44,979	*0.5
Depreciation	315,901	*0.4	25,382	*4.5
Taxes	556,274	*14.6	45,541	*16.0
Total Deductions	2,363,648	*2.1	205,224	1.1
Net Electric Operating Revenues	818,837	11.3	61,025	9.6
Gross Income (including misc. oper.)	943,140	11.4	66,253	8.6
Income Deductions:				
Interest on Long Term Debt	199,328	*9.4	15,955	*7.9
Amortiz. of debt disc., premium & exp.	46,155	*14.1	2,083	*18.6
Other Income Deductions	81,623	20.1	3,738	*11.7
Total Income Deductions	327,106	*4.3	21,776	*9.7
Net Income	616,034	22.1	44,477	20.6

*Decrease.

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Sterling-Continental Exchange Rate gyrations

By PAUL EINZIG

Noting discrepancies between the official and actual exchange rates of the British pound in Europe, Dr. Einzig cites instances in which profits are made by exchanging pounds for French francs in Paris and using the proceeds to repurchase pounds in Switzerland. Holds situation is due to lack of confidence of French in stability of the franc and the prohibition of Britain against import of sterling notes. Says slogan, "a pound is a pound" is sadly shaken.

LONDON, ENG.—British travelers who spent a holiday on the Continent—the first since the war—are returning with their confidence in the



Paul Einzig

insular saying "a pound is a pound" sadly shaken. Having traveled in France, Switzerland, Italy and other countries, their experience with pound notes has left them utterly bewildered, and completely perplexed about the mysteries of the exchanges.

If an Englishman goes to Paris he finds that his pound notes fetch considerably more francs than the official rate of 480 which he receives for his Travellers' Checks. On the other hand, if he crosses the Swiss border he discovers that his pound notes fetch some 10 Swiss francs only, compared with the official rate of 17.34 he receives for banking remittances. In other words, while in Paris the pound is worth 25 shillings or more, in Zurich it is only worth 12 shillings or less.

The explanation of the unfavorable rate of pound notes in Switzerland lies in the war-time prohibition on the reimport of pound

notes into Britain. It was adopted in order to make it more difficult for Germans to unload the pound notes they looted in conquered countries, or to use them for financing subversive activities in Britain. Under war-time control this measure was enforced with reasonable efficiency. Travelers or sailors were only allowed to bring with them £10 in Bank of England notes. As a result, demand for the notes was small, and they depreciated considerably. Their value fluctuated with the Allied military prospects. From 1943 onward it was inclined to rise, owing to the assumption that after the Allied victory it would be possible to return these notes to Britain. This anticipation has not materialized, however.

So far from being repatriated, the "exiled" pound notes have increased in quantity, owing to the fact that many Englishmen traveling abroad supplement the officially permitted annual quota of foreign exchange of £75 per head, by smuggling out pound notes. Hence the weakness of the rate in Switzerland.

The same factor does not materially affect the value of pound notes in France, where there is a strong hoarding demand for them. French people, distrustful of their

(Continued on page 1695)

need. The result is of course a stalemate, and there are no signs of its termination. And for the Russians Germany continues to be a grabbag, as Americans see it.

The Russians have instituted in their Zone an economic system not dissimilar to that in the USSR. By freezing bank deposits completely at the outset, they put pressure on people not possessed of a supply of currency to go to work. In the other zones the bank accounts were not frozen, even partially, except for those of Nazis and Nazi organizations. On the other hand, the Russians have undoubtedly issued a large amount of banknotes in their Zone. How much they have put into circulation they have never permitted the other governments to learn.

At any rate, the workman in the Russian Zone has a job. He gets paid in marks, and he can get rations for himself and his family. It is estimated that in the USSR's Zone industry in general is 60% operative, as compared with about 30% in the American Zone, an American official stated to the "Chronicle." In their Zone, he added, the Soviets are believed to be taking into Russia between 80 and 90% of the industrial output. The effect on the German workman there is very interesting, he continued. The workman gets food and fuel—but in real wages he receives very little, as for example in luxuries or transport.

The same, of course, is true in the Western Zones of Germany today.

Concerning the German workman's attitude toward the Russians, my jeep driver yesterday told me that he lives in the Russian sector of Berlin. I asked him why he does not work there, instead of driving a jeep for OM-GUS in the American sector of Berlin. He answered that he received only very small wages—1.07 reichmarks per hour—but he gets from the Americans one warm meal a day, very savory and nourishing, although "not enough." This is his chief reason for working as a jeep driver. But besides, the Russians might put him to work cleaning away rubble or even deport him, as happened to a number of persons he knew in the Russian part of town.

American officials here feel that the American delegation has made a greater effort than any other to secure Allied unity in Germany, but that the French throw a monkey wrench into the machine at every opportunity. The observation concerning the French is to be heard in non-American circles as well.

From a German source reportedly friendly to the British comes indirectly the criticism of British administration in their Zone, to the effect that there is too much bureaucratic interference with German life. They report that in the British Zone there is a growing sullen hostility toward the UK, and workmen in that Zone watching from a distance what is taking place in the East of Germany are drawing comparisons not favorable to the British rule.

Inconsistencies of Our Foreign Trade Policies

By O. GLENN SAXON*

Professor of Economics, Yale University

Economist, scoring government cartels as endangering Bill of Rights and destructive of our free enterprise economy, attacks State Department as "fiddling around" with tariff reductions, reciprocal trade agreements, empire preferences and other discriminations. Holds coffee compact, which constitutes a treaty obligation, is a Fascist monopoly arrangement, the cost of which is borne by American taxpayers. Cites other commodity agreements and cartels, both American and foreign, and says they are doomed to collapse. Sees solution only in a firm stand against cartels and preferences by State Department; otherwise "the atomic war for world domination is inevitable."

The discussion tonight has centered largely on tariffs, reciprocal trade agreements, international trade balances and discriminations in trade. Practically nothing has been said on government commodity cartels which are more destructive of public interest than are other unfair practices in international trade. It will pay us to "look at the record."



Dr. O. Glenn Saxon

The Inter-American Coffee Agreement between the U. S. and 14 South American republics, now in its fifth year of operation, has established a pattern for government cartelization of all basic commodities in international trade.

Similar programs for 40 or more vital staples will be presented shortly to the United Nations. Their sponsors will plead that worldwide "emergencies," social justice, or economic stability demand their adoption. Only last week the Food and Agricultural Organization of United Nations declared for international control of "production,

*An address by Prof. Saxon before the 280th Meeting of the National Industrial Conference Board, New York City, Sept. 26, 1946.

utilization, and distribution of the basic foods—and for stabilizing agricultural prices at levels fair to producers and consumers alike." That plea has always been the justification for all past schemes, as temporary programs. In each case, however, they have become permanent and increasingly fascist devices to throttle all private enterprise and stifle all competition in international markets.

Dangers Inherent in Government Cartels

Washington, while giving lip-service to elimination of international trade barriers and condemning private cartels, is reported to be condoning, if not supporting, the revival and expansion of the many prewar government commodity cartels, all of which were miserable failures in long-range planning. They were far more destructive of public interest, national and international, than all tariffs, empire preferences, and discriminations. As for private cartels, they have been regulated here since 1918 to permit the United States to secure its share of world trade, with all such agreements approved by the Federal Trade Commission.

Unless world opinion is sufficiently aroused to the totalitarian aspects of these governmental control schemes, they will be forced upon an unsuspecting world public as slyly and effectively as the atomic bomb.

(Continued on page 1682)

Four Power Relations in Berlin

Special to the "Chronicle"

Soviet regarded by Americans as violating Potsdam Agreement by removing 80-90% of current output, and making of Germany a grab-bag. French also block Allied unity. Germans regard British as over-bureaucratic.

BERLIN, GERMANY, Oct. 2, 1946.—Conversations with top-flight Americans here disclose that in Berlin official contacts with the Russians are on a very

friendly plane, quite in contrast with relations on other "fronts." These Americans when asked always report that they and the Russians get along extremely well. The major source of friction in the quadripartite governing of Germany, one gathers, is France.

One high official expressed to the writer the view that the Soviets are pursuing here a political line in direct conflict with their own necessities. Logic, he said, dictates that the Russians obtain from Germany every shoe, every shirt, every machine-tool possible. The Russians started by taking out industrial equipment. But when they got the factories into Russia, they found that they lacked the trained workers to operate them. So they decided to take from Germany current output in addition. The Potsdam agreement is a little vague on whether current output can be applied toward reparations.

However, the American view is that Potsdam calls for a common pooling of German export proceeds. This was agreed to by the USSR. Now the USSR has violated this agreement by taking from her zone current output. This has raised the whole question of Germany's economic unity, as the American officials here see it.

Although we committed ourselves to send factories from our zone to Russia as reparations, and we stand by that commitment, we

are not going to finance reparations to Russia by allowing the syphoning into that country of a large part of Germany's export proceeds while Germany is not self-supporting. To do that would mean that we should continue indefinitely to subsidize the German economy through goods and services supplied from America. The same applies to the UK and the British Zone of Germany. The whole question of a future self-sustaining Germany is at issue.

The Russian attitude on all this is expressed by Marshall Sokolovsky here is: Come what may, we will get from Germany all we

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Dealer-Broker Investment Recommendations and Literature

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

The Break—Why? How?—Analysis of present market situation and discussion of the outlook—J. F. Reilly & Co., 40 Exchange Place, New York 5, N. Y.

New York City Banks—Comparison and analysis of 19 New York City banks for the third quarter of 1946—Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y.

Railroad Equipment Certificates—Valuation and appraisal—Stroud & Company, Inc., 123 South Broad Street, Philadelphia, Pa.

Also available are valuation and appraisal of **City of Philadelphia Bonds**, and a compilation of **Pennsylvania Legal Bonds**.

Aerona Aircraft—Memorandum—J. F. Reilly & Co., Inc., 40 Exchange Place, New York 5, N. Y.

Also available are the following reports: Aetna Standard Engineering Co.; American Forging &

Socket Co.; American Phenolic Corp.; Automatic Signal Corp.; Barcalo Manufacturing Co.; Bowser, Inc.; Clyde Porcelain Steel Co.; Commercial Shearing & Stamping Co.; Common Sense; Consolidated Industries, Inc.; The Cross Co.; John Doe Market Letter; Doing the Impossible; The Drackett Co.; Drico Industrial Corp.; Allen B. Dumont Laboratories; Dunningcolor Corp.; Eastern Engineering Co.; Empire Steel Corp.; Executives Tell Us That; Foundation Co.; General Industries Co.; General Machinery Corp.; General Panel Corp.; Golden Crown Mining Co.; Great American Industries; Gruen Watch Co.; Highlights of Wall Street; International Detroit Corp.; Kellet Aircraft Corp.; Losses in a Bull Market; McBee Co.; Moxie Co.; New Security Issues; Piper Aircraft Corp.; Plastics Materials Corp.; Profitable Capital Protection; Samson United Corp.; Silver Creek Precision Corp.; Soya Corporation of America; Stromberg Carlson preferred; U. S. Sugar Corp.; Vinco Corp.; Virginia Dare Store Corp.; War; and Wellman Engineering Co.

American Equitable Assurance Company and New York Fire Insurance Company—Comparison of two fire-marine insurance stocks which are considered particularly interesting by White & Co., Mississippi Valley Trust Building, St. Louis 1, Mo.

American Insulator—Memorandum—Peter Barken, 32 Broadway, New York 4, N. Y.

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.; Hartford Empire; Lanova Corp.; Mohawk Rubber; and Taylor Wharton Iron & Steel; Barcalo; Haloid; American Window Glass; Purolator Products; Upson Corp.; Alabama Mills.

Birmingham Electric Co.—Analysis—Ira Haupt & Co., 111 Broadway, New York 6, N. Y.

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

Also available are studies of Dwight Manufacturing Co. and Purolator Products.

Central Public Utility 5½% 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.

Cherry Rivet Company—Analysis—L. D. Sherman & Co., 30 Pine Street, New York 5, N. Y.

Chicago & North Western Railway—Late developments and outlook—Vilas & Hickey, 49 Wall Street, New York 5, 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.**

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

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

Also available are memoranda on **Bird & Son, Inc.** and **Northern Indiana Public Service**.

Federal Water & Gas Corp.—Memorandum—J. G. White & Co., Inc., 37 Wall Street, New York 5, N. Y.

General Public Utilities Corp.—Memorandum—G. A. Saxton & Co., Inc., 70 Pine Street, New York 5, N. Y.

Greyhound Corporation—Circular—Hicks & Price, 231 South La Salle Street, Chicago 4, Ill.

Also available are memoranda on **The Chicago Corp.** and **The Muter-Co.**

Gulf, Mobile & Ohio Railroad—Analysis—R. H. Johnson & Co., 64 Wall Street, New York 5, N. Y.

MacFadden Publications—Circular—C. E. de Willers & Co., 120 Broadway, New York 5, N. Y.

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

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

Public National Bank & Trust Co.—Analysis—C. E. Unterberg & Co., 61 Broadway, New York 6, N. Y.

Public Service of New Jersey—Memorandum on current developments—Ralph E. Samuel & Co., 115 Broadway, New York 6, N. Y.

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

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.

Serrick Corp.—Analysis—Sills, Minton & Co., Inc., 209 South La Salle Street.

Sheller Manufacturing Corp.—Recent report—Mercier, McDowell & Dolphyn, Buhl Building, Detroit 26, Mich.

Southern Advance Bag & Paper Co.—Report on common stock with reference to possibilities for appreciation and increased income return—Boenning & Co., 1608 Walnut Street, Philadelphia 3, Pa.

Trane Co.—Special memorandum—Walston, Hoffman & Good-

win, 265 Montgomery Street, San Francisco 4, Calif.

Also available is a special report on **Belden Manufacturing Co.**

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

Utica & Mohawk Cotton Mills, Inc.—Circular—Mohawk Valley Investing Co., Inc., 238 Genesee Street, Utica 2, N. Y.

High Lights and Side Lines On the NSTA Convention

By the "Financial Chronicle's" Roving Reporter, EDWIN L. BECK

The pre-Convention cocktail party of **Lebenthal & Co.** was very well attended. Mr. and Mrs. Lebenthal kept everybody happy with delicious sandwiches and tall ones at the Savarin Restaurant from 2:30 until the train left at 4:45 p.m. His son **Jim** was on hand to take candid shots. Many thanks to the host and hostess for keeping up the spirits of all till train time.

Abe Strauss of **Strauss Bros.**, New York City, handed all of the ladies beautiful rose corsages to start the trip off from New York in the proper mood. It was a sweet thought, **Abe**.

Jerome F. Tegeler, **Dempsey-Tegeler & Co.**, St. Louis, Mo., said he was giving out tickets for shower baths. **Harold Smith**, (The Senator) from **Collins, Norton & Co.**, New York, was the first up to Jerry. He took one look at this big man and said, give him two tickets.

Mrs. Ora Ferguson, manager of the trading department for the Louisville, Ky. office of **Merrill Lynch, Pierce, Fenner & Beane**, had all the boys giving up their badges to her. She was bedecked with decorations proving her popularity with the boys.

"**Chet**" de Willers of **C. E. de Willers & Company**, New York, when asked for something hot by your reporter in the Milwaukee diner, which is air-conditioned, replied, "How can I give you anything hot here?"

The ladies say thanks to the Chicago, Milwaukee, St. Paul and Pacific Railroad for the lovely chrysanthemum corsages.

The boys say thanks for the luscious menus and courteous service to **L. A. Simmons**, the smiling steward.

The Boston boys started their campaign on September 14th to get the Convention to their city—the electioneering, complete with pins reading "BOSTON INVITES YOU," was most successful, since the 1947 Convention is now officially scheduled for Boston.

Myrt Parsons, the attractive wife of **Edward E. Parsons, Jr.**, Wm. J. Mericka & Co., Inc., Cleveland, wore boxing gloves to beat the wolves off.

Sam Magid, Hill, Thompson & Co., was somewhat confused by the change of time—he asked the dining car steward for the time and when told 6:50 p.m., replied, "Then I'm not hungry yet."

Lee Sherman, L. D. Sherman & Co., New York, declared the market was going up! What is that declaration based on, Lee?

Lou Walker, National Quotation Bureau, set up a grocery business on the train. He stocked about everything—sandwiches, crackers, chocolate bars and cokes—serving with a snappy white jacket that fit him to a T.

The traders donated the funds for an ice cream party for the children of the St. Charles Roman Catholic Church, Bowman, North Dakota, for the patience of members in waiting at the station with their cars to take the group to services.

Steve McKeon, Charles W. Scranton & Co., New Haven, was under the wings of 14 wives, at the request of his own wife Mary—an arrangement she effected at the Lebenthal's cocktail party in New York. Most of the wives had double duty, watching their own wolves as well as Steve.

L. Gordon Miller, Miller & Patterson, Richmond, Va., and his wife Mary celebrated their 25th wedding anniversary on the trip.

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The anniversary is actually Oct. 24, but there's nothing like getting an early start on the celebrating.

B. W. Pizzini of B. W. Pizzini & Co., New York, introduced Mrs. Pizzini to one of the traders en route to Seattle. The trader cried, "Why this isn't the one you introduced at the New Orleans Convention!"

Eleanor Stolle, wife of Carl Stolle, G. A. Saxton & Co., New York City, was in the locomotive cab at Bowman, North Dakota, learning all the tricks of the trade. The engineer even gave his gloves to Eleanor. Woo! Woo!

Walter Saunders, Dominion Securities Corporation, New York, was busy advising us about the time our train would leave the Penn Station and taking care of all our needs. One trader rushed up to Walt and asked him if all our bags would get on the train O. K. "Yes," quipped Walter, "I'll see that all the wives are on board."

Dick Abbe, Van Tuyl & Abbe, New York City, bought his wife a 5c candy bar at a stop over. When he gave it to her he said, "The market is up two points today, so I can afford it, dear."

Jeff Horsfield, Wm. J. Mericka & Co., New York City, is unable to get along without his glasses—but is always misplacing them. The boys are thinking of getting him a seeing eye dog.

Robert Strauss of Strauss Bros., Chicago office, while sitting at the breakfast table in Portland, Oregon, took out a cigar, lit it and remarked "I'll soon let you know whether the fellow that gave me this is a friend or not."

Miss Louise Moseley, daughter of Vic Moseley, Stroud & Co., Philadelphia, just 20, and **Gloria Berwald**, 17-year-old daughter of Otto Berwald, Berwald & Co., New York, are two little peaches who added glamour to the group.

Elmer Weir, Brush, Slocumb & Co., San Francisco was Chairman of the reception committee at the Mark Hopkins Hotel. He and his committee did a splendid job. Room 1002 will long be remembered for its hospitality.

J. B. McMahon of Merrill Lynch, Pierce, Fenner & Beane, San Francisco, looks just like New York's Governor Dewey, and rates every courtesy along the way accordingly. He is a grand person to know if you want to see San Francisco in style.

James Cleaver, Goodbody & Co., New York, said upon leaving the train, "It will feel grand to get a bath again—really, I'm sick of this bird bath of mine."

Bill Thompson, Greene & Co., New York City, left some very attractive blotters around the hotels. They were made to resemble the New York License plates—came in handy for blotting all our checks along the way.

Richard O'Neill, of Fairman & Co., and **Larry Pulliam**, of Weeden & Co. were advance scouts for the Los Angeles party. He informed us of the change of schedule for Los Angeles. Because of the Culinary Workers strike (they have them there too), the cocktail party was changed from Thursday to Wednesday night and took place at the Ambassador Hotel in the Embassy Room. A good time was had by all at the party anyway. The program for the special stop-over included a tour to the beach via Beverly Hills (the men's tour for the moving picture studios had to be cancelled because of the jurisdictional strike); the party at the Ambassador, and on Thursday the ladies' party to "Breakfast in Hollywood" radio broadcast and return trip via Beverly Hills.

Irv. Manney, of Eisele & King, Libaire, Stout & Co., New York, sported a 10 gallon hat and sang real close harmony on songs of the pampas.

Roald A. Morton, of the Blue List in New York is to be congratulated for his kindness—it is said that he gave up his room at the Olympic in Seattle at 3 a.m. to a couple with a baby—free of charge—they had been sitting on the sofa in the lobby waiting for their connections to Alaska the following night.

John J. O'Kane, Jr., John J. O'Kane, Jr. & Co., New York, bought some very attractive silver bracelet and ring sets at the Grand Canyon. Who's the lucky girl, Johnny?

Harry Arnold, Paine, Webber, Jackson & Curtis, New York, sure has taste when it comes to sport clothes. Who's your tailor, Harry?

B. W. Pizzini, B. W. Pizzini & Co., of New York, should rate a lantern and cap for his splendid job of railroad directing from the New York end. He also saw to it that we knew where and at what time we were to report for our trains—to say nothing of our comfort en route.

Bob Huff, Butler, Huff & Co., Los Angeles, gave away very at-

tractive aprons from the Mexican Village to some of the ladies. Nice thoughtful gifts, Bob.

John F. McLaughlin, McLaughlin, Reuss & Co., New York, is an entertainer par excellence. If you're having a party be sure to include him in for fun galore. He does Russian dances, too, believe it or not.

Herb Blizzard, Herbert H. Blizzard & Co., Philadelphia is now a song writer. He composed and led the singing of the following (to the tune of "You Are My Sunshine") with a Swedish Accent:

"Thru Minn-ee-soo-tah and North Da-koo-ta
The Cascade Mountains, on to L. A.
The Dow-Jones Theory
Has got us weary
We're the Roamin' N. S. T. A."

George F. Opdyke, Ledogar-Horner Co., Cleveland, played the piano and amused us for hours. He is one grand scout.

Lee R. Staib, George Eustis & Co., Cincinnati, felt our trains must have been dragging an anchor as we were always one to three hours late.

Horace I. Poole, Eisele & King, Libaire, Stout & Co., New York was sleepy on the trains mornings. He claimed it was from the grid-dle cakes he ate at breakfast!

The BOSTON BOYS sported sailor caps en route to Victoria, B. C. They make fun wherever they go. Don't fail to sail with them in Boston waters next year. The Convention activities for 1947 will include a real clam bake.

The Convention may be in August 1947.

Method Devised for Forecasting Stock Trends

Study by Shields & Company finds new issue market gives signals of impending changes in course of prices for listed securities.

A new and simple method for forecasting stock market trends, by analysis of the new issue market, has been devised by Shields & Co., members of the New York

Stock Exchange, 44 Wall Street, New York City, and explained in a brochure published by that firm for distribution among its customers. It is based on the thesis that when most new issues are not being successfully distributed or when sold quickly decline from their offering prices, a major reversal in the upward trend of listed securities is imminent. The Shields Index provides this interpretation.

If this market theory is valid, it has the advantage of forecasting a coming change in trend without the time lag which marks the Dow and most other theories as merely registers of hindsight. Another advantage claimed for it is that the Index is easily read, whereas there is rarely any uniform agreement by Dow theorists as to when and if a bear signal has been registered.

Declaring that "there is a serious question as to how helpful the Dow theory is to the average investor, even assuming that it has been historically correct," the brochure points out that although stock market prices advanced in June, a reversal of trend was clearly indicated by the Shields Index for that month, whereas followers of the Dow theory did not get the sell signal from the charts until the end of August, when the industrial average had declined 28 points from the high established on May 29. Similarly, in 1937, the Dow theory sell signal

was given only after a decline of about 28 points in that average.

Shields & Co. first prepared their Index in the summer of 1937. It consisted of a compilation of all common and second grade preferred stocks issued between Jan. 1 and Aug. 1 of that year, the market price of each being checked against the original issue price. Again, last June a similar compilation was made of new issues since Jan. 1, and the Index was then analyzed to determine the over-all condition of the new issue market with a view to using this information to forecast the trend of the underwriting market and the market for listed securities.

Although the Shields Index had not been prepared in 1929, it is common knowledge that the market for new issues was reaching a stalemate in the early months of that year while prices on the Stock Exchange were continuing to advance. Similarly, the panic of 1903 was preceded by a plethora of what J. P. Morgan then described as "undigested securities."

While emphasizing the historical background for the theory that indications of a "jam in the distributing machinery" signal a downward trend in listed stocks, the brochure points out that the mere presence of a large volume of new issues does not indicate the end of a bull market. This large volume, it adds, may con-

tinue for several years, the important factor being to determine when the new issues have started to become unsuccessful.

"So long as new issues are readily distributed and their market prices continue to advance," the firm declares, "it is reasonable to assume that the public's appetite for securities has not been satisfied at current levels and that a bull market is still in progress."

The booklet contains a summary of new stock issues offered in June, with their offering prices and their market prices on July 1 and Aug. 1.

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Pennsylvania Brevities

President Harry B. Higgins has announced that Pittsburgh Plate Glass Co. will build a fabricating and assembly plant at Creighton, Pa., to produce the company's new "Twindow," a double-glazed, insulated window installation consisting of two or more plates, hermetically sealing an air space within.

The new plant will cost approximately \$750,000 and will adjoin the present plate glass factory. Construction will start as soon as plans are approved by the Civilian Production Administration. If materials are available, the plant is expected to be in production in eight months.

Wawaset Securities Company

This holding company, which owns 241,800 shares of Warner Co. common, has declared an initial dividend of 25 cents, payable Oct. 25 to stock of record Oct. 15. The dividend represents a redistribution of the October dividend of 15 cents per share declared on Warner Company. According to A. D. Warner, Jr., treasurer of Warner Company, the latter company's earnings for 1946 may exceed \$2 per share. The company is the dominant factor in the production, distribution and sale of sand, gravel, central-mix concrete and limestone products in the Philadelphia area.

Reading Company

R. W. Brown, president of Reading Company, estimates nine months net income at \$2,022,329, a decline of 69% from the \$6,523,092 reported for the comparable period last year. Mr. Brown's estimate is after all charges and taxes for the current year to date. It does not reflect any year-end adjustments for carry-back tax credits or credits which may be applicable from previous years.

Wage increases for the first eight months amounted to \$5,754,090 and accruals for retirement and unemployment were increased by \$370,500 for the same period. Higher freight rates granted by the Interstate Commerce Commission did not become effective until July 1 and were not reflected in earnings until about July 10.

The company's equipment building program is continuing. Of 1,000 box cars on order, 398 have been completed and present deliveries are running at the rate of about four cars a day. Seventeen out of 30 new locomotives ordered have been completed. All work is done at the company's shops at Reading. Bad-order freight cars of all types are at a low point of 2.5% while bad-order coal cars, at 1.8%, are the lowest on record.

Pittsburgh Consolidation Coal

Irregularities of coal movements in anticipation of, during and following the strikes, have resulted

in equally irregular earnings reported by Pittsburgh Consolidation Coal Co. thus far this year. The company reported earnings of 91 cents on its 2,118,335 common shares for the first quarter and 85 cents for the first six months. Reflecting the sharp pickup in shipments, third quarter earnings are estimated at \$1 per share.

Since June 1, earnings of the recently acquired Hanna Coal Co. have been included in the consolidated reports. If the final quarter holds at about the present level, the company's 1946 earnings will approximate the \$2.88 per share reported for last year.

Scranton Electric Co.

A quarterly dividend of 25 cents has been declared on Scranton Electric Co. common payable Nov. 1, to stock of record Oct. 9. A similar initial payment was made Aug. 1. The present declaration supersedes the management's original intention of placing the stock on a semi-annual basis.

Kellet Aircraft Corp.

Because of material shortages and uncertainties as to when necessary supplies may be obtained, W. W. Kellet, President of Kellet Aircraft Corp., has announced that the company is withdrawing from the commercial production field and will operate for the present only in the field of helicopter development, research and production. Company's present backlog, he indicated, is approximately \$6,000,000.

Briefs

Earl A. Skinner has been named general advertising manager of Bell Telephone of Pennsylvania to succeed Harold S. LeDuc, recently named vice-president in charge of public relations.

Pennsylvania Railroad Co. has placed orders for 1100 new box cars to be built at the company's Altoona plant. Specifications call for use of high tensile steel and include 100 cars of unusually large size equipped with newly developed devices making possible heavier and more secure loading of merchandise.

Emil Haegele has been named assistant general foreman of the Pennsylvania Flexible Metallic Tubing Co.

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Comm. Wm. J. Warburton Cited for Outstanding Performance of Duty

Commander William John Warburton, U.S.N.R., of 2 Sutton Place, New York City, was commended for "outstanding performance of duty" in World War II by Rear Admiral Monroe Kelly, U.S.N., in a ceremony in the latter's office at 90 Church Street, New York City, today.

The citation presented to Commander Warburton, who recently returned to civil life and his seat on the New York Stock Exchange,



disclosed that he displayed "great initiative and exceptional ability" during his four and one-half years of active duty.

A graduate of Princeton University, Commander Warburton served with distinction in both World Wars. He was a Navy combat and test pilot in 1917 and 1918, battled the German air force and U-boats while flying under the flags of England, France and the United States, and earned the aviation wings of all three countries, a rare distinction.

He volunteered and went into England's Royal Flying Corps and Royal Naval Air Service, forerunners of the Royal Air Force, before the United States became involved in the conflict. Later he transferred to the U. S. Navy and was attached to French squadrons and later went to the U. S. Northern Bombing Group in Northern France.

Commander Warburton returned to active duty in the Navy in April, 1942, and served as senior joint air operations controller in the Caribbean and Bay of Biscay areas, an later as air liaison, operations and intelligence officer during the invasion of France.

He was an advance reconnaissance officer during the whirlwind sweep made through the Cherbourg Peninsula by the late General George S. Patton's Third Army. Commander Warburton later helped set-up the Naval Air Transport between England and French bases, an operation which augmented the steady flow of supplies and personnel to U. S. forces on the continent. He returned to the United States and duty at Third Naval District Headquarters in December, 1944.

In addition to his new com-

mandation, Commander Warburton holds the French Croix de Guerre with Palm, the European and America area campaign ribbons of the United States and service ribbons of the English and French governments.

Dorsey to Address Phila. Securities Ass'n

PHILADELPHIA, PA.—Harold B. Dorsey, economist for Argus Research Corp., will address the Philadelphia Securities Association luncheon on Oct. 14. H. Clifton Neff, Schmidt, Poole & Co., association president will preside.

Chas. A. Taggart & Co. Adds McLean to Staff

PHILADELPHIA, PA.—Charles A. Taggart & Co., 1500 Walnut Street, announces that Melville Bruce McLean has become associated with them as a Registered Representative.

J. Latta Jones Dead

J. Latta Jones, associated with Thayer, Baker & Co. of Philadelphia, died of virus pneumonia after an illness of two weeks. He was fifty-six years of age.

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Are We Headed for War?

By A. A. BERLE, JR.*

Former Assistant Secretary of State

American diplomat warns we have been "looking down the gun barrels of World War III," and only actual clash of national armies has been lacking. Holds although no countries want war, some minor incident, as in Greece, can light conflagration. Scores U. S. reduction of armed forces from 11 to 2 millions. Declares Communist propaganda at last has unintentionally awakened Americans.

During the past few weeks we have looked down the gun barrels of World War III. To sane men, this seemed stupid, unnecessary and



Adolph A. Berle, Jr.

wicked; but the danger was real. Momentarily, the danger is less acute. Govern-

ments, particularly the Soviet Union, want to lift the present pressure. That is the meaning of the Stalin statement of September 24. But there is not basis yet to assume that the relief is permanent nor that peace is in sight. Immediately after VJ-Day, the Soviet Union began a diplomatic drive, backed by armies, and by the semi-military supporting services — propaganda, espionage, subversive movements and so forth. This began all over the world: I saw it in South America, as every American diplomat saw it in Europe and Asia. The "gallant Allies" of the War became, overnight, in the Soviet propaganda "capitalist aggressors." On Feb. 11, 1946, Stalin stated that the catastrophe of a new war might be avoided but that "This

*An address by Mr. Berle before the Associated Membership of New School For Social Research, New York City, Sept. 26, 1946.

is impossible under the present capitalist development of world economy," and announced the strengthening of the Soviet Army. On March 18, the U. S. S. R. adopted the Five Year Plan for restoration of national economy, a plan obviously designed as much for military as for civilian purposes.

At Yalta and later at Potsdam, the great powers had traced the lines within which Allied armies were to occupy enemy and liberated territory. The agreement was that these were merely to avoid overlapping military areas; and the scheme was adopted against President Roosevelt's opposition. Almost at once this line became, not a boundary of convenience, but a frontier; it developed from a frontier into an "iron curtain"—and from that into a huge passive military front—which it is today. That line runs all around the world from Finland through Europe, across the Middle East, through China and Korea to the Bering Sea. It is the longest military line in world history.

Early this year America began an unprecedentedly rapid demobilization, cutting her forces from roughly 11 millions to somewhat less than two millions. Simultaneously, the world-round armed frontier began to sway and move. From the Soviet side there was pressure in Iran (whose inde-

(Continued on page 1686)

Does Trade Recession Lie Ahead?

By G. Y. BILLARD

Partner, J. R. WILLISTON & CO.

Market analyst, holding last week's low point in stocks will probably stand, points out recoveries following major declines are more or less automatic. Says stocks at present levels are discounting a marked contraction in both earnings and dividends, but holds anticipated business slump can hardly materialize before the forepart of 1947. Sees no definite basis for anticipated slump as happened after previous stock market breaks on ground that consumers' demands continue high. Concludes, with basic industries fundamentally strong, it is difficult to visualize a major depression, unless caused by politics.

RECOVERY

Completion of bank liquidation came about mid-day Tuesday last week and paved the way for a vigorous recovery movement.

Low point of the past week will probably stand at least for some time to come, barring unexpected developments of a catastrophic nature. Further extension of the recovery appears in prospect, stimulated by anticipated good earnings reports for the third quarter and increased year-end



Gordon Y. Billard

dividend disbursements — and election hopes.

How Far?

Market history is no infallible guide to the future but it does provide basis for measuring potentialities. Hence the following tabulation, showing the extent and duration of recovery movements following all initial major down swings in the stock market since the turn of the century, may be of interest.

It will be noted that the latest down swing amounted to 22%, or just slightly more than the average of 20% for all the periods tabulated. Some, it will be observed (Continued on page 1695)

SEC Gives Registered Brokers and Dealers 15 Days in Which to File Financial Statements

It exempts New York Stock Exchange members alone from order. Financial statements must be of Sept. 30. Brokers and dealers will provide desired information by filling out a questionnaire which is being mailed to them by James A. Treanor, Jr., director of Trading and Exchange Division. Commission describes its request as "a precautionary measure taken in view of recent decline in market value of many securities."

The Securities and Exchange Commission added a new function to its already long list of supervisory activities on Monday when it gave notice that it would require by Oct. 15 a statement of financial condition as of Sept. 30 from all registered brokers and dealers other than members of the New York Stock Exchange.

The SEC requires periodic statements of financial condition from all brokers and dealers who are registered with it but this is the first time in SEC history that it has made any such request for a special statement.

The statement which the brokers are being asked to give is shorter than the usual report which the SEC requires but is a comprehensive account, covering the principal elements in the balance sheet, nevertheless. The brokers and dealers will provide the desired information by filling out a questionnaire which is being mailed to them by James A. Treanor, Jr., director of the Trading and Exchange Division.

The Commission itself describes its request as "a precautionary measure taken in view of the recent decline in the market value of many securities."

A spokesman for the National Association of Securities Dealers which is inclined to see eye-to-eye with the SEC on most matters and whose members, along with

members of the New York Curb and other Exchanges except the New York Stock Exchange, are affected by the SEC order, said he welcomed the SEC investigation if only to put to an end vicious rumors about the insolvency of certain firms. On investigation recently, he pointed out, it was learned that one particularly blatant rumor was wholly false. A firm which was claimed to have suffered a loss of \$5,000,000 in the market value of its securities was found to have lost only \$500,000 and to be far from being insolvent, he said.

The New York Stock Exchange members are exempt from the present order, it was thought by one Exchange officer, because the Exchange keeps a constant and thorough check of the financial standing of all its members, a check which is more minute and inclusive than any record which the SEC has ever asked the brokers and dealers of the industry in general to provide. The Exchange also makes a practice, he said, of requiring special statements of financial condition from its members whenever unusual conditions of the market seem to warrant such a request.

Tax Saving Opportunities in Market

Investment advisors urge investors take advantage of stock declines to reduce taxes.

As a result of the drastic decline in the stock market since the end of May, many investors have both actual and paper capital gains and losses.



Leslie H. Bradshaw
Editor
"Investment Timing"

This situation affords them an opportunity for considerable Federal income tax savings, not only to reduce or eliminate potentially enlarged tax bill, but also to reduce the tax on ordinary income. There are no changes in the tax law applicable to 1946 income compared with 1945, except a reduction of three percentage points in each surtax bracket and an over-all reduction of the normal and surtax of 5%, and it is extremely unlikely that there will be any changes since Congress is adjourned until next year with little probability of a special session this year.

Short-Term vs. Long-Term

In considering the possibilities of salvaging tax advantages from the stock market decline it is, of course, important to keep in mind the distinction between short-term capital gains or losses and also the "alternative" tax rate.

Short-term gains or losses are derived from capital assets held for six months or less, and are 100% taken into account for tax purposes. Long-term gains or

losses result from capital assets that are held for more than six months, and only 50% of them are taken into account.

Taking Losses for Tax Advantage
Losses, whether short-term or long-term, may be used to offset either short-term or long-term gains.

Where there is a choice, it is usually advisable to take a net long-term gain rather than a short-term, since only 50% of the former is taxable while 100% of the latter is taxable.

Similarly, it is more advantageous to take a short-term loss than a long-term, the former being 100% taken into account in offsetting either short- or long-term gains, while the long-term loss is only 50% taken into account. Moreover, net loss irrespective of type is deductible from ordinary income up to \$1,000, and any unused balance may be carried forward for five years as a short-term loss to apply against (a) an unlimited amount of future net capital gains in such years or (b) ordinary income not exceeding \$1,000 in each of the five years.

For example, an investor with a loss of \$50,000 (i.e. a short-term loss of \$50,000 or a long-term loss of \$100,000) and a taxable gain of \$30,000 (i.e. a short-term gain of \$30,000 or a long-term gain of \$60,000) can use \$30,000 of the loss to offset the \$30,000 gain; he can use \$1,000 as a deduction from (Continued on page 1683)

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Real Estate Securities

Just one month ago in this column we pointed out that the market decline in corporate stock values was not without its disturbing influence on the real estate bond market. Since that time, the decline has carried further, and yields of first mortgage bonds are approaching a level which cannot but make them extremely attractive to even the most discriminating investor.

In the following table an attempt is made to draw a comparison between bid prices of today and Sept. 5 and to show the yields of these high grade bonds based on interest payments made within the past year.

	—Approx. Bid—		Interest	
	Sept. 5, '46	Oct. 2, '46	Paid	Yield
Broadway—New	78	*81	3%	3.8%
Broadway—Trinity	71	*70	3.25%	4.6%
Film Center	77	75	4.8%	6.2%
Fuller Bldg.	71	*75	6.75%	9.5%
Industrial O. B.	90	94	6%	6.7%
Industrial R. E. Trust	73	75	3%	4.1%
Gov. Clinton	75	*80	4%	5.3%
London Terrace	76	*82	4%	5.3%
79 Realty	80	*79	3.75%	4.7%
60 East 65th Street	71	74	*6.68%	9.4%
Sherneth	82	*80	5.75%	7%
Textile Realty	106	*112	6%	5.7%
320 E. 57th Street	69	70	4%	5.8%
2 Park 1st	90	90	5%	5.6%
261 Fifth Ave.	87	*93	6%	6.9%
Wall and Beaver	81	*84	6.50%	8%

*Bonds trade with equity stock.

Reports Quality of Business Deteriorating

(Continued from page 1651)

There appears little change in the West Coast situation. The recent stock market slump appears to be causing hesitation in some circles.

In Canada, strikes are having a deterrent effect on business, particularly in the steel and rubber industries. Retail trade is affected by local strikes. Canadian buyers, at the moment, are faced with almost complete frustration in their operations.

Commodity Prices

Reports from buyers indicate a slowing down in the number of price increases previously reported. Generally, however, the price trend is upward.

Some buyers believe we are in a lull, pending the time when OPA will reconsider wholesale prices, and, as a result, there has been very little movement in prices during the past month. A leveling-off process appears in the making. Price increases are expected to be smaller and less numerous between now and the end of the year.

Basic farm commodities, with the exception of cotton, are expected to be lower due to anticipated bumper crops.

West Coast buyers report that prices are still going up. Food items are really climbing. Industrial supply items show general but small increases.

Prices in Canada show a gradual increase in line with wage increases. Ceilings are still in effect and are generally holding. Consumer items are being held at previous levels, but industrial buyers find prices are gradually going higher, especially for mechanical equipment and supplies.

Inventories

Some slight improvement in the inventory situation is reported over a month ago. A small percentage report an increase in inventory, while the number reporting lower inventories has decreased.

In general, buyers would like a 60-day supply but apparently it is impossible to obtain this overall goal.

Among the hard-to-secure items

are insulated wire and cable, motors, steel, copper, lead, cotton webbing and textiles, coal, petroleum, coke, nails and lumber.

Buyers are reluctant to extend inventories from here on, and are taking into account a 26% composite advance on raw materials and a composite 60% advance on supply and repair materials in the cost of present inventories over prewar prices.

With the increased volume of business, inventories of production materials have naturally increased, but it is pertinent to mention that with increased unit price the dollar inventory increase may not proportionately reflect an increased materials inventory.

Inventories are badly unbalanced. Some minor items, such as pipe fittings and electrical fittings, are on a hand-to-mouth basis, while more costly items have been built up to several months' requirements. This unbalanced supply condition is causing work in process to pile up in many plants, and to show up in the inventory figures.

West Coast buyers indicate little change in the general inventory pattern. The situation is practically the same throughout the country.

All buyers are of the opinion that inventories should be very carefully watched. They believe that many outstanding orders may never be filled.

Buying Policy

Industrial buyers have not yet reached a position where any very definite buying policy can be stated.

Buying is from a hand-to-mouth basis to coverage extending beyond a year's time on very scarce items.

Buying policy continues to be based upon general availability, and there is no indication from this standpoint that we are entering a buyers' market.

Buying is not tuned to a rigid policy, as it is often a question of getting materials and supplies needed without too long a wait.

Specific Commodity Changes

Changes in the commodity supply situation continue and must be watched closely if production delays are to be avoided. Many products which were reasonably plentiful during the past few years, are now becoming very tight. The decontrol of many items by OPA adds to the changes taking place in commodity prices.

Prices have increased substantially for paper, metal, wood and textile containers, and the trend continues upward. Glass containers remain substantially at the 1940 prices.

Fire clay and silica refractories have increased approximately 7%.

Higher prices are reported for pig iron. Brass ingots are reported up ¼c per pound. Cast-iron scrap is up \$5.00 per ton.

Cotton thread and bags are higher due to cotton prices.

Crude castor oil and sulfonated products are tight due to strikes at the processors' plants. Linseed oil is unobtainable due to limited inventories of flaxseed and an unrealistic price ceiling. Acetone, caustic soda, soda ash, chlorine, bicarbonate of soda and rock salt are among the commodities which

have increased in price or on which increases are soon expected.

All office supply items are reported 10% to 15% higher. This includes such items as desks, chairs and steel filing equipment.

The price of sugar is expected to increase; very little Cuban sugar is being imported.

Power transformers are up 5%, porcelain insulators, 10%, and sisal rope, 15%; electrical switches, 10% to 19%, effective Sept. 1.

Quicksilver is reported lower in price. Platinum is up appreciably.

Black and galvanized pipe and fittings are somewhat easier. Lumber and building materials are still not available in good grades or quantities.

In general, all fabricated products are reported 10% to 20% higher in recent months, largely due to increases in raw materials and labor costs.

Reports from the West Coast indicate small increases in the cost of practically all commodities. Wood pulp is reported up 10%. Textiles are up about 20%, with further increases expected. Cornstarch is up 2%. Some electrical items are up 11% to 19%. Bone coal has increased 10%. Brass products, manila rope and belting are up 6½% to 13%. Newsprint is up \$7.00 per ton. Fuel oil is up 15¢ per barrel. A further increase in the price of wire nails is reported, and hard wall plaster also advanced. Increases are expected on cement. Paper cups are reported up 15%. Film and allied products are up from 12% to 15% and the cost of printing is increased from 10% to 15%.

Canadian buyers report that brick for construction has advanced in price, and the consumers' goods not held by price ceilings are higher. Higher prices are definitely certain on all dried fruits, following the lead of the United States.

Nails, apparently, are nonexistent. Fatty oils are very scarce. Soda has become unobtainable due to strikes, which will have a widespread effect on glass and many other industries.

Employment

There appears to be little change in the employment situation over the last 45 days. Most buyers report their positions are about the same, and only one indicates employment lower than previously reported. However, the number reporting gains in employment figures dropped somewhat from our last report.

Early in the year male help was reported available in certain sections. Now both male and female help are reported as being very scarce. Apparently, the demand for labor is not yet satisfied.

The lack of housing facilities is a contributing factor, particularly in the Middlewest and East.

In the Chicago area, employment appears to be more steady than in the past few months. The lack of materials, however, has necessitated some layoffs.

In spite of the many large and prolonged strikes, there seem to be more jobs open than personnel to fill them.

On the West Coast, the labor situation is reported more critical than at any time during the past year. There appears to be a great scarcity of female help. While in some areas employment is greater, the increase generally is not reflected in production figures due largely to the lackadaisical attitude of employees. In the Northwest, unskilled labor is becoming more available; skilled workers are very scarce. A general slowdown of workers is prevalent.

The over-all employment picture in Canada is better, in spite of the general strike situation. In the strike areas, many strikers are finding jobs elsewhere, either temporarily or permanently.

In general, the only unemployed seem to be those on holiday or those refusing to work.

General

While business conditions, generally, are reported very good, reports from industrial buyers indicate a very general and increasing uneasiness regarding the situation.

There is some indication of cancellations being considered, of orders placed for 1947 delivery, in the expectation of replacing with new orders at revised or lower prices.

As yet, there appears no let-down in business activity, but the entire economy is in a confused state. The housing shortage continues but prices are extremely high—more than workers can pay. Worker efficiency is low, which inflates costs while restraining production and squeezing profits. This condition may foreshadow a decrease in business activity.

Business Man's Bookshelf

International Trade: Cooperative or Competitive?—Clarence A. Peters—H. W. Wilson Company, 950-72 University Avenue, New York 52, N. Y.—cloth—\$1.25.

Elmer G. Brown Has Rejoined Courts & Co.

ATLANTA, GA. — Elmer G. Brown who has been connected with Courts & Co., 11 Marietta Street, members of the New York Stock Exchange, for a number of years has been released from service in the Army and has rejoined the organization.

Mr. Brown entered the service during the first part of 1942 as a Captain in the Finance Department. While in the Army he graduated from the Army Financial School at Fort Benjamin Harrison and the Fiscal School at Duke University. He was Financial Officer at Randolph Field, Texas and in the first part of 1944 detailed with the Inspector General's Department attached to the Air Transport Command. He served in many parts of the United States and had over-seas duty in Africa, Europe, Middle East, India, China and Alaska. Was Lieutenant Colonel in the Financial Division when discharged from the Army. After V-J Day served as head of the Service Branch of the Receipts and Disbursements Division of Financial Department in Washington, D. C.

Joseph Janareli Is Dealing in Securities

Joseph Janareli, formerly of O'Connell & Janareli, is acting as dealer in investment securities from offices at 120 Broadway, New York 5, N. Y.

Associated with him will be J. Francis Eckstein, specializing in railroad bonds and guaranteed stocks; Frank McDermott, specializing in industrial stocks.

William Michael Fenley Is With McAlister Smith Pate

WILMINGTON, N. C.—William Michael Fenley has become associated with McAlister, Smith & Pate, Inc., Woodside Building, Greenville, S. C.



REAL ESTATE SECURITIES

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Policies of the Price Decontrol Board

(Continued from first page)

stabilization program. You, the representatives of retailing, may well profit, at least to the extent of a better understanding of our conception of the responsibility Congress established for the Board to assume. Our performance will, I know, have a definite effect upon your businesses during the months ahead.

All my life I have dealt with agricultural problems — prices, production, markets and their relation to farm credit and sound investment has been my career for the past 13 years.

Danny Bell, former Under Secretary of the Treasury, and for a time Acting Director of the Bureau of the Budget, has been a familiar figure here in Washington for a good many years. He is well known to all of you.

Mr. George H. Mead is a practical, successful business man with a national reputation. He, too, is well known on the Washington scene as industry advisor to the National Labor Relations Board during the war and a member of the advisory committee of the Office of War Mobilization and Reconversion. He has made an outstanding contribution to his government.

There you have a thumbnail biography of the three members of the Price Decontrol Board—one with a background in agriculture, one in finance and one in industry.

I believe you will agree that this should make a pretty good combination in dealing with the problems we are called upon to face. I believe you will also agree that all three members of the Board, of necessity, have one thing in common. All of us in our varied careers have been called upon to exercise good, sound, practical business judgment.

How Board Operates

Now, no one remains a successful business man long if he makes decisions on a hit-or-miss, guessing game basis. A business man must gather all the facts before him, study them carefully, and then come out with a decision based upon the facts as he sees them.

That is exactly the way the Price Decontrol Board has operated in the past, when called upon to act on problems placed before it, and that is the method that the Board will follow in future decisions it is called upon to make under the new Price Control Law.

There are no short cuts to arriving at the right decisions. There are no substitutes for the facts upon which decisions should properly be based.

This, I assure you, is the basic policy procedure of the Price Decontrol Board. Immediate expediency—political maneuvers—pressure from any source whatsoever—have not entered into the decisions the Board has made in the past. Furthermore, they will not enter into decisions we are called upon to make in the future.

We were not created by Congress as a super-price-control agency. The very name Congress gave us, "The Price Decontrol Board," would seem to indicate what we were set up to do.

Congress said that action must be taken to rapidly get production equal to demand if we are to make possible a successful transition to the peacetime economy of maximum employment, production and purchasing power under a system of free enterprise. Congress also said that unnecessary or unduly prolonged controls over prices would slow up that production and that therefore controls should be ended as quickly as it is safe to do so.

"As quickly as it is safe to do so." It seems to me that this

phrase is the key to our job. Congress gave us the task of determining how fast it was safe to get out from under price control—our policies in the final analysis will determine what this pace will be.

You will notice that I said "in the final analysis our policies would set the pace." By this I mean that whenever there is a difference of opinion between an industry and the Office of Price Administration or the Department of Agriculture, in the case of agricultural commodities, as to whether or not price controls should be lifted from the industry the Board can be called upon to decide the issue. The law sets up proper channels for an industry to follow in petitioning for decontrol.

Another responsibility the Board has is to determine whether or not any commodity should be recontrolled. Before OPA or the Department of Agriculture can reestablish price controls over any commodity the written consent of the Board must be obtained.

These two continuing functions of the Board over the next few months will set the general price decontrol policy of the government. The Board believes that Congress meant it to do just that.

I have attempted to give you a brief summary of the functions of the Board and the attitude of the Board in carrying out its responsibilities—free from all legal language or careful phrasing for legal interpretation. It was my intention by doing so to let you take a quick look behind the scenes and form your own opinions of us as an agency in your government.

Well, so much for the Board and the job it has cut out for it. And I don't think anyone will dispute the fact that we have a job! . . .

Straws in the Wind

I would like to spend the remaining few minutes of my time pointing out a few facts which I believe are straws in the wind pointing to less and less need, month by month, for price control on many fronts.

Six months ago, on April 1 of this year, many of you people gathered here in Washington for the same purpose you are here today—to take a look at what progress had been made in this business of reconversion. From all I can gather you were given a pretty complete picture of the situation as of April 1.

Now let us take a look at the picture as of Sept. 30. I believe you will agree with me that a great deal of progress has been made in the intervening time.

First, let's take employment. In March total civilian employment, not including agriculture, was running about 45,400,000. In August it was about 48,800,000, a gain of almost 3,500,000. This means that you retailers now have the highest potential market in history. Retail sales records during the past months attest to this fact beyond question.

Now how about things to sell: In March radios were being produced at the rate of one million a month. Today the figure is one million seven hundred thousand, an increase of 70%.

Washing Machines — March, 117,000 per month, August, 212,000 per month, or a gain of 81%.

Vacuum Cleaners — March, 150,000 per month, August, 218,000 per month, or a gain of 45%.

Electric Refrigerators — March, 89,000 per month, August 218,000 per month, or a gain of 145%.

Electric Irons — March, 308,000 per month, August, 608,000 per month, or a gain of 91%.

Electric Ranges — March, 16,-

000 per month, August, 66,000 per month, or a gain of 312%.

And so it goes on down the list with double, triple and more in the rate of production of many of the things your customers want to buy in a matter of only six months. Of course, there are gaps in this picture, but the main thing is that the pipe lines are filling up—and rapidly.

On the agricultural front, the same condition is apparent. The farmer is continuing his splendid production record that he established during the war. He has come through this year with all time record corn and wheat crops and an oats crop second only to the record harvest of 1945. In some farm crops, however, notably in meat and dairy products, supply is still short in relation to demand—even though production in many cases is far above the prewar levels. This magnificent production record and the high level of farm prices have raised farm income far above previous records and have made the farmer one of your most prosperous potential customers. The 1946 estimate of spendable income in the hands of our industrious farmers is \$14,700,000,000—about \$10 billions over the 1935-39 average.

This huge amount of purchasing power can buy an awful lot of washing machines, electric refrigerators, clothing, home furnishings and a thousand and one conveniences and comforts that our farmers are eager to have. It opens up a vast new market for American business on a scale never before possible while farm income was down below the five billion dollar level. It will be a challenge to distribution to adequately serve this widely scattered but greatly expanded market. I have no doubt that retail-

ing will shoulder its part of the job and meet this challenge.

When Price Control Will Be Swept Overboard

This brings me back to the straws in the wind. How long do you think this gigantic production has to keep up before the need for price control will be swept overboard by a wave of production? Not long, I think.

While we are on the subject of controls again, let's take a look at what has happened so far and what the future of price controls is likely to be.

On June 30, 1945, roughly 80% of the value of the nation's privately produced output was under price control. Six months later, at the end of 1945, the figure was only slightly lower. At the end of this past August, however, only about 60% was under control. The uncontrolled commodities represent roughly one-third of the Bureau of Labor Statistics' comprehensive wholesale price index. Most of this decline has occurred in food. The main commodities now free of control are grains, dairy products, poultry, tobacco, petroleum and machinery.

Between now and Dec. 31, 1946, Congress has required in the new Price Control Law that more billions of dollars worth of our economy be freed, on the grounds that it is not of sufficient importance to living or business costs to make controls necessary—this in addition to all commodities which will reach a balance of supply and demand during the months ahead and become eligible for decontrol.

It is my belief that if things keep moving during the next six months at the same rate they have traveled in the past six months, price control and all its irritations and problems will be a long

way toward bowing out of the picture.

However, retailers, like all other segments of our economy, have too big a stake in the benefits of a healthy economy to risk the results of throwing price control safeguards overboard while they are still needed. On the other hand, retailers are understandably eager to get back to a completely free enterprise system as quickly as possible. The three members of the Price Decontrol Board share in that desire, and we are now working toward that goal, keeping in mind that Congress said the object was to "make possible a successful transition to a peacetime economy of maximum employment, production and purchasing power under a system of free enterprise."

We believe that Congress meant by "successful transition" that the moves should be made as quickly as possible without undue increases to business and consumer costs and prices, thus maintaining a reasonably stable economy as we pass from control to decontrol.

The Price Decontrol Board will carry out this mandate of Congress to the best of its ability.

Walston Hoffman Adds

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CAL.—Michael C. Niccoli has become associated with Walston, Hoffman & Goodwin, 550 South Spring Street. Mr. Niccoli was previously with Edgerton, Wykoff & Co., and G. Brashears & Co.

Forms Cochran & Co.

INDIANAPOLIS, IND.—Homer H. Cochran, following the dissolution of Cochran, Morrissey & Company, announces the formation of Cochran & Company with offices in the Circle Tower. The new firm will act as brokers of stocks and bonds.

\$1,720,000

Wheeling and Lake Erie Railway Equipment Trust, Series L

1½% Serial Equipment Trust Certificates
(Philadelphia Plan)

To mature semi-annually \$86,000 on April 1, 1947 to October 1, 1956, inclusive.

To be guaranteed unconditionally as to payment of principal and dividends by endorsement by The Wheeling and Lake Erie Railway Company.

These Certificates are to be issued under an agreement to be dated as of October 1, 1946 which will provide for the issuance of \$1,720,000 principal amount of Certificates to be secured by new standard-gauge railroad equipment estimated to cost not less than \$2,150,000.

MATURITIES AND YIELDS

Apr. 1, 1947	0.90%	Oct. 1, 1950	1.35%	Oct. 1, 1953	1.65%
Oct. 1, 1947	1.00	Apr. 1, 1951	1.40	Apr. 1, 1954	1.70
Apr. 1, 1948	1.10	Oct. 1, 1951	1.45	Oct. 1, 1954	1.70
Oct. 1, 1948	1.15	Apr. 1, 1952	1.50	Apr. 1, 1955	1.75
Apr. 1, 1949	1.20	Oct. 1, 1952	1.55	Oct. 1, 1955	1.75
Oct. 1, 1949	1.25	Apr. 1, 1953	1.60	Apr. 1, 1956	1.80
Apr. 1, 1950	1.30			Oct. 1, 1956	1.80

Issuance and sale of these Certificates are subject to authorization by the Interstate Commerce Commission. The Offering Circular may be obtained in any State in which this announcement is circulated from only such of the undersigned and other dealers as may lawfully offer these securities in such State.

HALSEY, STUART & CO. INC.

OTIS & CO.

THE FIRST CLEVELAND CORPORATION

ALFRED O'GARA & CO. THOMAS & COMPANY F. S. YANTIS & CO.

INCORPORATED

To be dated October 1, 1946. Principal and semi-annual dividends (April 1 and October 1) are to be payable in New York City. Definitive Certificates will be in coupon form in the denomination of \$1,000, registerable as to principal and not redeemable prior to maturity. These Certificates are offered for delivery when, as and if received by us. It is expected that Certificates in temporary or definitive form will be ready for delivery at the office of Halsey, Stuart & Co. Inc., 35 Wall Street, New York 5, N. Y. on or about October 23, 1946. The information contained herein has been carefully compiled from sources considered reliable and, while not guaranteed as to completeness or accuracy, we believe it to be correct as of this date.

October 2, 1946.

Bank and Insurance Stocks

By E. A. VAN DEUSEN

This Week — Bank Stocks

During the 10 year period 1935 to 1944, the bid on the stock of Chase National Bank almost invariably was higher than the bid on National City stock; but in 1945 the relative position of the two stocks was reversed, and has remained so ever since. This is an interesting situation and the record is worthy of examination. The first tabulation shows the annual high and low bid of each stock from 1935 to 1945, both inclusive.

Year	Chase National High	Chase National Low	National City High	National City Low
1935	43 (Bid)	20 1/2	39 (Bid)	18 1/4
1936	50	34	45	31
1937	63 1/2	28 1/4	59 1/2	24 1/2
1938	34 1/2	24 1/4	28 1/2	19 1/2
1939	37 1/2	28 1/4	31	21 1/4
1940	37	24 1/4	30	21
1941	33 3/4	22 1/4	29	22 1/4
1942	28	19 1/4	23 1/4	19 1/2
1943	38 1/4	27 1/4	35 1/4	27 1/4
1944	45 1/4	35 1/4	45 1/4	33 1/4
1945	47 1/2	39	50 1/4	38 1/2

In the low year of 1942, when many bank stocks dropped beneath their 1932 lows, there was not much to choose between Chase and City, but in the subsequent market rise Chase resumed its leadership. In 1944 Chase still led City, though the latter's high bid for the year equalled that of Chase; in April 1945 City moved ahead of Chase, with a high bid of 42 against Chase's 41 1/2 and it has remained ahead ever since. The monthly high and low record during the past 12 months is as follows:

Year	Chase National High	Chase National Low	National City High	National City Low
Oct. 1945	46 1/2 (Bid)	41 1/2	49 1/2 (Bid)	44 1/2
Nov. 1945	46 1/2	44 1/2	50 1/4	47 1/2
Dec. 1945	47 1/2	43 1/2	49 1/2	46 1/2
Jan. 1946	47 1/2	44 1/2	49 1/2	47 1/2
Feb. 1946	44 1/2	41 1/2	48 1/2	45
Mar. 1946	44 1/2	41 1/2	48 1/2	43 1/2
Apr. 1946	45 1/2	43 1/2	48 1/2	46 1/2
May 1946	44 1/2	43 1/2	48 1/2	46 1/2
Jun. 1946	44 1/2	42 1/2	46 1/2	44 1/2
July 1946	43 1/2	42 1/2	46 1/2	44 1/2
Aug. 1946	43 1/2	41 1/2	50 1/4	46 1/2
Sep. 1946	40	35 1/2	46	40

	Chase National 12-31-1942	Chase National 6-30-1946	Increase	National City 12-31-1942	National City 6-30-1946	Increase
Deposits	\$4,291,467	\$5,039,710	17.4%	\$3,671,306	\$5,035,853	37.2%
Loans and Discounts	786,057	1,166,386	48.4	574,659	1,075,111	87.1
U. S. Governments	2,327,748	2,611,903	12.2	2,114,344	2,716,100	28.5
Total Earning Assets	3,422,368	4,133,899	20.8	2,958,809	4,146,280	40.1
Book Value	\$33.19	\$41.81	26.0	\$33.14	\$45.90	38.5

*Including City Bank Farmers Trust.

It is important to note that National City not only shows a stronger growth in the above items, but now numerically exceeds Chase in total earnings assets.

Year	Chase National Net Oper.	Chase National Sec. Profits	Chase National Total Net	National City Net Oper.	National City Sec. Profits	National City Total Net
1942	\$1.81	\$0.23	\$2.04	\$2.18	\$0.43	\$2.61
1943	2.32	1.00	3.32	2.44	0.39	2.83
1944	2.54	0.47	3.01	2.65	1.21	3.86
1945	2.36	1.23	3.59	2.84	1.28	4.12

For the first six months of 1946 Chase reports net operating profits of \$1.30 and net security profits of \$0.34, a total net of \$1.64; National City reports \$1.55 and \$0.60,

As regards reported earnings, National City also shows the better record, as follows:

It would appear that the existing market gap between Chase and City is not likely to be closed for some time.

Thos. McKittrick V.-P. Of Chase National Bank

Thomas H. McKittrick, whose term of office as president of the Bank for International Settlements in Basle, Switzerland, expired on June 30th, has been elected a vice-president of the Chase National Bank and is now at the head office of the bank in New York City.



T. H. McKittrick

Mr. McKittrick will give his attention to matters of policy involved in foreign relationships and loans, as well as to the operations of the bank in the foreign field. Mr. McKittrick has been actively engaged in banking and financial affairs in Europe for the past 30 years, with the exception of four years during and after World War I. His first foreign assignment was to assist in organizing a branch of the National City Bank of New York at Genoa, Italy, in 1916, later becoming acting sub-manager. In 1918 he joined the American Expeditionary Force in France and served as a lieutenant. From 1919 until 1922 he was with Lee, Higginson and Co., in New York, then transferring to the office of Higginson and Co. in London. He became a partner of the firm in 1924, continuing in that capacity until June 30, 1939. From Jan. 1, 1940 until June 30, 1946, he served as president of the Bank of International Settlements.

Mr. McKittrick was a director of the American Chamber of Commerce, London, from 1930 to 1939. He graduated from Harvard College in 1911 and was engaged in business and banking in St. Louis before he came to New York in 1916.

Important comparisons of significant figures are shown in the following tabulation:

Mr. McKittrick was a director of the American Chamber of Commerce, London, from 1930 to 1939. He graduated from Harvard College in 1911 and was engaged in business and banking in St. Louis before he came to New York in 1916.

FIC Banks Place Debs.

A successful offering of an issue of debentures for the Federal Intermediate Credit Banks was made in Sept. by Charles R. Dunn, New York, fiscal agent for the banks. The financing consisted of \$38,455,000 1% consolidated debentures dated Oct. 1, 1946, and due July 1, 1947. The issue was placed at par. The proceeds together with \$4,150,000 cash funds, were used to retire \$42,605,000 debentures, maturing Oct. 1, 1946. As of Oct. 1, 1946, the total amount of debentures outstanding was \$307,300,000.

Kershaw & Mahoney With John J. O'Brien & Co.

CHICAGO, ILL. — John J. O'Brien & Co., 209 South La Salle Street, members of New York Stock Exchange and other principal exchanges, announce that Glenwood H. Kershaw, former Lieutenant Commander, U.S.N.R. and John S. Mahoney have become associated with them as registered representatives.

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Trusteeships and Executorships also undertaken

The Bull Market Is Not Over

(Continued from page 1647)

carrying of securities was delegated to the Federal Reserve Board. The Board issued its first detailed requirements designated as Regulation T, on Oct. 1, 1934. Margin requirements were thereby fixed at 40%. Since then, Regulation T has been amended several times. On Oct. 15, 1934, margin requirements were raised to 45%. On Jan. 24, 1936, they were jumped to 55%. On Nov. 1, 1937, they were reduced to 40%, but on Feb. 5, 1945 they were back again to 50%. On July 5, 1945, requirements were jumped to 75% and on Jan. 21, 1946, margin trading was abolished.

Meanwhile, the Securities Exchange Commission instituted rules governing floor trading by members of the New York Stock Exchange. These rules were applicable to all regional Exchanges throughout the land. Floor traders in effect, were virtually forbidden to operate in stocks on a day-to-day basis. All short sales were on a cash basis. They could only be executed in a rising market or on a plus tick. Furthermore, any long stock pressing for sale would take precedence over any short sale. In effect, the rulings virtually ended floor trading by member brokers. Despite the heavy daily turnover of stocks on the New York Stock Exchange, memberships sell around \$65,000 today compared to a high of \$190,000 in 1933 and \$180,000 in 1936-37.

It is my firm conviction that the recent steep and rapid decline in share prices is primarily a result of restrictions placed on floor members and specialists of the New York Stock Exchange. On Aug. 15, 1946, no short account worth mentioning existed in shares traded in the New York market. A discussion of the morality of short selling would be utterly out of place here. Any investor should know that every free market whether in grain, copper, lead or common stocks is helped, far more than hindered, by traders or speculators willing to sell short. If indeed there was not this liberty, the result would be a most dangerous market, an example of which was recently witnessed.

It was in Jordan's Coffee House, off Cornhill, that short selling was devised. Jordan's Coffee House became later the London Stock Exchange. It is a curious phenomenon, but true nevertheless, that the widest breaks in the London market occurred not in the most speculative securities, but in bank stocks where short selling was prohibited by law. It was unsupported pressure in bank shares which helped to make the Baring crisis of 1890 so serious. As was aptly illustrated after our own 1929 market crash, there is no such valuable support for a falling market as the uncovered "bear account." The enormous recovery of 1930 gave untold investors another chance to save a large portion of their capital.

Developments Outside Market

In discussing developments outside the market, the most serious perhaps was the Yugoslavia controversy plus the adamant attitude of Soviet Russia and her satellite partners toward world peace. These are transient and unimportant factors, but are magnified into momentous happenings by press and radio commentators. Obviously, the crystallizing of war sentiment hasn't helped a tired and impotent stock market. The hysteria and fear engendered by current war talk recalls Byron's famed lines from "Childe Harold":

"Here is the moral of all human tales,

'Tis but the same rehearsal of the past;
First freedom and then glory;
when that fails,
Wealth, vice, corruption, barbarism at last
And history with all her volumes vast
Hath but one page. . . ."

Basic Condition of Trade

In a discussion of the basic condition of industry and trade, there is much to rejoice over. In this year of 1946, there will be recorded a new high in peace time trade and production. For the month of August, the Federal Reserve Board's index of industrial production was 177, or 2% above the pre-war peak recorded in November 1941. The annual rate of income payments is running at an all time record of 163 billions. This is 66% above the pre-war peak established just before Pearl Harbor. It is almost double the 1926-1929 period. Steel production is at the highest rate since V-J Day. Department store sales continue to climb. They are now 280% of the 1935-1939 average. Car-loadings are now at peak levels. They would be even higher if more cars were available. Manpower is still in short supply. This factor retards many basic industries such as building construction which, though booming, is only a fleabite when measured against demand. Agricultural income is at undreamed of levels. Again this year nature has favored the farmer with excellent crops. Industries which are not at capacity are those hampered by material and man-power shortages — notably automobile and trucks and other capital goods lines. That this situation is improving is borne out by third quarter reports now at hand.

For example, Mr. H. N. Mallon, President of Dresser Industries, says his company after sustaining losses in each month since V-J Day finally turned the corner in August. "November and December of 1945," says Mr. Mallon, "reflected the impact of conversion from war to peace." The first half of 1946 was a period during which strikes and material shortages slowed down operations.

"Two main reasons contributed to the gradual change from monthly losses to current profitable operations:

1. As repeatedly stated in past reports, our margins of profit have been dependent to a large extent upon OPA pricing regulations. Since our last report, substantial price relief has been realized.

In the field of gas-fired home-heating appliances, price relief was granted by OPA some time ago. Before OPA lapsed on June 30, it had either granted or promised some measure of price relief with respect to manufacturers' goods and equipment made by our member companies, such as compressors, pumps, drilling equipment, and many others; and under the revived OPA, most such items are now de-controlled.

2. With the gradual improvement in the flow of materials and the decline of strikes, volume of output in the third quarter showed a sizable increase. Sales, by quarters, and corresponding unshipped orders follow:

	Sales	Unshipped orders
1st quarter	\$10,344,703	\$28,824,000
2nd quarter	10,636,540	40,515,000
3rd quarter	12,358,578	52,857,000*

I am not suggesting that the main problem in the United States today is the complete lack of understanding between the Administration, Industry and

Comparison and Analysis

3rd Quarter 1946 19 New York City Banks

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Labor. The prevalence of swing music with its appalling noises is but a reflection of the discord now existing in the political, industrial and social life of the country. This lack of understanding has promoted a class schism which while distressingly obvious, is only on the surface. You hear on one side that our President is incompetent. On the other side is the lamentation that labor leaders are selfish and autocratic. The delirium that is responsible for the current gospel of despair is akin to the fanaticism that prevailed during 1936 when Mr. Roosevelt was responsible for this lack of understanding on the problems of capital.

Fear Complex Will Disappear

As in 1936, the present fear complex that is driving investors and businessmen to the point of sullenness will all change for the better when least expected. As always, it will come out of a clear blue sky. What will bring this about? There are many hopeful signs on the horizon.

The International Bank of Reconstruction and Development and the four-billion dollar Stabilization Fund commence operations next month. Thirty-nine nations have signed the Bretton Woods Agreement. They will have access to the facilities of the Bank. Foreign exchange equilibrium is now being established with member countries aligning their currencies to either the dollar or pound sterling. The dollar-sterling rate has already been established.

What does the World Bank and Stabilization Fund mean in terms of the business outlook and our rising price level? It will increase the demand for manufactured goods by increasing foreign purchasing power in this country. It will further inflate our price level since industry is now unable to handle the swelling domestic market for manufactured and consumer goods. It means dollars will buy less and less as the competition for commodities and finished goods grows.

For the important and vital railroad industry which is now creaking with activity, there is a blanket rate increase looming. The I.C.C. is conducting hearings right now to determine the amount necessary to cover substantial wage increases granted earlier this year.

The OPA is gradually being extinguished. Many manufactured lines are now completely free of controls. By next March, most businessmen can look forward to complete abandonment of this vicious administrative weapon. Does anyone believe that food and other prices will recede to their pre-war levels in the foreseeable future? Are dollars going to buy more or less in terms of the price level next year? Actually, the domestic price level is still far below that existing one year after World War I. Yet the inflation potential throughout the commercial world is far greater now than twenty-six years ago.

Let us look at some prices in 1939 and 1940 and compare them with those prevailing at the moment. Flour (5 lbs.) 21c, now 40c; bread, 8c, now 12c; bacon 31c lb., now 60c; milk 12c, now 18c; eggs, 1 doz., 31c, now 61c; oranges 28c doz., now 58c; potatoes (10 lbs.) 22c, now 49c; sugar (5 lbs.) 26c, now 37c; lard (1 lb.) 10c, now 35c.

In six years, our dollar in terms of food prices has been cut in half. Yet inflation as measured by our monetary potential plus world and domestic demand is far ahead of common stock prices at current levels or even the level existing six months ago.

The crucial labor situation should not be overlooked in a discussion of the business outlook. The profit margin is gradually being restored as OPA de-controls various manufactured items.

In the light of recent events, the Eightieth Congress will surely tackle the iniquitous Wagner Act and justify its future existence by giving employers equal rights with employees in collective bargaining.

Treasury and Federal tax experts are studying a tax relief measure to be incorporated in the 1947 Revenue Law providing relief from double taxation of corporation income. It is contended by Federal fiscal and tax agents that double taxation is discouraging investors from placing their funds in newly established or expanding businesses because dividends are taxed twice—at the corporation level and again when paid to stockholders.

The American business outlook was promising enough to cause leading fire and casualty insurance companies to invest over one billion dollars in common stocks during the first half of 1946. The question arises then as to who sold and who bought the forty and one-half million shares that were dumped on the market during the emotional phase now coming to a close.

Followers of the Dow Theory were undoubtedly heavy sellers when the market failed to hold 185 Dow-Jones industrials. No one should minimize the vast army of investors and speculators who for years have followed Dow's theory of price movements. The number of brokers and traders is legion who follow charts of their own origination as a guide to future action. Like 1931, this slide was a race to protect long-term profits and a race to simply get back to cash and stop losses. It was the same race in 1936 and in 1926. All three corrections of a long upward market were followed by almost precipitous rises — then depression and chaos. The emotional public was horribly whip-sawed and mangled by ensuing events. This was true whether their holdings were in stocks, bonds, real estate or inventories. It will happen again, but this is not the year.

Though the fire is dimmed for the moment, the industrial boiler is bursting with potential energy. Year-end earnings statements will be far better than most discouraged investors now realize. The outlook for 1947 is far more promising than was the outlook for 1946 at this time a year ago. Then official Washington and most bankers and business leaders foresaw five to eight million unemployed; deflation, not inflation; and hard times, not good. I dare say many who missed the rise since V-J Day are now avidly getting their enormous cash balances back into good shares. The present correction of stock prices is simply an interlude preceding the most impressive phase of one of the longest bull-markets on record.

Vostal, Hall & Co. Formed in New York

Vostal, Hall and Company announces its formation as a securities dealer specializing in State and municipal bonds, with offices at 70 Pine Street, New York City. Partners in the new firm are Joseph Vostal, who for the last twenty-one years has been with Kidder, Peabody & Co., most recently as head of the municipal bond trading department, and Denton D. Hall, who has been with R. D. White & Company since 1942. From 1933 to 1942 Mr. Hall was associated with Adams, McEntee & Co., and for two years during the war he served as a lieutenant in the Navy.

Gaines, Brodnax & Brown Is Formed

BIRMINGHAM, ALA.—Gaines, Brodnax & Brown, Inc. has been formed with offices in the First National Building. Officers are Walter B. Gaines, President; M. J. Brodnax, Vice-President and Treasurer; and C. B. Brown, Vice-President and Secretary. Mr. Gaines was formerly proprietor of Gaines & Company. Mr. Brodnax conducted his own firm, Brodnax & Co., in the past. Mr. Brown was with Cumberland Securities Corporation.

nax conducted his own firm, Brodnax & Co., in the past. Mr. Brown was with Cumberland Securities Corporation.

Howard Mitchell Admits

DECATUR, ALA. — William S. Kirby has been admitted to partnership in Howard G. Mitchell & Co., 622 Bank Street. Other partners in the firm are Howard G. Mitchell and Robert H. Hubbell.

New Savannah Dealer Firm
SAVANNAH, GA. — Southern Securities Corporation, P. O. Box 337, is engaging in the securities business. Officers are Richard M. Stone, President; Spencer Lawton, Vice-President; and Louise Mayhew, Secretary-Treasurer.

Hodges in Dayton

DAYTON, OHIO — Henry G. Hodges is engaging in the securities business from offices in the Third National Building.

THE CHASE NATIONAL BANK

OF THE CITY OF NEW YORK

STATEMENT OF CONDITION, SEPTEMBER 30, 1946

RESOURCES

Cash and Due from Banks	\$1,117,906,752.69
U. S. Government Obligations	2,388,788,164.93
State and Municipal Securities	159,182,713.24
Other Securities	182,488,946.22
Loans, Discounts and Bankers' Acceptances	1,087,026,158.95
Accrued Interest Receivable	11,908,087.96
Mortgages	7,951,334.84
Customers' Acceptance Liability	10,447,370.26
Stock of Federal Reserve Bank	7,500,000.00
Banking Houses	32,944,779.34
Other Real Estate	1,507,295.65
Other Assets	2,783,923.52
	<u>\$5,010,435,527.60</u>

LIABILITIES

Capital Funds:	
Capital Stock	\$111,000,000.00
Surplus	139,000,000.00
Undivided Profits	62,102,303.58
	<u>\$ 312,102,303.58</u>
Dividend Payable November 1, 1946	2,960,000.00
Reserve for Contingencies	15,144,344.13
Reserve for Taxes, Interest, etc.	14,789,860.79
Deposits	4,642,025,138.07
Acceptances Outstanding \$ 15,714,674.17	
Less Amount in Portfolio 3,896,411.08	11,818,263.09
Liability as Endorser on Acceptances and Foreign Bills	1,813,358.49
Other Liabilities	9,782,259.45
	<u>\$5,010,435,527.60</u>

United States Government and other securities carried at \$660,464,340.00 are pledged to secure U. S. Government War Loan Deposits of \$359,090,263.76 and other public funds and trust deposits, and for other purposes as required or permitted by law.

Member Federal Deposit Insurance Corporation

Railroad Securities

Although Great Northern in recent years has legitimately come to be considered as one of the truly sound credits in the railroad field, and its bonds still reflect this investor confidence, the stock has suffered severely in recent weeks. The shares broke just about 36% from the earlier 1946 high to reach a low of 41 a short time ago. Since then they have rebounded only a few points. At their recent

level of 44½ the shares afforded an income return of around 6.75% and certainly there are few students of railroad securities and finances who think there is any chance that this dividend rate will be reduced.

In its estimates of possible 1946 and 1947 results filed in connection with the freight rate hearings the management forecast earnings of \$6.65 a share this year and \$6.67 a share next year if the full increase in rates requested is granted. Of the 1946 estimated earnings, \$2.02 per share is expected to come from tax carry-back credits but even that would leave more than \$4.50 a share from operations under the difficult conditions the railroads have faced in the first year of peace. Even if the railroads have to get along with no more than the interim freight rate increases which became effective July 1, 1946 (this is considered virtually inconceivable) the Great Northern management estimates that it could cover its current dividend requirement on the basis of 1947 traffic prospects. Obviously, it can hardly be claimed that estimates filed in connection with the rate case would be on the over-optimistic side. If anything it is likely that they will turn out to be ultra-conservative.

One of the outstanding favorable considerations in the Great Northern picture is the phenomenal debt progress the management has made since the depression days of the early and middle 1930s. Fixed charges are now in-

dicated somewhat below \$7,700,000 compared with more than \$19,000,000 in 1935. This reduction of more than 60% in annual obligatory requirements is the best record to be found outside of the roads that went through judicial reorganization. These present fixed charges would absorb only 6.2% of gross revenues at the average 1935-1944 level. This is a very modest burden for a road so inherently efficient as Great Northern. During the ten years 1935-1944 the road carried through an average of 27% of gross to net operating income before Federal income taxes, a showing topped only by the heavy bituminous coal carriers among the nation's major carriers. Moreover, an additional measure of protection is afforded the company's securities by the very substantial non-operating income normally received.

Over a period of years Great Northern has displayed a business and revenue trend superior to that of Class I carriers as a whole or other railroads operating in the same general territory. An important consideration in this showing has been the lack of vulnerability of some of its major traffic items to non-rail competition. In particular the important and highly profitable iron ore tonnage could hardly be diverted to the highways. Also, the major portion of its lumber tonnage is originated in areas away from the coastal section and therefore can not efficiently nor economically be diverted to intercoastal ships. Finally, there has been little, if any, competitive play for the bulk wheat crop. These three items, where competitive inroads have been slight or non-existent, supply the bulk of the company's freight revenues.

Aside from its relative shelter from non-rail competition Great Northern over a period of years has benefited from industrial expansion in the Pacific Northwest and opening up of new farm areas. Both of these developments

were spurred by government hydro-electric and related irrigation projects. This industrial expansion received important additional stimulus from war plant construction, much of which is regarded as permanent.

Under conditions as they now appear there is no question but that the road's traffic prospects for some time to come are unusually favorable. Crops are good and there is demand for as much wheat as can be shipped. A building boom seems inevitable with a consequent record demand for lumber. Steel mills look for near capacity operations for a number of years to come and this will inevitably mean heavy iron ore shipments. New industry in the Pacific Northwest is being maintained. There will presumably be a substantial trade with the Far East. All things considered it appears to most rail analysts that holders of Great Northern stock might more sensibly look forward to the possibility of a dividend increase than any reduction in the present rate.

Crucial Period Ahead For Investors

(Continued from page 1648)

who offer securities to the public in South Carolina. His home is in Columbia, S. C.

"The next 18 months to two years will be crucial ones for American investors. Many of them are using profits, dividends, and interest received from sound securities to buy doubtful issues. They are investing before they investigate. This carelessness will cause them to lose millions of dollars. Such an attitude also will be hard on legitimate brokers, dealers, and salesmen of securities, all of whom the association is trying to encourage. We are against only frauds and the security swindler.

"Veterans will be protected against security swindlers by every law enforcement agency in this country. We are particularly watching out for investments designed for veteran appeal. Such issues include many war time inventions which are now being applied successfully to peace-time uses. Already some swindlers are trying to sell issues based on atomic energy. Others are using radar and other war devices with which our army, navy and marine veterans are familiar. Before investing, veterans please ask your state security commissioners, because, free of charge, we will be glad to tell you about your prospective investments.

"War bond owners should think twice before converting such savings into what may be issues of doubtful value. All state security commissioners want to aid legitimate investments. They will gladly help you look up any security offered within your state, even though the security-selling firm is outside of your state. This service is free to the public. It is paid for by registration fees of the registrations of security issues.

"In South Carolina during the late 1930's and early 1940's the cost of investigations of securities frauds was less than \$100,000, and such investigations were respon-

sible for the return of about \$2,500,000 in securities to the public.

"Security swindlers are going to find pickings slimmer than ever before, because the association has just adopted a program whereby every state security commission will exchange information with every other state through a central bureau. The committee on licensing has recommended a uniform application for adoption by all states. If this is adopted a swindler will not be able to switch operations from state to state.

"Canadian Government security officials have cooperated with our State Department and the Securities and Exchange Commission to stop swindlers from operating north of the border. Several years ago we did not have an extradition agreement. Today we have such an arrangement. Now we are able to bring back former Americans who fled from the States to Canada, when state and national laws and their enforcement got too tough for such swindlers to operate in this country. Generally such swindlers used inflation as an argument to sell worthless gold mining issues here. How anyone could benefit, inflation or otherwise, from the purchase of stocks issued on mines that had little or no gold is just one of those mysteries hard to explain.

"A dual system of security protection for the American public now is more necessary than ever before. The swindler uses every modern device to carry on his illegitimate operations.

"Only local officials are close enough to the scene to know local happenings daily. Figures, facts, statistics are important, but investors also should know who are back of such statements. On state problems the state commissioner can do a better job than a federal official, because the state man is in intimate touch with local conditions. Investors, and prospective investors often miss this very significant fact."

Haight Named Assistant Secretary of United States Associates

Arvid L. Frank, Executive Director of the United States Associates, International Chamber of Commerce, announced on Sept. 26 the appointment of P. M. Haight, formerly Secretary-Treasurer of the International General Electric Company, Inc., to the post of Assistant Secretary of the United States Associates. Mr. Haight had been associated with the General Electric Company for 44 years prior to his retirement from that company last May, and for the last 27 years had held the Secretary-Treasurer's position with the International General Electric. He served for two terms as President of the New York Credit Men's Association and for one term as President of the National Association of Credit Men. He has been active on committees of the National Foreign Trade Council and has presided at meetings of the Foreign Trade Convention held under the sponsorship of the National Foreign Trade Council. He is a Director of the American Arbitration Association.

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"Our Reporter on Governments"

By JOHN T. CHIPPENDALE, JR.

With trends in business and commodity prices likely to be much more important in shaping future monetary policies, the government securities markets are still in an uncertain position because it is not yet possible to forecast the type and extent of these economic disturbances. . . . The behavior of the market to a considerable extent will most likely be contingent upon the amount of maladjustments that will develop and which should be more apparent in the near future. . . . The action of the monetary authorities likewise will depend upon the future course of economic conditions and the methods used will have a marked effect upon the money markets and the government securities markets. . . .

While there has been considerable discussion about the boom and bust idea, as well as the short but sharp readjustment period, it will take some time before it will be possible to indicate which of these patterns will develop. . . .

The government securities markets will no doubt be discounting these changed economic conditions, shortly, although in the interim period it is likely to move in a narrow range until it is able to decide which condition is likely to prevail. . . .

THEORIES

The boom and bust theory seem to have considerable following in some quarters, despite the fact that there is not yet enough evidence to indicate that it is more than a remote possibility. . . . If wages and prices should continue to go up and the vicious spiral becomes a reality, with a short-lived boom, followed by the bust, it seems safe to assume that the money managers will not be idle while this is going on. . . . The first phase of this development would be a serious inflationary movement, with attendant sharp price rise, particularly in commodities. . . .

This would no doubt bring about measures by the monetary powers that would sharply curtail bank credit, as well as higher money rates, which would result in lower bond prices, because the inflationary conditions would have to be checked. . . .

Once the upward trend has been broken and the boom is over, and the deflationary period sets in, then monetary policies must again be changed to combat the downward trend in economic conditions. . . . This would most likely mean that excess reserves of the commercial banks would be built up, with a decided trend to lower interest rates and the eventual rise in bond prices. . . .

ON THE FENCE

Investors, large and small, are carefully considering what might develop under boom and bust conditions, and this is creating a cautious attitude among them which is responsible in some measure for the lack of aggressiveness on their part in acquiring government securities which, at present yields and with a more positive outlook, are attractive and would ordinarily be taken on in a sizeable way. . . . They do not want to be caught in such a chain of events and if possible would probably try to be out of the market and hold cash or short-term securities until there is a change in conditions. . . .

The fact that the monetary authorities, according to reports, are considering all angles of the situation and are preparing to act as soon as there is tangible evidence of a trend, means a very flexible credit policy, which can be changed on short notice. . . .

Money management works in both directions, but that likewise means quick action and sudden changes, which as a whole do not make for market stability which is what most investors like to avoid. . . .

CURRENT OPINION

The opinion that there will be no extreme inflation and then deflation, but a short though rather sharp readjustment period, seems to be well supported by many in the financial district. . . . Whether there would be much of a reversal in monetary policy under such conditions is open to question, although it is believed by some that mildly inflationary measures might be adopted. . . . It is expected that debt retirement would be halted and maturities would be rolled over. . . . Long-term high-coupon bonds to redeem outstanding bank-held issues would be out, and there might even be some increase in the short-term debt which would be sold to the commercial banks. . . . There might also be a minor increase in excess reserves of these institutions. . . .

The fact that Secretary of the Treasury Snyder recently indicated that the Treasury has securities to meet all demands and most likely all conditions, probably means that the monetary authorities are prepared to meet changes in the business pattern as they develop. . . .

IMPORTANT DECISION AWAITED

Considerable discussion centers around the 1½% notes due Dec. 15, which will be the first important decision by Secretary of the Treasury Snyder when he announces the manner in which this maturity will be handled. . . . It is believed by some that this issue will be refunded with a bond, bearing the same coupon rate as the maturing obligation. . . . It is the opinion of this group that the exchange offer would be available to all holders of the maturing 1½s, thus giving the deposit institutions the same treatment as non-bank investors. . . . It was pointed out that a 1½% bond would not increase debt service while at the same time there would be an extension of maturity. . . .

The latest available figures on holdings of the 1½s due Dec. 15 showed that commercial banks owned \$2,259,000,000, other investors, \$492,000,000, government agencies and Federal, \$277,000,000, life insurance companies, \$138,000,000, savings banks, \$60,000,000, fire and casualty companies, \$29,000,000.

Although there undoubtedly have been changes in these positions since June 30, the latest available date, the commercial banks are still by far the largest holders of this issue. . . .

The breakdown of holdings by the deposit banks indicated that the Reserve City Banks owned \$828,000,000, New York City member banks, \$599,000,000, country banks, \$556,000,000, non-member commercial banks, \$177,000,000, and Chicago member banks, \$100,000,000. . . .

POSSIBLE ALTERNATIVE

If the Treasury wants to decrease debt charges, and this opinion is held by many, it is likely that a one-year ¾% certificate will be offered in exchange for the maturing 1½s. . . . If business indices should be giving indications of changes in economic conditions by the early part of December, it is believed that the chances of a short-term low-coupon obligation being used to replace the maturing issue would be very much better. . . . Also it might be the desire of the monetary authorities by that time to put in operation plans to combat deflationary forces, which could be giving some tangible signs at that time. . . .

These opinions are not based on the boom and bust idea, because if there should be a strong inflationary trend by the middle of December, it is most likely that the Treasury would offer long term bonds to non-bank investors, the proceeds from which would be used to redeem bank-held 1½s in order to decrease deposits and thereby curtail the inflationary movement. . . .

THE MARKET

Bank-eligible issues have been firm to somewhat better despite heavy war loan calls, with the 2½s of 1956/59 being well taken by both the large and small institutions. . . . Insurance companies and savings banks were buyers of the restricted obligations, which issues have been on the buoyant side, although there are no developments in the market yet to indicate that these obligations will break out of recent trading ranges. . . .

New York Stock Exchange Weekly Firm Changes

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

W. E. Cliff-McCulloch, limited partner in Bond, McEnany & Co., retired on September 30th.

H. Keasbey Bramhall retired from partnership in Dick & Merle-Smith on September 30th. Charles J. Hyman retired from partnership in Fagan & Co. on Sept. 23.

John H. Fleckenstein of Foster & Adams died on September 23rd.

Howard Hazlett II, general partner in Hazlett, Burt & Watson, became a limited partner on October 1st.

Sherry McAdam to Be Aide to Caffrey

PHILADELPHIA, PA.—Sherry McAdam, Jr. has been appointed assistant to the commission's chairman, James J. Caffrey, it has been announced. Mr. McAdam has been with the Commission since 1935. He was employed by investment and brokerage firms in several cities, including New York, before joining the SEC.

Guaranty Trust Company of New York

FIFTH AVE. OFFICE
Fifth Ave. at 44th St.

MAIN OFFICE
140 Broadway

MADISON AVE. OFFICE
Madison Ave. at 60th St.

ROCKEFELLER CENTER OFFICE
40 Rockefeller Plaza

LONDON • PARIS • BRUSSELS

Condensed Statement of Condition, September 30, 1946

RESOURCES

Cash on Hand, in Federal Reserve Bank, and Due from Banks and Bankers	\$ 541,736,604.46
U. S. Government Obligations	1,768,219,333.89
Loans and Bills Purchased	716,219,359.56
Public Securities	\$ 92,888,592.58
Stock of the Federal Reserve Bank	7,800,000.00
Other Securities and Obligations	10,885,966.47
Credits Granted on Acceptances	4,825,586.82
Accrued Interest and Accounts Receivable	11,151,112.46
Real Estate Bonds and Mortgages	1,424,945.21
	128,976,203.54
Bank Buildings	9,055,919.19
Other Real Estate	142,385.33
Total Resources	\$3,164,349,805.97

LIABILITIES

Capital	\$ 90,000,000.00
Surplus Fund	170,000,000.00
Undivided Profits	59,634,595.29
Total Capital Funds	\$ 319,634,595.29
General Contingency Reserve	38,072,186.48
Deposits	\$2,743,520,455.52
Treasurer's Checks Outstanding	29,744,964.11
Total Deposits	2,773,265,419.63
Acceptances	\$ 11,605,911.28
Less: Own Acceptances Held for Investment	6,780,324.46
	\$ 4,825,586.82
Liability as Endorser on Acceptances and Foreign Bills	221,629.00
Dividend Payable October 1, 1946	2,700,000.00
Items in Transit with Foreign Branches (and Net Difference in Balances between Various Offices Due to Different Statement Date of Foreign Branches)	630,550.64
Accounts Payable, Reserve for Expenses, Taxes, etc.	24,999,838.11
	33,377,604.57
Total Liabilities	\$3,164,349,805.97

Securities carried at \$373,782,731.29 in the above Statement are pledged to qualify for fiduciary powers, to secure public moneys as required by law, and for other purposes.

This Statement includes the resources and liabilities of the English, French, and Belgian Branches as of September 26, 1946.

Member Federal Deposit Insurance Corporation

Fraud in Securities Transactions and the Investor

(Continued from page 1648) the merits of the security as an investment. The Commission is not authorized to, and does not, pass judgment upon the economic soundness of any security. The fact that a security has been registered with the Commission does not signify that the Commission has given its blessing to the issue or that the facts set forth in the registration statement and prospectus are true. We do not and obviously cannot guarantee the accuracy of the facts upon which a corporation and its underwriters take a security issue to the public. This is the obligation solely of the issuer, the underwriter and their counsel. The truthfulness of the statements contained in the selling literature must be assured primarily by the civil and criminal liabilities which arise under the Act from making false state-

ments in a registration statement or prospectus.

Registration Does Not Imply Approved

In short, let me state and continue to restate, effective registration is no green light to investment. It does not indicate in any sense that the registered security has been approved or disapproved by the Commission.

As we pointed out a month ago in our opinion in the Matter of Hayes Manufacturing Corporation,¹

"... The Commission is without authority to pass upon the merits of a security, but it does have a duty to require those who propose to offer securities to the public to disclose plainly the

¹Securities Act Release No. 3151, Aug 20, 1946.

facts an investor needs to know to make an informed judgment concerning the nature and quality of securities to be offered. The Commission, therefore, subjects all registration statements to careful and critical analysis as a result of which many clarifying revisions are made and additional facts disclosed. The Act leaves it to the investor, on the basis of the facts disclosed in the registration statement and prospectus, to judge for himself whether he wishes to invest his money in the company whose securities are being offered."

In the Hayes case, stop order proceedings were instituted under Section 8 (d) of the Act alleging misstatements and omissions to state material facts in numerous items, the financial statements, the accountants' certificate, certain exhibits and the prospectus. In view of the disclosures accomplished by several amendments to the registration statement filed thereafter, and since the Commission believed that the statement then disclosed the essential facts in a manner which would give the average investor the information necessary to enable him to decide whether he wanted to buy any of the shares offered, no necessity was found for issuing a stop order and the proceedings were therefore discontinued.

It should be noted, in this connection, as well, that the Commission has no power to prohibit the sale of speculative securities. Under the Securities Act, speculative or apparently unsound issues can be registered and sold provided that the issuer discloses the whole truth concerning such securities and their unsound or hazardous nature is fully revealed. So long as the issue is accompanied by full publicity and information, and no essentially important element attending it is concealed from investors, it may be registered and offered to the buying public.

The 1934 Act

While the Securities Act achieves the end of seeing to it that investors are provided with full information concerning new, non-exempt offerings of securities, similar data are required concerning outstanding securities, not the subject of such new offerings, which are traded in the various securities markets. With this in mind, the Congress adopted the Securities Exchange Act of 1934, which is aimed at preventing fraudulent practices in securities transactions effected on national securities exchanges, and, off such exchanges, in the over-the-counter market. This 1934 Act, as it is called, requires that all listed securities be covered by a registration statement disclosing all corporate information necessary for their intelligent appraisal. It contains, in addition, various anti-fraud provisions supplementing the powers granted the Commission in the Securities Act of 1933, provisions which are designed to eliminate manipulation and other abuses in the trading of securities. Under the Securities Act of 1933, our anti-fraud powers were generally restricted to the control of fraudulent practices in the sale of securities. However, under the Securities Exchange Act, in addition to certain anti-fraud provisions specifically applicable to the conduct of securities brokers and dealers in either the purchase or sale of securities, we have the added power under Section 10 (b) and Rule X-10B-5 to effect our sanctions against any person guilty of fraud in connections with such purchases or sales. This Rule was adopted in recognition of the fact that there is another class of persons, namely the selling investors, which needs protection from those who would take advantage of their uninformed

condition, and that fraud is fraud whether it is directed against the purchaser or the seller of securities.

It is under both of these Acts that we have been achieving, and will continue to achieve, our primary purpose that there shall be honest dealing in the nation's securities markets.

We are all practical and realistic enough to know that the Ponzies and their ilk are not out of circulation. Our duty to protect investors becomes more serious at this time than perhaps at any time in our history. We must be ever vigilant and diligent. Particularly when we realize that in the lush days of manipulated markets, when there were loopholes in the various state laws and no Federal regulatory body, namely, in 1929, the national income of our country was some 80 billion dollars, while, now, in 1946, our national income is estimated at 160 billion, which makes for more currency in circulation, more money in the hands of investors and, of course, more subjects for the unscrupulous stock operators to prey upon.

Information the Keynote

While it is not within our power under these Acts to protect the investor by insulating him from all risks, it is our policy to make available to him the information with which to gauge such risks. We cannot, however, by any means protect him against his own blind folly or carelessness.

Nor can we remove the risk inherent in every securities transaction that the price of the security once purchased will not remain stable. "Stocks will fluctuate" is an old and practically proverbial statement. And they will continue to fluctuate, so long as the financial conditions of business can change, or be affected by world and national economic and political factors. We have no power to prevent the rise and fall of the market price of a security when caused by such eventualities.

On the other hand, when the fluctuation is tailor-made, when it is the artificial product resulting from the desire of a person or persons to induce members of the public to buy or sell securities, we do have the power to prevent, and if it cannot be prevented, to punish those who perpetrate such a fraud.

We have all come to know and appreciate that prevention of fraud in securities transactions and the concomitant protection of investors is no simple task. Although your State authorities, the securities exchanges, the National Association of Securities Dealers, the Better Business Bureaus and the Securities and Exchange Commission, have exercised a very real effort to stamp out fraud in such transactions, we still receive numerous complaints from investors of frauds perpetrated upon them either in the purchase or sale of securities. Even in the absence of such complaints, we find on our own investigations the constant recurrence of such fraudulent practices.

No doubt, your state authorities have found, as we have, that a great number of these transactions would not have been effected had the investor the common sense to investigate before he invested, or if he had made some reasonable independent inquiry concerning the security purchased and the person with whom he did business. If, in buying securities, the investor would be as clear of brain as he is pure of heart, our task would be reduced immeasurably. We need the investor's help and active cooperation, at least to this extent, that he know what he is buying and from whom he makes his purchase, and that he by all means refrain from purchasing securities with his hard-earned savings, on the basis of an unknown adviser's "tip."

It would be well, I think, for

the investor to know that the word "security" covers more than the familiar certificate generally issued by corporations. Securities have been disguised and camouflaged so as to appear to be simple sales of real or personal property, coupled with an oral or written understanding that the property sold is to remain in the possession and control of the promoter who will distribute profits to the investor. We have found to be within this category purported sales of silver foxes; oyster bottom acreage; shares in fishing boats; whiskey bottling contracts; parking meters; popcorn machines; citrus groves and cemetery lots. Such efforts to evade the statutory provisions governing the sale of securities are usually due to the inherent unsoundness of the securities sold.

We do not claim, however, that an ordinary sale of real or personal property involves the sale of a security. But where a purchaser has no intention of assuming any control of the property purchased, where he is really buying only an interest in a business enterprise, and looks solely to the efforts of the promoter to earn a profit for him, there is involved the sale of a security.

For example, in the recent case of *W. J. Howey Co. v. Securities & Exchange Commission*,² the United States Supreme Court held that an offering of units of a citrus grove development coupled with a contract for cultivating, marketing and remitting the net profits to the investor, was a security within the meaning of Section 2 (1) of the Securities Act of 1933. The court said, in this connection:

"The test is whether the scheme involves an investment of money in a common enterprise with profits to come solely from the efforts of others."

In addition to knowing the various guises which a security may take, investors should be on guard against, and have some familiarity with, the multifarious forms of fraud which may be used against him. Our Commission has encountered and obtained injunctions against, or assisted in the criminal prosecution of, numerous and varied types of securities frauds, ranging from the flagrant sale of fake securities to the more subtle exchanges, or switches, of genuine securities.

Flagrant Frauds

A prime example of the more flagrant type of fraud or real old fashioned fraud, we might call it, is aptly illustrated by the case of *United States v. Maxwell & Co., Inc.*, which the Commission investigated and assisted the Attorney General in prosecuting successfully during the past year. There the corporation, one of its officers, and a salesman, were convicted and sentenced by the Federal Court in Boston for selling fake securities to customers; converting customers' securities; forging customers' names to securities and selling them, and forging customers' signatures on checks.

The facts developed in the case revealed the following practices: The salesman would show each customer a card identifying himself as a salesman of the firm. If the customer held a security portfolio, an analysis would be made which invariably culminated in the recommendation that the securities be sold and that the customer should purchase securities yielding high and regular dividends. On the other hand, if the customer held no such portfolio, the salesman sold him the idea of buying securities for cash. In most cases on initial sales, he would deliver to the customer genuine securities. But through some pretext or other, he would ultimately obtain from the cus-



Business Established 1818

BROWN BROTHERS HARRIMAN & CO.

PRIVATE BANKERS

NEW YORK BOSTON PHILADELPHIA

Statement of Condition, September 30, 1946

ASSETS

Cash on Hand and Due from Banks	\$ 55,043,109.33
United States Government Securities	61,021,061.54
State, Municipal and Other Public Securities	42,073,286.29
Other Marketable Securities	5,130,621.01
Loans and Discounts	54,411,615.60
Customers' Liability on Acceptances	12,976,825.48
Other Assets	732,844.26
	<u>\$231,389,363.51</u>

LIABILITIES

Deposits—Demand	\$200,072,698.19
Deposits—Time	2,588,793.73
	<u>\$202,661,491.92</u>
Acceptances	\$ 13,766,990.04
Less Held in Portfolio	460,287.65
	<u>13,306,702.39</u>
Accrued Interest, Expenses, etc.	176,015.42
Reserve for Contingencies	1,500,000.00
Capital	\$ 2,000,000.00
Surplus	11,745,153.78
	<u>\$231,389,363.51</u>

As Required by Law \$1,000,000 U. S. Government Securities are Pledged to Secure Public Deposits.

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COMPLETE FACILITIES FOR DOMESTIC AND FOREIGN BANKING
DEPOSIT ACCOUNTS—LOANS—ACCEPTANCES
COMMERCIAL LETTERS OF CREDIT
BROKERS FOR PURCHASE AND SALE OF SECURITIES
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Licensed as Private Bankers and subject to examination and regulation by the Superintendent of Banks of the State of New York and by the Department of Banking of the Commonwealth of Pennsylvania. Subject to supervision and examination by the Commissioner of Banks of the Commonwealth of Massachusetts.

tomer both these and all other genuine securities which the customer possessed and leave him holding either counterfeit securities, raised certificates or nothing at all.

The pretexts for obtaining the customers' securities generally included one or more of the following statements: that the securities would be sold and securities yielding a higher dividend would be bought for the customer; that the securities would be held in safekeeping by the firm; that the securities would be exchanged for debenture bonds issued by the same corporation; that the securities would be placed in the name of the customer as trustee and the customer would then be exempted from state and Federal taxes on such securities; or that the securities would be issued as collateral for the purchase of other securities. Frequently the securities obtained by the salesman in this fashion were not endorsed by the customer but would be endorsed by the salesman himself in the customer's name. The securities were then, for the most part, purchased by the firm and checks for the proceeds from their sale were given to the salesman, payable to the customer, or to cash. The salesman would endorse the check in the customer's name, or if it were a "cash check," endorse it in his own name and, either pocket the entire proceeds himself or, as he testified, split the proceeds with an official of the firm.

Many customers who held no securities and even those who were induced to part with valid securities were sold counterfeit securities or certificates representing shares in non-existent corporations. Others were sold genuine certificates which the salesman raised prior to delivery. For example, one certificate was raised from 5 to 50 shares and another from 5 to 25 shares. In all cases, where the customer received a counterfeit security the salesman would pay quarterly dividends in cash or by his personal check.

Stealing Securities

At times the salesman obtained securities from customers under the pretext of obtaining a loan on the securities for the purpose of purchasing additional securities and would then sell the securities given to him by the customer and pocket the proceeds, or split them with the boss. But there were instances where customers' securities were used as collateral for loans to customers, when the customers neither knew or nor authorized the loans. In such cases the salesman signed the customer's signature to the note and, if necessary endorsed the customer's name on the collateral or stock power attached thereto.

Of course, we do not often discover the existence of fraud so gross. However, a substantial number of our cases during the past year involved charges of fraud in connection with the sale of interests in oil or gas properties which were about as reprehensible. In one of these, *United States v. Frank V. Raymond*, the defendant was charged with employing the "Ponzi" type of swindle, paying the purchasers of interests in oil lands "purported returns" on their investment without disclosing that the funds were not derived from operation of the properties, but constituted a portion of the monies which the investors had paid.

Among the most serious violations of our statutes and ones which are discovered most frequently in the course of our investigations, are those involving the sale of securities by dealers at prices bearing no reasonable relationship to the prevailing market price. The doctrine that it is fraudulent for a dealer to sell securities at such prices, without disclosing the market price, was established by the Commission in 1939 in the case against *Duker* &

Duker. The Commission holds that because of certain inherent characteristics of the securities business, special obligations are owed by the dealer to his customers. The dealer holds himself out as a person with specialized knowledge in securities markets and investment matters. He cultivates his customers' trust and confidence and invites reliance on his skill and honesty. From this confidential relationship arises the implied representation that he will deal fairly and the further implied representation that the price charged the customer is reasonably related to the market price.

Reasonable Market Price Must Be Disclosed

This doctrine was subjected to judicial review for the first time in the Commission's case against *Charles Hughes & Co.* In the opinion, Judge Clark stated:

"An over-the-counter firm which actively solicits customers and then sells them securities at prices as far above the market as were those which petitioner charged here must be deemed to commit a fraud. It holds itself out as competent to advise in the premises, and it should disclose the market price if sales are to be made substantially above that level. Even considering petitioner as a principal in a simple vendor-purchaser transaction *** it was still under a special duty in view of its expert knowledge and preferred advice, not to take advantage of its customers' ignorance of market conditions. The key to the success of all of petitioner's dealings was the confidence in itself which it managed to instill in the customers. Once that confidence was established, the failure to reveal the mark-up pocketed by the firm was both an omission to state a material fact and a fraudulent device. When nothing was said about market price, the natural implication in the untutored minds of the purchasers was that the price asked was close to the market. The law of fraud knows no difference between express representation on the one hand and implied misrepresentation or concealment on the other ***"

And in concluding that the Commission had "correctly interpreted its responsibilities to stop such abusive practices in the sale of securities," the court placed special emphasis on the importance of the price in securities transactions, saying:

"The essential objective of securities legislation is to protect those who do not know market conditions from the overreaching of those who do. Such protection will mean little if it stops short of the point of ultimate consequence, namely, the price charged for the securities. Indeed, it is the purpose of all legislation for the prevention of fraud in the sale of securities to preclude the sale of securities which are in fact worthless or worth substantially less than the asking price."

Since the Hughes case, the Commission has successfully investigated and assisted in the criminal prosecution of similar cases against Otto B. Dagg; Guaranty Underwriters, Inc.; and Florida Bond and Share, Inc., and has revoked the registration of many other brokers and dealers guilty of like practices.

We have also been successful in the prosecution of cases against insolvent brokers and dealers who continue to do business with their customers without disclosing their dangerous financial condition. During the past fiscal year, a Boston broker and his salesmen pleaded guilty and were sentenced to imprisonment for soliciting customers' orders for the purchase and sale of securities and for accepting the deposit of money and securities from their customers, upon the implied representa-

tion that the firm was financially able, when in fact it was insolvent.

So far as fraud on the seller of securities is concerned, let me call your attention to one recent case. During the past month an indictment was obtained by the Department of Justice with the Commission's assistance, against Ellis R. Taylor of Chicago, Ill., on charges of violating Section 10 (b) of the Securities Exchange Act of 1934, Rule X-10B-5 thereunder, and the mail fraud statute, in the purchase of the stock of Taylor Washing Machine Co., a corporation of which Taylor was president.

The indictment charged, among other things, that Taylor, through his agents and employees, informed stockholders that the shares of stock were being purchased to fight Taylor and to prevent him from taking control of the corporation, when they were actually being purchased with funds provided by Taylor himself. It charged also that Taylor, through his agents and representatives, informed stockholders that the Taylor Washing Machine Co. was bankrupt and had been liquidated, when he knew that the company was not bankrupt or in the process of being liquidated, but had substantial assets in excess of its liabilities. It further charged that Taylor, through his agents and representatives, informed stockholders that the preferred stock of the corporation was worth from \$10 to \$25 per share when he knew that its book value was at least \$50 and that its actual value was above that amount.

While the efforts of the Commission have borne fruit in the investigation and prosecution of fraud in securities transactions over the past five years, and while we know that we have been

able to remove from the securities field a goodly number of swindlers and crooked promoters, we realize at the same time that our efforts over these years have not been completely effective. Due to the loss of personnel to the armed services and because of other work assumed in connection with the war effort, neither we nor the state authorities, I know, have been able to ferret out many of the far too numerous dishonest securities promoters whom we have reason to believe have been in action. Consequently, some of the gentlemen of that calling have had, and have been enjoying, a wartime holiday, but one which we can advise them is definitely over. With the increase of personnel now occurring and our resumption of peacetime activities, the Commission, and I know all the state authorities, are determining and have begun to resume our rigid pre-war policy of enforcing the anti-fraud provisions of our Acts to the limit.

We propose to do our part to the utmost in preventing fraud and protecting investors. We can guarantee that all our powers will be availed of and exercised to accomplish this task. But we cannot guarantee that the investor will also bear his share of the burden. There is truth in the old proverb that you can lead a horse to water but you can't make him drink. We can supply the facts to investors but we can't make them think.

If the investor will cooperate with our enforcement agencies, if he will take advantage of the available sources of information and think not twice, but three times, before he buys or sells securities, I can predict that in the coming year, securities salesmen with a flair for fraud have prospects of a precarious and impetuous livelihood.

Henry Riter Dir. of Thomas A. Edison, Inc.

At a special meeting of stockholders of Thomas A. Edison, Inc., Henry G. Riter, III, was elected a director of that company. Mr.



Henry G. Riter, 3rd

Riter, a partner of Riter & Co., investment bankers, is chairman of the board of directors of Copperweld Steel Company and a director of Standard Cap & Seal Corp. He was formerly president of the Bond Club of New York and chairman

of the board of governors of the National Association of Securities Dealers, Inc.

Thomas A. Edison, Inc., traces its history back to 1888 when Thomas A. Edison and his associates formed the Edison Phonograph Works. Until recently the company, which is a consolidation of various concerns organized by Mr. Edison, was family owned. Among the principal products of the company are various types of electric storage batteries, primary batteries, dictating machines and electrical instruments and controls.

With First Securities Corp.

DURHAM, N. C. — L. Richard Kinnard has become associated with the First Securities Corporation, 111 Corcoran Street.

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J. P. MORGAN & CO.

INCORPORATED
NEW YORK

Condensed Statement of Condition September 30, 1946

ASSETS	
Cash on Hand and Due from Banks.....	\$131,607,136.21
United States Government Securities.....	407,536,258.53
State and Municipal Bonds and Notes.....	13,781,968.53
Stock of the Federal Reserve Bank.....	1,200,000.00
Other Bonds and Securities (including Shares of Morgan Grenfell & Co. Limited and Morgan & Cie. Incorporated).....	15,864,402.91
Loans and Bills Purchased.....	123,574,979.27
Accrued Interest, Accounts Receivable, etc..	2,656,261.86
Banking House.....	3,000,000.00
Liability of Customers on Letters of Credit and Acceptances \$7,784,412.87	
Less Prepayments.....	218,092.51
	<u>\$706,787,327.67</u>

LIABILITIES	
Deposits.....	\$623,308,575.99
Official Checks Outstanding	13,838,886.07
Accounts Payable, Reserve for Taxes, etc..	4,493,805.81
Acceptances Outstanding and Letters of Credit Issued.....	7,784,412.87
Capital.....	20,000,000.00
Surplus.....	20,000,000.00
Undivided Profits.....	17,361,646.93
	<u>\$706,787,327.67</u>

United States Government securities carried at \$69,867,240.21 in the above statement are pledged to qualify for fiduciary powers, to secure public monies as required by law, and for other purposes.

Member Federal Reserve System
Member Federal Deposit Insurance Corporation

Must We Have Boom and Bust?

(Continued from page 1647)

lieve that to admit that booms or busts are inevitable is to confess to the failure of our system of free enterprise. I've just come back from England, where I've attended a meeting at which were represented people from 21 nations and the thing that impressed me most at that conference was the fact that the United States and Canada and several South American countries were the only places in the world where the free enterprise system still reigns. In these countries the individual investor still is free to determine what he will do with his funds. The government does not determine what business he can go into or where he can locate his plant. Our system of free enterprise cannot afford another bust. I feel that a real bust in our economy may lead to a disruption of our present political system. A repetition of 12 to 15 million unemployed—as in 1932—will, in my opinion be the signal for a man on horseback to try to take over. I still remember Huey Long.

Mr. Hazlitt: Well, I do not believe that boom and bust are inevitable in our economy if by boom and bust is meant violent oscillations in our economy. I think the worst booms and busts in our history have been created by bad governmental policy—chiefly, as in 1929, for example, by putting into effect a policy of artificially cheap money which encouraged over-speculation; and later, as in the 1930s, in preventing readjustment in labor and other costs to foreign price levels. But if by a boom and bust is meant ups and downs in our economy of a moderate nature, then I believe they are nearly inevitable. They are made, so it seems to me, by what seems to be a basic trait of human nature—the tendency to over-optimism when things are going well and to over-pessimism when things are going badly. This over-optimism and over-pessimism affects businessmen and affects governments equally. These lead to actions and policies which intensify the movement in either direction.

Mr. Lubin: Well, if one is going to assume that human nature is so constituted that it is impossible to control the oscillations of business, then I fear that our system of free enterprise is seriously threatened.

Capitalism versus Socialism

Mr. Hazlitt: It doesn't make any difference, Mr. Lubin, whether it's human nature under a Soviet system, under a socialist system, or under a capitalist system. If people just get over-optimistic when things go well, they're going to make mistakes, and if they get over-pessimistic when things go badly, they're also going to make mistakes. That isn't my fault and it isn't yours. It's just what people do.

Mr. Lubin: Then it is a function of government to see to it that people are not permitted to do the things which are a threat to the economy as such; such as raising prices unconsciously during emergency periods such as we are now going through; withholding products from the market when the world is hungry for goods because of the war; building up huge inventories in the hope of further price rises and thereby keeping other producers from producing goods which they would be delighted to sell at present price and profit levels.

Mr. Hazlitt: Well, that assumed, Mr. Lubin, that the government of people has a certain omniscience, that isn't in the business people, and I don't think they have. In fact, I think that the government makes much more serious mistakes than the business men make

... that their oscillations are less violent than the business men's oscillations.

Mr. Lubin: I don't think it's a question of omniscience. It's a question of individuals whose first loyalty is the public welfare.

Mr. Hazlitt: Who haven't? The government officials?

Mr. Lubin: The individual government official who is not an investor. He is not working for profit.

Mr. Hazlitt: You mean he doesn't want to stay in power? He doesn't want to get votes?

Mr. Lubin: The average individual who works for the government as an expert is not interested in votes as such.

Mr. Hazlitt: Well, I can't feel, Mr. Lubin, that the government official is any more disinterested than the business man. I think that each has his own set of interests. The business man wants to make a profit and the government official wants to stay in his job and wants to get his party reelected and both of them will make policies which are based on those interests.

Mr. Lubin: Well, my point is this—You must make a distinction between an individual who wants to be elected and an individual who, as an employee of the government, is interested primarily in the facts as he finds them; who is willing to state those facts to the public as he finds them irrespective of the effects upon the welfare of any particular group. There are people of that sort in government; there always have been people of that sort in government and I think the experience of the past thirteen years has proven very definitely that facts are made public by the government as they have been discovered irrespective of the effects they may have upon the welfare of any particular group in the community.

Government Officials versus Businessmen

Mr. Hazlitt: Well, you're assuming there constantly, it seems to me, a greater disinterest on the part of government officials than exists in business men. I don't believe that. I think there are business men who are just as patriotic as government officials and I think that whole concept is at the basis of the totalitarian concept, which is that the government knows best what is good for the individual and the government will tell the individual what to do, that the government official is an omniscient or a nearly omniscient individual and a highly disinterested individual, and I don't believe he is any more so than any of the rest of us.

Mr. Lubin: Well, I feel that the average government expert, whose job it is to secure facts and make those facts known and who has nothing himself to gain as a result of those facts, is a much more effective person in pointing out the dangers that lie ahead than the average business man or investor who has everything to gain from a rise in the market or the increase in the profit levels.

Mr. Hazlitt: We've just had two examples of fact-finding. We've just had a hundred examples. But let's take two of them. Let's take the fact-finding in the General Motors case, which resulted in the eighteen-and-a-half cent increase. That fact-finding, it seemed to me, was highly biased. Let's take the fact-finding of the former Secretary Wallace in—so that industry could afford to pay 15% more than it was this year and 10% next year, which he threw out after the strike was settled the way he wanted it settled. I don't see that this disinterested fact-finding enters into the gov-

ernment circles any more than it does in the business circles.

Mr. Lubin: I don't feel that we can get into the discussion...

Mr. Hazlitt: ... May I point this out? If you go back to the facts as stated you will see that they were based on certain assumptions of future productivity. In other words, if the automobile industry produced a certain number of cars per year the industry could afford to pay a certain wage rate. I note that you have overlooked the fact that those figures were based upon certain assumptions. If the assumption did not materialize, of course, the results would not materialize.

Moderator: Mr. Hazlitt—I think we'd all agree that nobody likes the bust part of the cycle, but what would your suggestion be for avoiding it?

Mr. Hazlitt: Well, one trouble is that nearly everybody likes the boom part of the cycle when it's going on and they only deplore it in retrospect. When the boom is on, people say that at last full production and full employment have been achieved, that this is really the normal condition of things and that we are on a permanent new high level and that we must do everything to keep ourselves there or to go higher. Governments do not dare to contradict this notion and they usually share it. The policies followed are, therefore, such as to increase the boom. The only way to avoid an excessive boom is to avoid excessive optimism. Above all the government must not encourage an excess—an excessive and unsound expansion of credit.

Mr. Lubin: Well, I fully agree that nobody likes to admit that a boom is reaching its end. It is my impression, however, that as business increases, as profits increase, there is a specific duty that is placed upon not only business, but upon government as well, to take into consideration the facts that lie ahead. Let's take a concrete example of the situation today. All of the evidence that is available shows that inventories are increasing at a terrific rate. Why are those inventories increasing? They are increasing for one reason as I can see it—namely, the hope that by having more inventories on hand as prices go up one will be able to sell them at a later date at a still higher price. In other words, returns are based not so much upon productivity and ability to turn out products but upon a speculative mania that seems to be existing in the economic system at the present moment of buying everything you can get your hands on, holding it until the future so that you can sell it at a higher price irrespective of whether you yourself have added to their values.

Mr. Hazlitt: Well, I don't know whether there's a great inventory accumulation at the present time. That might be a matter of opinion. And I don't think that it's being done for the purpose of substituting inventory profits for production profits. I think it's mainly that concerns are eager to make sure that they've got hold of stocks to work on. Now you can't doubt that governmental policy today is leading to this inventory accumulation because it's keeping prices under what everybody knows to be the true market. So, therefore, they feel the more they can hold of this stuff, the more they are going to profit when and if the price fixing is ever removed, so your price fixing in itself is a fault in inventory—for stimulus to create inventory.

Mr. Lubin: If one assumes that the present system of price controls keeps prices from reaching the point that they otherwise would under conditions such as we have at the present time,—

where because of war factors there are very definite shortages of certain materials and at the same time because of savings that have been accumulated over a period of years, when goods were not available to consumers and they've held onto their purchasing power until such time as they can purchase—on that assumption one cannot argue with you. But my contention is that under conditions such as exist today, with these shortages of materials and this tremendous potential purchasing power resulting from these accumulated savings, we do not have normal conditions. What we will have is a repetition of what happened in 1918 and 1919 when the cost of living over the period of some 18 months increased as much as 50% with the resulting bust that followed.

Goods Shortage or Monetary Inflation

Mr. Hazlitt: Well, are you aguing, Mr. Lubin, that we have overall shortages at the present time? Indexes show we have an index of production about 64% above the '35-'39 level. Now we've got shortages in specific lines, many of them forced by the price fixing itself, but they're certainly not overall shortages. All that we've got is an overall surplus of money and credit which is three times what it was before the war, so that in spite of the fact of having production about 64% above the war, we have a pressure for higher prices because we've got too much money and credit. And that comes back to governmental policy once again.

Mr. Lubin: Shortages, after all, are relative things. Things are short relative to the demand for those things.

Mr. Hazlitt: Yes, they're relative to the short—to the supply of money.

Mr. Lubin: The fact still remains...

Mr. Hazlitt: And if you have a thousand-fold increase in money or a hundred thousand-fold or a trillion-fold, as you have in certain countries of Europe, of course you're going to have permanent shortages no matter how much you increase the supply of goods.

Mr. Lubin: For five years the American people were not permitted to buy refrigerators, pianos or automobiles, certain types of clothing and many of the other essentials of life. In other words the demand for those products has been piling up. What did consumers do with their incomes during that period? They saved those incomes until such times as goods might be available for them to purchase. At the present time, those savings are being withheld to the point where people are hoping that the market will be sufficiently filled to meet their demand. Production has not yet reached the stage where sufficient is being produced, irrespective of the index of production, to meet the needs of the average man for durable goods.

Mr. Hazlitt: Well, you take the problem on to the plane of durable goods, but let's take the problem on to the plane of foodstuffs. Surely now here we have a very peculiar situation. We've produced more meat in the last twelve months, substantially more than we had in the pre-war period. Yet the Price Decontrol Board and the Secretary of Agriculture calmly—calmly go on the assumption there's a shortage of meat, calmly declare that meat is in short supply, which is one of the amazing things about government fact-finding, that we spoke of a minute ago. Now by doing that they have made meat in short supply by putting back price fixing. That's the way they did it. And that's the way government constantly makes oscillations in the economy and con-

stantly upsets the economy and then it has the utter gall to set itself up as the thing that is going to clear the oscillations that it itself has created.

Mr. Lubin: But the fact still remains that with the present trend of living of the American people, hundreds of thousands, yes, millions of American wage earner families for the first time in their lives can afford to buy meat.

Mr. Hazlitt: But all you're saying is that there's more money and credit in circulation and that exceeds the amount of goods. Of course!

Mr. Lubin: But that—that means...

Mr. Hazlitt: You can put out more money.

Mr. Lubin: But that money in circulation at the present time is a result of the fact that for five years the American people could not spend what they earned and they voluntarily kept these savings under control until such time as goods would be available. At the same time their productivity has increased in many respects. Their incomes have been increasing and today they are in a position where many of them can afford to buy more meat than they ever could before. Families that never could afford a steak, at even the old price levels, cannot secure these steaks today because the steaks are not available. All I'm trying to point out is that shortages are relative things. A thing is short relative to the demand. The standard of living...

Mr. Hazlitt: Exactly.

Mr. Lubin: ... and the purchasing power of the American people as a whole today is higher than it ever has been.

Mr. Hazlitt: In terms of more money.

Mr. Lubin: In terms of money. But that money is the result of accumulated savings due to the fact that they did not spend during the war.

Mr. Hazlitt: Oh, I'm sorry, Mr. Lubin, but I must disagree with you entirely on that point. The money is due to the fact that a government deficit was financed by borrowing from the banks and by the actual creation of credit in money. It was not due to those savings. In fact, these savings themselves are, as a matter of fact, merely a symptom of that—of that increased money. The savings go up automatically with the size of the deficit. They're practically the same size as the deficit and if you hold prices down by price-fixing while you have this deficit and pump new money and credit into circulation, somebody's got to hold it and then it's going to be called savings. But I think there's a very great misnomer about the nature of the present savings.

Mr. Lubin: Are you implying, therefore, that we should have had no price controls during the war, that we should have permitted prices to take—seek their own level during the war and these...

Mr. Hazlitt: No!

Mr. Lubin: ... earnings of workers, which could not be spent on the essentials of life because everything that we were making was going to the Army, with the exception of certain minimum...

Mr. Hazlitt: You're not arguing with me on that, Mr. Lubin, I'm not making any point of the sort, but I am making the point that the deficit was financed by borrowing, which is an entirely different thing...

Mr. Hazlitt: ... than the price-fixing question.

Mr. Lubin: Can you conceive of any other way in which we could have financed a war which cost

us over three hundred billion dollars without some borrowing?

Mr. Hazlitt: The question isn't whether we could have done it in any other way or not. The question is how did this excess purchasing power come into being and that's the way it came into being.

Mr. Lubin: But the price-fixing. . . .

Mr. Hazlitt: Whether it's right or wrong, that's the way it came into being and it exists and it is the money purchasing power. It is pieces of paper, and the volume of goods has not increased in the same amount. There is not this overall shortage that the price-fixers pretend there is.

Mr. Hazlitt: There's only an overall shortage as related to the volume in money and credit.

Mr. Lubin: But the supply of goods could not have increased in proportion to the purchasing power because of the fact that for five years the American people were producing goods that were being destroyed in warfare. Consequently it was impossible for this purchasing power to be devoted to the things that the consumers of this country wanted.

Moderator: Well, I'd like to bring us back here just a moment to a very important consideration that you gentlemen have certainly implied. I'd like to ask Mr. Lubin, after the consequence of how you have been discussing it, what you believe the role of government should be in avoiding the depression?

Government Functions

Mr. Lubin: Well, I think the role of government can be covered from different points of view. I feel that one of the first things that government must do to keep booms under control is to develop a tax system which will be compensatory, a tax system that will soak up as much of the surplus as is possible when incomes are high. By keeping taxes at a relatively high rate and absorbing the so-called surpluses we can at least limit the levels to which the booms rise. During periods when employment, or evidences are that employment is going down, I think it is a function of the government to release this purchasing power. I think it can release this purchasing power by lowering certain types of taxes, particularly consumption taxes. I think while industry is going at a high rate and prices are going up, government should keep consumption taxes relatively high. There are other methods which the government can use. I think we've made a very definite mistake in eliminating the excess profits taxes and rationing as early as we did. Had we kept them in existence we could have limited the extent of the price rise that has taken place thus far, I'm convinced.

Mr. Hazlitt: Well, I don't agree with Mr. Lubin in theory on the compensatory taxation. I do think there might be compensatory expenditures, but not in the same way that he thinks. Now one trouble with Mr. Lubin's theory is that governments never follow it, anyway. Here we have a situation where everybody agrees that we're getting into some sort of a boom and where we have certainly the threat of inflation and yet, instead of a government surplus, and yet instead of paying out debts, we are still running a deficit at an annual rate of at least seven billion dollars a year. So you get into this deficit financing business and the easy political road is always to have a deficit, always to run ahead and regardless of what the theories of theoretical economists are, that's what you're going to get as long as you have this compensatory theory. The theory is always used

to increase expenditures above receipts.

Mr. Lubin: Then you agree with me Mr. Hazlitt, that we should increase — should have increased taxes last year rather than lowering them.

Mr. Hazlitt: No, I think we should have reduced expenditures.

Mr. Lubin: Would you suggest reducing expenditures in the sense that we should cut down the size of the Army, even below the point where we have cut it?

Mr. Hazlitt: Well, now let's take the Army. You're getting to a specific thing. Let's take a look at that Army. Before the war we spent about a billion dollars a year in defense. We spent only a billion dollars a year when the German menace and the Japanese menace were at their height. Now that the German menace and the Japanese menace have been obliterated, we are spending in the neighborhood of eighteen and a half billion dollars a year. In other words, we're spending as much in one year as we were previously spending in eighteen years. So there does seem to be a little illogic in the comparative expenditures of the government before the war and now, and again it shows that perhaps governments are not as omniscient as they're supposed to be. Now I say that it's in the neighborhood of eighteen and a half billion dollars a year because nobody knows what it is. I have — I have discussed with experts and they say that the Army and Navy have allocations of appropriations of eleven billions. Then there are other figures that show that they have about twenty-two billions when you count for some unexpended figures. So you can't even find out what we're spending on the Army and Navy. . . .

Mr. Lubin: Would you cut the benefits that we're paying to veterans?

Mr. Hazlitt: Possibly. They're worth examining. . . . They're awfully high. Would you keep forty-one billion dollars as the expenditures? Do you think that's the normal expenditure for a year, Mr. Lubin?

Mr. Lubin: I'm asking you where you would cut those expenditures. In other words, you have said that you do not agree that taxes should have been kept at the existing levels so that the income of the government might have been such as to have a balanced budget. You say that the way to get a balanced budget is to cut expenditures. Now I'm raising specific questions. Where would you cut those expenditures? Will you cut them to veterans? Will you cut payments to those who have been injured, — would you cut the amount that is available, let us say, to the veterans' hospitals and so forth? Where would you cut those specific expenditures?

Mr. Eames: I'll have to interrupt here, gentlemen, because I think that our listeners are going to be most interested in hearing the summaries of the position that you gentlemen really represent and I'd like to have Mr. Lubin really state his case on this boom and bust problem, if he'll be good enough to do so.

Summary

Mr. Lubin: As I see this problem, our economic system today is based upon the freedom of the individual to invest in any legal enterprise which in his own opinion will yield him a return. As I said a minute ago, this is one of the few countries in the world where the individual is still free to go into the type of industry that he as an individual sees fit to go into. Our standard of living, I think, has proven that this system of free enterprise has thus far at least proven to be the most

successful in the world. Any other system has to prove itself to be better. Now, the weakness of our system has been that it has been plagued with periods of booms and busts. In 1929 we all thought that we were on the road to permanent prosperity, that there never could be another bust. Within three years we had something like fifteen million people unemployed in this country. We had starvation wage levels, people working at ten and fifteen cents an hour for sixty hours a week. We had unemployment. We had breadlines. We had a threat to our economic and political system. These booms and busts, as I see them, have resulted from the lack of control on the part of business itself. In other words, business men themselves have failed to exercise the controls over the activities of the system that they should have. The only alternative I see to these periods of booms or busts is government action whereby government will absorb, let's say, soak up, the excess purchasing power which leads to high prices and speculation and spend greater amounts as unemployment appears on the horizon.

Mr. Hazlitt: One of the best ways to prevent a bust is to prevent a runaway inflation or boom. The government can do this by keeping its budget balanced, by refraining from tinkering with the currency, by maintaining the soundness of the dollar, by resuming a full gold standard, by not encouraging an arbitrary reduction in interest rates, and for the rest by doing everything possible to permit private business to function freely. The government's motto should not be necessarily *laissez-faire* but certainly *laissez-produire*, let's produce. The role of business is to guard itself both against irrational extremes of optimism in good times and irrational extremes of pessimism when things go wrong. It must guard against excessive inventories, misdirected expansion, and excessive prices. The role of labor should be for getting the full value for its work, to guard itself against either excessive wage demands or a falling off in productivity which could only lead to unemployment. Now, labor should see in its own interest that it gets a wage equal to its own marginal full purchase — full productivity at full employment. But it should refrain from reaching out for more than that for this will only create a fall in production and a rise in unemployment. The theory that labor should constantly strive to get the highest possible wage rate and that it should rigidly keep up wage rates when prices collapse to maintain its purchasing power is false. It's false because it overlooks the fact that an excessive wage rate will discourage and prevent employment and therefore lower total pay rolls. Excessively high wage rates, in short, are the surest way to reduce labor purchasing power.

Frederic Latscha Forms Own Inv. Firm in Cinti.

CINNCINNATI, OHIO — Frederic Latscha has formed Frederic Latscha and Co. with offices at 432 Walnut Street to engage in the securities business. Partners of the new firm are Frederic F. Latscha, Richard Thayer, and Warren R. Woodward. Mr. Latscha was formerly connected with George Eustis & Co.

Harold Loeb in New York

Harold Loeb is engaging in the securities business from offices at 475 Fifth Avenue, New York City. Mr. Loeb in the past was proprietor of Fred Loeb and Co.

Felder & Jaffe Formed In N. Y. and Chicago

Felder & Jaffe, members of the New York Stock Exchange and New York Curb Exchange, announce their formation as a general partnership, with offices at 60 Beaver Street in New York City and at 120 South La Salle Street, Chicago. Partners in the new firm are Murray Felder, who is withdrawing as a general partner from La Grange & Company; his brother, Seymour Felder, formerly sales manager of Hollywood Advertising Corporation, who recently was released from the Army after more than two years' service, and Ben Jaffe, formerly with Link, Gorman & Co. in Chicago. Mr. Jaffe, who has been in the securities business since 1918 and who was associated at one time with Paul H. Davis & Company, will manage the Chicago office.

Formation of the firm was previously reported in the Chronicle of Aug. 29.

Wall Street Riders Re-Elect Officers

The Wall Street Riding Club, at the annual election held at the Club's offices, 16 John Street, New York City, returned Miss Frances M. Weller of Harry Downs & Co. to the office of President, to serve for a fifth term. Other officers reelected were, Miss Loraine B. Ross of F. Eberstadt & Co. as Secretary, and Miss Eugenie Dittman of Delafield & Delafield as Treasurer.

The Misses Weller, Ross and Dittman were reelected to the Board of Directors to serve for a term of two years. Three new members elected to the Board were Miss Virginia McGaffney of Dunham & Fletcher, Mr. William Salisbury of Union Securities Corp. and Eileen Kingston also to serve for a two year term.

The Club will begin its eleventh season on October 4th at the Ride Headquarters—Aylward's Riding Academy, 7 West 66th Street, New York City, and will ride every Friday evening thereafter at 9 p.m.



GRACE NATIONAL BANK

OF NEW YORK
HANOVER SQUARE, NEW YORK

Statement of Condition, September 30, 1946

RESOURCES

Cash in Vault and with Banks	\$19,788,041.71
Demand Loans to Brokers, Secured	1,649,100.00
U. S. Government Securities	47,020,393.00
State, Municipal and other Public Securities	1,667,259.51
Other Bonds	20,043.66
Loans and Discounts	19,987,863.02
Stock of Federal Reserve Bank	180,000.00
Customers' Liability for Acceptances	1,201,197.51
Accrued Interest and Other Assets	298,016.98
	<u>\$91,811,915.39</u>

LIABILITIES

Capital Stock	\$3,000,000.00
Surplus	3,000,000.00
Undivided Profits	768,474.95
Deposits*	79,716,813.03
Certified and Cashier's Checks Outstanding	3,278,421.96
Acceptances	1,586,995.49
Less Own Acceptances in Portfolio	381,033.00
	<u>1,205,962.49</u>
Reserve for Contingencies, Interest, Expenses, etc.	842,242.96
	<u>\$91,811,915.39</u>

*Includes U. S. Government Deposits aggregating \$7,220,099.36.

DIRECTORS

HUGH J. CHISHOLM President, Oxford Paper Co.	DAVID M. KEISER President, The Cuban-American Sugar Company
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The Grace name has been identified with domestic and international banking and commerce for almost a century.

MEMBER FEDERAL DEPOSIT INSURANCE CORPORATION

Canadian Securities

By WILLIAM McKAY

Despite the general pessimism over Canadian business prospects occasioned by the current decline in stock market prices, trade activity in Canada, according to numerous reports, is very brisk and, in some notable areas, even gaining in momentum.

For instance, the Dominion Bureau of Statistics revealed that car loadings for the week ended Sept. 21—for the first time since October, 1929—exceeded 80,000 cars, totalling 80,658 cars. Car loadings

for the week ended Sept. 14, the Bureau also reported, totalled 79,924 cars, the highest figure for any week of this year up to then, more than 9,000 cars greater than the previous week and more than 6,000 cars greater than the corresponding week of last year. Freight loadings in August, the Bureau also announced, totalled 8,973,000 tons compared with 8,590,000 tons in July.

Dividend payments by the large corporations in September were the highest for any corresponding month in years, it was revealed by J. R. Timmins & Co., members of the Toronto Stock Exchange and the New York Stock Exchange, totalling \$25,498,831 as compared with \$23,280,841 in September, 1945, and \$21,333,570 in September, 1944. During the first eight months of this year the Dominion Bureau of Statistics reported, 32,040 building permits were granted, or nearly twice as many as in the corresponding period in 1945 when 18,363 were issued. This year's permits were valued at \$267,361,578, an increase of 116% over the \$123,889,319 figure of last year.

The Bank of Montreal reported that, with both payrolls and consumer buying at high levels, wholesale and retail trade continued brisk in all parts of the Dominion. The technical reconversion of Canadian manufacturing industry formerly engaged in war production was about three-quarters completed in August, the bank said. Prices of agricultural products at the farm in July were also reported as being 86.6% above the average level of the five years, 1935-39.

Gold production in July was 239,554 fine ounces compared with 234,383 in the preceding month and 210,209 in the corresponding month of last year, the Dominion Bureau of Statistics also reported. Petroleum production in July totalled 6,071,259 barrels compared with 5,656,582 barrels in the corresponding month of last year, the Bureau also revealed. Coal production during July, amounting to 1,152,994 tons, was up 5.5% over the figure of 1,092,203 for the same month last year, the Bureau made known.

Gross earnings of the Canadian Pacific Railway Company for the week ended Sept. 21 totalled \$6,196,000 compared with \$6,174,000 for the corresponding week of last year. The figure marked the first increase in weekly earnings since the week ended Mar. 21 of this year. Canada Air Lines in August carried 33,792 passengers compared with 29,714 in July, an officer of the company reported. For the second consecutive month, too, Labor Minister Mitchell reported there was a reduction in the number of work-days lost in Canada from strikes in August. There were 918,285 man-days lost

in July but 867,252 in August, he said.

Export Trade Grows

Gains have also been reported in Canada's export trade. The Dominion Bureau of Statistics disclosed that in August the value of merchandise exported from Canada was \$242,685,000, the highest monthly total since V-J Day last year. Expansion in the volume of trade was reported with British South Africa, Australia, the United States, Belgium, France, Germany, Norway, Poland and Switzerland.

The Chilean Development Corp. has been reported as having accepted a bid from a Canadian firm to supply 250 trolley buses at the rate of twenty a month starting in mid-1947. The Dominion Bureau of Statistics has revealed that Canadian manufacturers exported 15,870,713 pounds of soap during the seven months of this year. Glove Plywood Products of Collingwood, furniture manufacturer, has contracted with the British Trade Board for the immediate delivery of 400,000 dining room and kitchen chairs. Peter Lief-tinck, Netherlands Finance Minister, was reported in Ottawa last week to discuss a number of trade and financial subjects with the Canadian Government. The Netherlands is believed, among other things, to be looking for Canadian timber with which to box for export the vegetables, fruit and dairy products which she formerly sold to Germany. A treaty to extend trade between China and Canada was signed by representatives of the two countries at Nan-king last Thursday.

Many Firms Expanding Their Facilities

Many Canadian firms are also expanding their facilities in anticipation of additional business. Christie, Brown & Co. plans to concentrate its biscuit manufacturing facilities at its new \$4,000,000 plant now under construction in Etobicoke Township near Toronto. Nash Motors of Canada, Ltd., has purchased the Ford plant in Toronto for the manufacture of Nash cars there. Continental Can Company of Canada, Ltd., has also just completed a \$2,000,000 factory at St. Laurent, Que., for the manufacture of food cans, paint cans, drums and other containers.

The Quebec Pulp & Paper Company also plans to develop wood by-products as a new industry in its mills at Chicoutimi which have been closed for some years. Fibre-weld Industries of Vancouver, B. C., is floating a stock issue to finance the establishment of a new industry to treat British Columbia's natural soft woods, such as hemlock and cottonwood, chemically to produce a color-hardened wood. The Bank of Toronto has opened a new branch at McLennan, Alberta.

Trends in The Stock Markets

The Canadian stock markets, reflecting conditions in New York, were dull, lacking features of any kind, during the last week. Canadian internal bonds were steady and quite firm, however. In New York, the volume of trading was restricted in externals but there was a continued demand for internal government's.

Association of Stock Exch. Governors to Meet

The Board of Governors of the Association of Stock Exchange Firms, composed of 33 partners of New York Stock Exchange Member Firms from all parts of the country, will hold its Fall meeting in San Francisco and Los Angeles from October 26 to November 1, it is announced. Enroute, the Board will spend a day in Chicago to meet with Chicago members to discuss current problems of the stock exchange industry.

This will be the first time the Board of the Association has visited the West Coast for one of its meetings which is in line with its pre-war policy of holding at least two meetings each year in various cities of the United States, which was renewed last Spring when the meeting was held in St. Louis. Prior to the War meetings were held in Chicago, Richmond, Nashville, St. Paul, Boston, Philadelphia and Cincinnati.

Wymond Cabell, of Richmond, Virginia, President of the Association, will address a meeting of partners at luncheon in Chicago which will be attended also by officials of the Chicago Board of Trade, Chicago Stock Exchange and the Mercantile Exchange. He will also address a dinner meeting in San Francisco being arranged by the San Francisco Stock Exchange on Monday evening, October 28, and the Rotary Club of Los Angeles at luncheon on Friday, November 1.

Business meetings of the Board will be held in San Francisco, Monterey and Los Angeles at which will be considered matters of importance which are currently confronting Association members.

The Association of Stock Exchange Firms is a trade association of New York Stock Exchange member firms and members. It represents its members in matters relating to the conduct of securities brokerage organizations dealing with the public, particularly in promoting efficient methods of operation.

List of Governors of Association Of Stock Exchange Firms

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Sydney P. Bradshaw, Clark Dodge & Co.
Gilbert U. Burdett, Laidlaw & Co.
James F. Burns, Jr., Harris, Upham & Co.
William W. Cumberland, Lad-
enburg, Thalman & Co.
F. Dewey Everett, Hornblower & Weeks.
M. Donald Grant, Fahnestock & Co.
George H. Kantzler, E. F. Hut-
ton & Co.
Joseph Klingenstein, Wertheim & Co.
Thomas F. Lennon, Delafield & Delafield.
Laurence M. Marks, Laurence M. Marks & Co.
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From St. Paul:
Springer H. Brooks, Piper, Jaf-
fray & Hopwood.

From Richmond:
Wymond Cabell, Branch, Cabell & Co.
From Washington, D. C.:
Richmond P. Dunn, Auchincloss, Parker & Redpath.
From Boston:
Albert P. Everts, Paine, Webber, Jackson & Curtis.
From Baltimore:
Charles S. Garland, Alex. Brown & Sons.
From Salt Lake City:
J. E. Hogle, J. A. Hogle & Co.
From Atlanta:
William E. Huger, Courts & Co.
From Cincinnati:
James M. Hutton, Jr., W. E. Hut-
ton & Co.
From Pittsburgh:
Joseph M. Scribner, Singer, Deane & Scribner.
From Detroit:
Laurence P. Smith, Bennett, Smith & Co.
From Philadelphia:
C. Newbold Taylor, W. H. New-
bold's Son & Co.
From New Orleans:
M. A. Willem, Beer & Company.
From San Francisco:
John Witter, Dean Witter & Co.

Twombly Heads Inv. Div. for Kenny Drive

H. McKay Twombly of Reynolds & Company, New York City, has been appointed Chairman of the Investments Division of the 1946 fund appeal for the Sister Elizabeth Kenny Foundation.

Announcement of the appoint-
ment was made by Kate Smith, National Chairman, and Bing Crosby, Chairman of the Execu-
tive Committee, along with 60 other prominent Americans who will head various divisions in the drive.

The campaign for \$2,000,000 will get under way Nov. 18 and continue through mid-December, Miss Smith said. It will be conducted along lines of the annual Red Cross, Community Chest and similar appeals.

Half of the funds collected will remain with state chapters to carry on the work of the Sister Kenny Foundation locally and:

1. To provide scholarships for registered nurses to be sent to the Institute at Minneapolis for training as expert Kenny technicians.
2. To defray expenses of physicians and surgeons who attend periodical demonstration courses at the Institute.
3. To assist local health authorities and medical societies in the various states during infantile paralysis epidemics.
4. To provide funds for the treatment of indigent polio patients, regardless of race or religion.
5. To eventually establish regional Sister Kenny clinics throughout the country, which would be staffed by the technicians trained under the state chapter scholarships.

The remaining half of the drive's proceeds will go to the national Sister Kenny organization.

These will be used to enlarge the over-crowded Institute at Minneapolis, to provide facilities for visiting physicians and scientists, to carry on the extensive student-training program and to expand the Foundation's research into the causes and treatment of polio.

Farquhar in Okla. City

OKLAHOMA CITY, OKLA. — W. B. Farquhar is engaging in the securities business from offices at 1½ West Main Street.

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Traditional Banking Controls vs. Federal Reserve Recommendations

(Continued from page 1646)

made by the Board of Governors of the Federal Reserve System, public opinion in this country on banking, as this author has frequently pointed out before, is more or less unorganized and inarticulate. Bankers have their own journals and other publications, and have access to the leading financial publications, all of which touch upon and treat of these subjects, but, for the most part, such journals and financial magazines reach an audience or clientele that is already "converted" to the need for and the desirability of a system of free enterprise, and an economy more or less free from bureaucratic governmental controls.

Public Should Inform Itself

Bankers may talk about such matters in their conventions and conferences, or during a cocktail party or golf match, but all too frequently their conclusions are not adequately presented to the public generally. Bankers as a class are reluctant to speak out too freely and frankly on such matters, as they remember, as this writer pointed out last September in the "Chronicle,"¹ all too keenly and too well their days "in the dog-house" of the early and mid-thirties. Now that the "Feds" (hereinafter this term will be used for the Federal Reserve Banks, the Board of Governors of the Federal Reserve System, and the Federal Reserve authorities, for space reasons, although the term "Board" will be used on occasion for the full Board of Governors, and the term "Report," for their Annual Report for 1945) have in a sense invited criticisms and discussion of their new proposals by presenting them to Congress and to the press in the form of a press release put out on June 17, 1946, in anticipation of the full Report, then the public should take advantage of this opportunity to make its opinion known before these proposals become a fait accompli, and before we suddenly realize that what the Board has thrown out as more or less harmless and innocuous suggestions as to policy are imbedded in our banking law.

Ease in "Putting Over" Legislation

The comparative ease with which the Senate Silver Bloc made its most recent raid on public funds or the taxpayer's money—the "real Forgotten Man" in America today—by raising the new subsidy price for domestically-produced silver to 90.5c per ounce, is a case in point. The old price of 71.1c adopted in July, 1939, meant a subsidy of 100% over open market prices for silver, and now the new Act, sent to President Truman's desk on July 20 last, adds another 30% to such a subsidy. While this matter had been before Congress for months—"behind the scenes and unnoted by the public"—it was quite generally felt that the insistence of the lower house on maintaining the old price of 71.1c for both Treasury purchases and sales of silver might keep the Senate in line and keep it from carrying out the proposals of the Silver Bloc for a 90.3c price; to be raised to the old "fictitious" price of \$1.29 per ounce after two years. But the votes of the 16 Senators from the 8 silver-producing states must be considered in an election year, to say nothing of the votes of the citizens of those states, so in legis-

lating by compromise as we do in the United States, the Senate and the House Conference Committee came out with a price of 90.5c for silver, and both houses readily adopted the Conference Committee report and the bill went to the President for his signature, without most of the public knowing much about or realizing the significance of this latest monstrosity in the "do-something-for silver" program which has been foisted upon the American people for the past sixty or seventy years.

Let the "Feds" Face the Facts

Likewise in connection with these new revolutionary proposals of the Feds, which have been led up to by the so-called "Leland" and "Seltzer" plans,² they may be presented and even acted upon by a favorably-minded Congress before the people have time to formulate or crystallize their opinion about them. What reason have the Feds, at a time like this, when governmental bureaus and quasi-governmental agencies like the Feds, should be sluffing off their wartime control powers, for asking for more powers? Is it that, "drunk with the sense of power," some of the little bureaucrats in such organizations are hoping that this is the time to make permanent and to extend their controls? Aubrey G. Lanston, Vice-President of the First Boston Corporation, takes the point of view that this Report "conveys the impression that the Board may have circumscribed its thoughts in order to follow the administration line that continuing bureaucratic control over the details of our economic life is necessary." In other words it is not intellectually honest.³ It is fostering and supporting the low interest policy of the Treasury, not because of anything either inherent in or implied in the Federal Reserve Act, or in its various amendments which have given their credit and/or monetary control powers to the Feds, but simply because it "has promised the Treasury not to raise" its absurdly low rates on one-year Treasury certificates, and that "the rate of ½% on one-year certificates will be maintained, if necessary, through open market operations" by the Feds. And this assurance was given, they add, "because the Board does not favor a higher level of interest rates than the government is now paying."

Eccles' Position Made Clear

The position of Marriner S. Eccles, Chairman of the Board, was made clear in an unscheduled address before the Illinois Bankers Association Convention on May 2, 1946 at the Hotel Jefferson in St. Louis. He knew that Winthrop C. Aldrich was to be the dinner speaker that night on the subject "The Control of Inflation" and he knew that Mr. Aldrich was opposed to the continuance by the Board of its self-imposed task of supporting the Treasury's rate curve "come hell or high water." So in an "extemporaneous" address which he had made formally on two or three occasions in the East before this date, he "settled the whole issue" of interest rates and the bankers, as Mr. Aldrich facetiously remarked that night.

I sat just a few seats in front of him in the convention session in which, with considerable arrogance and self-assurance, from my partially objective viewpoint as a banking economist and not a banker, he more or less laid down the law to the bankers present on

their attitude and policy toward interest rates. "We have established and have maintained these low interest rates of ½% for one-year Treasury certificates and not to exceed 2½% on long-term governments," he said in effect if not in exact words, "because we have promised the Treasury to do so, and because we do not favor a higher pattern of interest rates than the government has been paying." Then with all the force of his not-over-strong voice, he added, "These rates are here with us and they are going to stay, and you bankers might just as well adjust yourselves to them and govern yourselves accordingly." My notes show other statements just as arrogant and just as bureaucratic as the above, but these statements made on May 2 by the Chairman of the Board should remove any fears such as Professor Walter Spahr expressed in his article in the "Chronicle" (issue of July 11, 1946, p. 236), in which he raised the question in his closing paragraph "as to whether this so-called Board report may not be the work of some staff members whose product has gotten past certain Board members without there being an intimate knowledge on their part of its nature and contents." Perhaps these "staff members" may have written the extemporaneous speech of Mr. Eccles, but the writer can give Professor Spahr the names of some hundreds of St. Louis and Illinois bankers who know that many of the points of this Board Report were in the mind and thinking of Eccles, and even in his public utterances, prepared or otherwise, at least some six weeks before the Board's Report was released in part on June 17, 1946! And with Eccles' proclivity and determination, as witnessed in the banking bills of 1935, to get his ideas across on the nature and relationships of reserves and of central banking, even to the extent of advocating legal reserves for member banks of from zero to 100%⁴ to further the economic planning program of the Roosevelt administration, it is evident that his backing for many of the items of the Report is fraught with dangerous consequences and possibilities.

Why are the Fed authorities not willing to face the facts of the present situation and admit that, in their policy of maintaining and supporting the Treasury's "pattern of interest rates" or the "rate curve," as it is variously referred to by its advocates and critics, and in their self-imposed task of supporting the government bond market, they have the "bear by the tail" and are afraid to let go? Instead of being willing to admit that they have followed a program in wartime which they and the Treasury thought best at the time, but which becomes a more and more impossible task for peacetime, if the Feds are to carry out their real and traditional functions in the fields of credit control, they now step up and ask for new and drastic controls with which to "muzzle the bear" while still holding on to his tail! As the National City Bank's monthly bulletin for July points out, "it is far from clear that there is any need for such extreme powers . . . the fact is that, as has been pointed out again and again, the authorities already have very large powers at hand if they will but use them."⁵

The Board admits in its report that these factors affecting credit and the monetary situation should be "viewed from the standpoint of the responsibilities which Congress has placed upon the System and the System's statutory powers

to discharge these responsibilities" (Page 1 of Press Release of June 17, 1946), and then goes on even on Page 1 of the report to state that the main problems confronting the System with the coming of peace, are of a character which makes it impossible to exert the traditional statutory powers vested in the System by Congress. It asks Congress, therefore, to give it new and untried powers because its old powers have limitations, just as Congress intended that they should!

Present Control Powers More Extensive Than for Any Other Central Bank

The present credit control powers vested in the Federal Reserve System, despite their "inherent limitations" which the report stresses, are by far the widest and most far-reaching controls ever exercised by any central banking system thus far developed. To the student of banking or finance these controls are all too well known to deserve listing, yet for the sake of clarity about such controls and about the new proposals of the Feds, it may be best to state what they are and why, under present Fed policy, they are ineffective or meaningless. By law the following controls are placed in the hands of the Feds or of the Board of Governors of the System:

1. The control of discount (rediscount) rates.
2. The control of open market operations.
3. The control of legal reserve requirements.
4. The control of margin requirements (for brokers and banks).
5. The control through "moral suasion"—with teeth in it since 1933—or qualitative control of credit.

The first two are the traditional credit controls used by the Bank of England throughout most of the last century, although the term "open market operations" did not come into use for what they did under this power, until about the 1920s when it was adopted in practice by the Feds. Even in this country the Open Market Committee of the Feds was not given legal status until in the Banking Act of 1933, although an "Open Market Advisory Committee" had been set up by the Board in 1922 and 1923, which advised the individual Federal Reserve Banks on their investment policy.

Controls No. 3 and 4 above—the control of legal reserve requirements and the ability to raise or lower them, and the con-


trol of margin requirements on security loans through Regulations T and U of the Feds, are "traditional only" if tradition can be established in ten or 12 years. Both are distinctly unique and indigenous to American bank practice. With one minor exception in the case of the Bank of Canada, referred to later, no such powers have ever been given to any other central banking system. The plan of variable reserve requirements for the banks of central reserve cities, reserve cities and country banks was inherited by the Feds from the old national banking system, where reserves of 25%, 25%, and 15%, respectively, were enforced against the net demands deposits of the national banks. For the first ten years of the national banking system, from 1863 to 1873, these reserves were against both notes and deposits, but when, in the latter year, a 5% redemption fund in lawful money was added to the 100% reserve in government bonds for the national bank notes, the statutory reserves of 25, 25, and 15% were for deposits only. Power to change the reserve requirements came with the Banking Act of 1935, although some restricted powers in this regard had been set up in the Banking Act of 1933, when a "majority of the Board" could change the legal reserves of member banks, when and if the President declared that "an emergency existed."

Present Power Over Reserve Requirements

The Banking Act of 1935 gave the Board the right to change the reserve requirements of member banks by raising them from 7, 10, and 13% for net demand deposits and 3% for time and savings deposits—called the "traditional" or the "statutory" reserve requirements simply because they were in effect longer than any other set (from 1917 to 1936)—to double that amount, namely to 14, 20, and 26% for the net demand deposits of country, reserve city and central reserve banks, and to 6% for all time and savings deposits in all classes of cities. If once raised they could be lowered again to any figure but not lower than the statutory figures of 7, 10, 13, and 3 per cents.

This was not what Mr. Eccles wanted in the "Eccles Bills" in 1935. He wanted to be able to raise the reserves to 100% or lower them to 0% for different banks in different cities, as a part of the super-economic planning then going on in the Government. (See "Chronicle," Sept. 6, 1945, in

(Continued on page 1670)



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¹ In issue of Sept. 6, 1945, in an article on "The Post-War Pattern of American Banking," reprinted in the December Great Lakes Banker, and in the January, 1946, Kentucky Banker.

² See article in "Chronicle" by Professor Walter E. Spahr, in issue of Mar. 28, 1946, 2 Cf., "Monetary Notes," Vol. 6, No. 8, by Walter E. Spahr, Aug. 1, 1946, p. 2.

⁴ Cf., Lee, Frederic Edward, in article in Chronicle of Sept. 6, 1945, on "The Post-War Pattern of American Banking," pp. 1076-1084.

⁵ Quoted in "Monetary Notes," Aug. 1, 1946, p. 2, and in Chronicle, issue of July 4, 1946, p. 71.

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Mutual Funds

403 Higher—116 Lower

The current issue of National Securities & Research Corp.'s weekly Investment Timing service lists 519 companies whose dividend rates were changed during the first eight months of this year. Of this group, 403 companies increased their dividends, as compared with 116 companies which reduced or omitted their dividends.

These figures, taken by themselves, have considerable significance. They are a measure of present earnings and also the outlook for future earnings as seen by the men responsible for the management of American business and industry.

Prolonged Downswing Declared Unlikely

In a letter dated Sept. 23, The Parker Corporation presents a scholarly analysis of fundamental business and financial forces by its affiliated Investment Counsel firm, E. W. Axe & Co. The following conclusion is reached:

"From a review of the chief factors in the situations we conclude that a prolonged major downswing in the general level of common stock prices is unlikely to occur unless a major business decline has or is soon to set in. The balance of probabilities is against this; on the contrary, the outlook is favorable to business expansion for at least the next year or two. Declines in common stock prices equally or more severe have occurred at various times in the past which have later proved to have no significance so far as major movements in business and security prices are concerned."

Federal Taxation of Investment Companies

The special treatment of mutual funds under Federal tax laws and the proper recording of mutual fund dividends in the individual's tax returns are subjects of a new booklet by Harry I. Prankard, II, President of the Lord-Abbott Group of investment companies.

For helpful information on this sometimes confusing aspect of mutual funds, this new booklet is tops. Among other things, Mr. Prankard explains clearly step-by-step just how the shareholder should treat the various kinds of dividends—regular, extra and so-called "return of capital" disbursements. He also makes some sound suggestions for improvement in the present tax laws applying to mutual funds.

Multiple Purchase Program

North American Securities Co., sponsor of Commonwealth Investment Co., has announced that a multiple purchase program for the shares of this fund is now available embodying the principle of "Dollar Averaging." One of the features of this program is that on regular payments of as low as \$25 per month, full investment of each payment is achieved by crediting the shareholder with fractional shares on the books of the company. Certificates for shares are not executed with each payment, but such shares carry exactly the same dividend, voting and other rights as if a certificate had been issued. A shareholder

may at any time obtain a certificate for the shares in his account.

Another new feature adopted by Commonwealth recently is the privilege extended to shareholders to reinvest in shares of the fund, at net asset value, all or any part of cash dividends received on the company's shares, provided such reinvestment is made within 10 days after the dividend payment date. Such reinvestment of cash dividends may be accomplished automatically by appointing the sponsor as agent to receive and reinvest such dividends for the shareholder.

Railroad Equipment Industry

In the current issue of Perspective, Calvin Bullock analyzes the outlook for the Railroad Equipment Industry and concludes as follows:

"A reasonable conclusion is that given a good volume of traffic and earnings the railroads may be expected to spend relatively large sums of money in modernizing their plant either by making major repairs to existing equipment or replacing that which is no longer economical to operate. The need for new equipment is apparent if only from the standpoint of economy and competitive operations."

"While it is not possible to forecast when needs will be translated into orders, the latter cannot be delayed indefinitely. Thus, when consideration is given to the possibility of additional foreign orders it is probable that for the next several years at least, the railroad equipment manufacturers, especially the freight and passenger car builders, will receive substantial orders to add to their backlogs which currently are at relatively high levels. What would negate the above statements, of course, would be a reversal in the presently upward trend of general industrial production."

Construction Industry

Broad Street Sales Corp., in its current Letter on National Investors, presents a study of the Construction Industry which it summarizes as follows:

"Many elements of instability are present in the construction industry. The expansion has been extraordinarily rapid and has reached levels comparable with past booms. It has been accomplished in the midst of demobilization, at a time when many materials were in inadequate supply, and labor conditions unsettled. Pressure of the enormous demand for materials plus government price controls have led to an irregular flow of supplies and great pricing uncertainties. To these elements have been added government efforts to channel construction into veterans' housing. Clearly the latter effort could go far enough to cause total construction of all types to be less than it otherwise would have been, and it has been stated by John D. Small, Civilian Production Administrator, that further reduction in non-residential construction would be damaging to the economy as a whole."

"Some fluctuations in the value of construction contracts, other than seasonal, are to be expected. But it is to be kept in mind that activity at the summer's levels has persisted for only a few months, and that a very large basic demand for residential and

industrial and commercial buildings exists. There is, moreover, a backlog of construction in the public utility industries, while the road building programs, whether state or Federal, have not yet been undertaken. Family formation has been unusually rapid during the war years. Such elements may be expected to maintain construction in large volume."

"It's What It Does"

"Investors are not actually interested in whether they own a steel stock, a railroad stock or a utility stock. They are concerned primarily with the characteristics of the securities which they own—that is, whether they promise wide or moderate price swings or stability and the probable rate and dependability of income."

—From a recent issue of Keystone Company's "Keynotes."

Recommended Reading

Hugh W. Long & Co.'s "Soliloquy of a Stockholder"—it's some-

thing different in sales promotion as applied to mutual funds.

George Putnam Fund's current issue of "The Prudent Investor"—particularly the section entitled "Church Funds Investment Problem Answered Through 'Balanced Fund'."

Special Dividend

Shareholders of Affiliated Fund of record Sept. 25, 1946, will receive a special dividend on Oct. 25 amounting to \$0.75 per share. This special dividend is based on estimated net realized security profits for the fiscal year ending Oct. 31, 1946. This dividend will be reinvested in additional shares of stock of the company identical to the stock presently held and such additional shares will be sent to the stockholder, or, at his election, the stockholder may receive the dividend in cash. No fractional shares will be issued, but adjustments for fractions will be made by payment to the stockholder in cash.

Traditional Banking Controls vs. Federal Reserve Recommendations

(Continued from page 1669)
writer's article on "The Post-War Pattern of American Banking."

In 1941 (January 1, although their report was dated Dec. 31, 1940) the joint Federal authorities, consisting of the seven Board members, the 12 Open Market Committee members, (including the seven members of the Board), and the 12 Federal Advisory Council members, all went on record in asking Congress to make the then maxima the new minimum requirements, and allowing the Board to raise them to double that amount, namely from 14, 20, and 26, and 6, to 28, 40, 52 and 12 per cents. Congress did not take action on that request and while now the new proposals of the Board ask for upward revisions on the limits of reserve requirements, the Report does not suggest what the limit should be. The Report says: "A further possibility would be to grant additional power to raise reserve requirements, within some specified limit, against net demand deposits. If this authority were granted, banks should be permitted to count vault cash as reserves, and there should be provision for greater administrative flexibility in applying changes in requirements. (Perhaps the 100% to 0% flexibility Eccles wanted in 1935!)" (Parenthetical statements added by writer.) To assure effective control, all commercial banks should be subject to the same reserve requirements."

This bland and vague "further possibility" is absolutely revolutionary in character, as well as retrogressive in principle in the handling of legal reserves. "All commercial banks" cover a wide field. The report does not say "all member banks," nor all member banks in the "different reserve cities," but if adopted this plan at one fell swoop would do away with all differential reserve requirements for central reserve cities, reserve cities, and country banks which have been a part of our banking system since 1863-64 with the passage of the National Banking Acts. Perhaps this classification of cities is an anachronism as an heritage of the National Banking System and should be done away with in time, but this action should not be taken until the Board or other banking authorities have set forth more potent reasons for it than this mention of it in the Report.

Before 1917 cash in vault and till did count as a part of the legal reserves of member banks. On June 21, 1917, the Board reduced the legal reserves from 18, 15, and 12 to 13, 10 and 7% on net demand deposits but stipulated that all legal reserves must be held in

the Feds of the respective districts and that cash could no longer be counted as a part of the legal reserves for member banks. This proposed step is retrogressive because it tends to decentralize reserves again, but on the other hand I believe the 1917 change of not allowing cash in vault and till to count as a part of the legal reserves was unwise. Our banks began almost immediately to reduce their cash on hand by sending only the necessary and required legal reserves to the Feds, and then placing most of their other cash in the hand of their correspondent banks who paid interest on it up to the Banking Act of 1933, or invested it in the call loan or other short-term markets at a good return to the owners. By 1927 banks' holdings of cash in the 101 reporting member cities amounted to about 1½% of their total demand deposits. In the last weeks of August in 1929, a few weeks before the crash in security prices came, the then Deputy-Governor and later Vice-President Zurlinden of the Cleveland Federal Reserve Bank told me that if a sudden run took place on many of the suburban banks of Cleveland at the same time, it would be simply impossible to rush cash enough to them to stave off the runs, due to the small cash holdings of the banks.

The Comptroller of the Currency in his annual report for 1934 stated that on June 30, 1933, the national banks in central reserve cities had cash in vault against gross deposits of 8%; those in reserve cities had 1.2%; and country banks 1.9%, or still an average of about 1½% or less. I am just as strong a believer as Professor Spahr in centralized reserves for member banks, but if legal reserves are to be raised above the present maxima, as they might very well be, as I believe the joint proposal of the Feds on Jan. 1, 1941, on this point has merit if administered on an economic and not political basis, then I am of the opinion that a part of the increase of from 14, 20 and 26% on net demand deposits could very well be, in part at least, in cash in vault and till. Many of the 16-150 of our banks which failed between June 30, 1921, and May, 1934, probably would not have failed if they had had a larger supply of cash on hand to meet unusual demands and probable runs.

What Is Meant by "All Commercial Banks"?

If the statement regarding all commercial banks having the

6 C.F., Spahr, Walter E., "The Federal Reserve Board Credit Control Powers," in Chronicle, July 11, 1946, p. 236.



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same reserve requirements is taken literally, and it would be taken literally by the Feds if the recommendations were adopted, that would mean that by this step alone the Feds would accomplish more or less of what they have been trying to accomplish by one means or another since 1913, of bringing all state commercial banks and trust companies under their jurisdiction, at least as far as legal reserve requirements go. If they adopt a hand-in-glove policy with the FDIC as they have done through their "promises" to the Treasury, it would be an easy step toward the nationalization of our commercial banks to have the FDIC force its member banks into the "pattern of reserves" which the Feds now advocate. As Dr. E. E. Agger, head of the Department of Economics at Rutgers University and concurrently Superintendent of Banking and Insurance of New Jersey, recently stated,⁷ the continuance of our dual system of banks may be jeopardized by Federal Government policies in the immediate postwar period. And while he was speaking of the Government's program of deficit financing through the banks in this connection, he would have undoubtedly viewed this proposal as a step in the same direction of forcing all banks into the same pattern and mold.

What About Open Market Operations?

Control of the Discount Rate and the use of Open Market Operations have been traditionally used to support each other by Central Banking Systems. The Bank of Canada and the Bank of France have never made much use of Open Market Operations as an instrument of credit control. But the Bank of England and the Feds have used both together to tighten or to loosen up controls on the money market. Buying securities and bankers' acceptances on the open market is usually inflationary, although it does not always work out in this manner, as indicated by the Feds' policy of buying \$100,000,000 of government securities per week in early 1932 to offset deflation. Selling securities and open market commercial paper on the other hand is deflationary in character in that by selling such items the Feds can "mop up" excess money or credit in use, by depleting the reserves of member banks or the cash holdings of the banks and the public.

In the debate on the Banking Act of 1935 it was pointed out that "Open Market Operations are considered by many the most important single instrument which the Federal Reserve System has for controlling credit and monetary conditions. These operations consist mainly of the buying or selling of obligations of the United States and bankers' acceptances. Buying by the Federal Reserve banks releases funds to the market and selling operations withdraw funds."⁸ Section 14 of the Federal Reserve Act, which legalized the Open Market Committee of the System, states that the volume of open market transactions by the Feds must be "governed with a view to accommodating commerce and business and with regard to the general credit situation of the country."

By what authority have the Feds undertaken their self-imposed task of "supporting the government bond market," as a part of their direct or implied "promises to the Treasury" unless it may be by a very broad interpretation of the clause "with regard to the general credit situation of the country?" Certainly in recent years where the Feds can and do

buy but cannot or will not sell on the open market, their open market dealings have been one-way open market operations, with buying, buying, BUYING as their program. Witness the increase of the holdings of governments by the Feds of from \$1,100,000,000 at the middle of 1932 to \$23,633,000,000 on July 31, 1946, as a case in point. Some of this was a part of the wartime financing program of the government, but most of it was by the unwarranted and misguided policy of the Feds of trying to support the bond market under all circumstances. Granting that this might have been a desirable policy for wartime, but this is open to grave doubts, how is "industry and business accommodated" by the insistence of the Board on carrying out or hanging on to this policy in peacetime?

Misleading Statements by Board Members

In the St. Louis meeting of the Illinois Bankers Association Mr. Eccles by direct statement and by implication indicated that the Board was letting its holdings of short-term governments run out and would not be replacing them, hence the bankers were led to expect that later combined Fed reports would show a reduction rather than a continuation of the increases of such holdings. What are the facts? Eccles was apparently taking a one-month trend on May 2 when he spoke in St. Louis and assumed that it would be continuous. Taking the month-end reports of the twelve Feds on the date nearest to the first of the month, here are the facts:

Total Federal Holdings of Government and Government Guaranteed Securities

Date (Actual Report)	1916	1918
Apr. 1 (March 27)	\$22,974,322,000	
May 1 (May 1)	22,579,408,000	
Jun. 1 (May 29)	22,982,592,000	
July 1 (June 26)	23,385,106,000	
Aug. 1 (July 31)	23,632,651,000	

Perhaps an increase in such holdings of some \$400,000,000 a month may be interpreted as a reduction by Federal Reserve arithmetic, but it is evident from the above table that only in the changes of such holdings from April 1 to May 1 was there a real reduction of some \$400,000,000, to be followed at once by \$400,000,000 increases in both May and June, and an increase of some \$250,000,000 for July, with the old trend of month-by-month and year-by-year increases again reasserting itself. Having the power to offset the "inflationary potential" which the Board and its members talk about by selling part of their governments or offsetting them run off without renewals, they promote inflation by continuing to buy. They would probably justify this action on the ground that "they have promised the Treasury to support the 7% rate on one-year certificates . . . if necessary, through open market operations."

What of Other Recommendations?

Instead of trying to regain touch with the money market through exercising their present extensive powers, the Board asks for new and untried powers. Raising the discount rate is effective only when banks are borrowing from the Feds to build up their reserves or to expand their lending operations. Practically no commercial paper reaches or remains with the Feds today other than "in and out" dribbles. The Feds could force many banks into rediscounting or borrowing from the Feds by selling ten billion of their \$23 billion in governments, but no, they continue to buy to "support the curve of interest rates" and to "support the bond market," thus ignoring their statutory powers and responsibilities.

With one exception legal reserve requirements are now at the upper permissible limits. As a war-financing measure on Oct. 3, 1942, reserve requirements on

central reserve city banks were lowered to 20% from 26%; and on April 13, 1943, and until "six months after the end of the war" member banks were freed from the necessity of maintaining any reserve against "deposits of the United States arising solely from subscriptions to government securities by or through such member banks." Both of these changes are inflationary and are still in effect at the same time that the Board through its report is asking for more and more powers to combat inflation. Mention was made above of the fact that no other banking system of the world has power to change reserve requirements, mainly because British and French banks do not have any "legal reserves" to be kept with the Bank of England or the Bank of France. They keep reserves at such central banks as a matter of custom. Canada has a requirement that the Chartered Banks must keep a reserve of 5% of their deposits either with the Bank of Canada or in Bank of Canada notes in their own vaults, but the Bank of Canada cannot raise or lower this 5% reserve.

Margin requirements were set on Jan. 17, 1946 by the Board of Governors of the Federal Reserve System, under authority of the Securities Exchange Act of 1934, at 100%, hence this power cannot be used again to combat inflation. "Moral Suasion" and qualitative controls are reasonably effective, by the Banking Act of 1933, but these are not major controls.

Now the Board comes forward asking that it be given the power to determine the total amount of long-term governments which the commercial banks can hold; that they be given the power to define "long-term" and "short-term" securities as they see fit; that they be given the power to compel commercial banks to hold an undesignated amount of short-term governments as a part of their "secondary reserves," and in some miraculous but undefined manner, they want power "to let member banks" count cash as a part of their secondary reserves under certain conditions. "Cash" has always been the most important primary reserve of a commercial bank, though not always a part of the bank's legal reserve, but how the waving of a magic wand from Washington can convert a first-class primary reserve into a doubtful secondary reserve is not explained.

Fed officials have often threatened, facetiously or otherwise, to "cuff the ears of commercial bankers down" if they did not conform to Fed policies. What is needed now is for Congress which is the sole and final authority for the people, to "cuff the ears down" on these power-seeking Fed authorities, who have neither the courage nor the apparent willingness to use the powers they now have. The powers asked for in connection with limiting the amount of long-term governments which the banks may hold, and of compelling banks to hold a certain amount of short-term issues as a part of their secondary reserves, even if the Treasury and the willing Fed authorities connive to reduce the interest rate on such holdings to zero or less, are clearly steps of a bureaucratic regime in the Feds to bring about the complete nationalization of all commercial banks. In the opinion of this author, none of these new powers should be granted, with the possible exception of granting in whole or in part the January, 1941, proposal regarding changing the limits for modification by the Board of legal reserve requirements.

Alternatives to the Board's proposals could and should be offered, but such would fall without the scope and space limits of this article.

Securities Salesman's Corner

By JOHN DUTTON

One morning last week a disgusted friend of ours, laid his newspaper on his desk and exclaimed, "How can anyone be optimistic about the future and about security prices and corporate earnings with conditions such as they are today?" Here in one sentence was a summary of the PSYCHOLOGICAL VIEWPOINT of the average business man in this country at the present time. The manufacturer feels this way, the investors and the investment dealer likewise are in the same mood. THIS IS THE REASON SECURITY PRICES HAVE DECLINED, AND THEY WON'T STOP DECLINING UNTIL THIS PREVAILING SENTIMENT IS REVERSED.

If you can pick the time when this attitude of mind changes over from pessimism to optimism you are going to come somewhere near the turning point in the bear market now underway. Those who take the longer viewpoint know that security prices are never static. They also know that prices do not go up forever or DOWN forever. They are primarily concerned with preserving the value of their assets over a longer term of years. When this type of buying comes into the securities markets it will mark the beginning of a new era of confidence.

There is one event that is coming in the very near future that may mark the turning point and initiate a return of business confidence . . . that is the coming election. This is the most important election we have held in this country in many years. It is beginning to look like the Republicans and Conservative Southern Democrats are going to have an overwhelming majority in the House after Nov. 5. If this marks the end of the complete control over the nation's economic life, which has been highlighted by 15 successive years of the New Deal bureaucracy, then you should see a new rebirth of confidence in the future among the American people.

However, should the New Deal element retain control of both branches of the national legislature, then you can make up your mind that the confidence of business men and investors will sink to lower levels than that which exists today.

There is no getting away from the facts . . . we might as well face them . . . the prices of securities and the dividends which they will pay are now being governed to a greater extent by political forces, than any other factor. The entire economy of this country, is IN EFFECT, CONTROLLED BY POLITICIANS. Controlled prices, wages, priorities, plus rigid restrictions upon both employers and the public, with a government labor policy so one-sided that actual disregard of law and order are condoned on all sides, all has led us into a morass of discouragement and fear, whereas confidence should prevail throughout the land.

The writer of this column is not in politics . . . neither are most of the security dealers, brokers, and stock and bond salesmen throughout this country. But one thing is certain . . . if those of us who agree with the viewpoint expressed in this column will take an active interest in helping to get out the vote this fall WHERE IT COUNTS, we will be doing ourselves, our business, our customers, AND OUR COUNTRY A SERVICE THAT HAS SOME MEANING.

Either this country remains FREE or we are going to go the way of the totalitarian countries of Europe. This nation cannot escape such a fate if the present Administration is retained in office. Only a FREE economy can give this nation production . . . without production there is no future . . . and without a future there is no confidence. During the next few weeks the best time that you can spend is to get out of your office, march down to your political club and get busy . . . the New Dealers will be doing it . . . the PAC will be doing it . . . the Commies and the Pinks will be doing it . . . WHAT ARE YOU GOING TO DO, JUST SIT AROUND AND BEEF ABOUT IT, JUST THE SAME WAY YOU HAVE BEEN DOING FOR THE PAST 15 YEARS?

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⁷ In Bulletin No. 2, on the Monetary Standards Inquiry, quoted in *Chronicle* by this writer on Sept. 6, 1945, in article referred to above.

⁸ In Chamber of Commerce of the U. S. report on "Proposed Changes in the Federal Reserve System," May, 1935, pp. 28-29.

The Second Year of Peace?

(Continued from page 1646)

any reasonable foreseeable period is absolute fantasy. I have been in every troubled spot of the world within the last ten months. I know the frictions that exist and don't minimize them. I think I can tell you of some irritations of which you have not heard, but it takes two nations to make a war and at least one nation that wants it and is prepared for it. Quite honestly, at this moment part of the reason for Russia's belligerency is her lack of preparedness and part of the reason for her insecurity is a figure she has tried as hard as she could to keep quiet — a loss of nearly 20,000,000 in effective manpower in the war just ended.

There is not a single social, economic or political group in Russia which today envisages any desirable result to itself or for the Nation which would come from war. As a matter of fact, Russia today is suffering from an even more acute case of war jitters than we are and has, incidentally, infinitely better reason to be afraid. Let us not forget the fact that not only do we have the atom bomb, but, wise or unwise, have stock-piled a quantity of atom bombs up to this moment which, on reasonable authority, with no violation of confidence, could in one night accomplish a devastation equal to the destruction which occurred in Europe in five total years of war.

Now let's take the other nation — I said it takes two. Does America want war? And is America prepared for it? I'll tackle the second half first. In the sense that we were unprepared in 1939, we are prepared today, but in not a single other sense are we prepared. The next war will be the atomic war, should it occur. Ninety-nine per cent of our thinking and ninety-nine per cent of the actions of each of the victorious nations are geared in terms of a repetition of World War II. There is nothing novel in that fact. The victor always plans in terms of the war he won. The defeated always moves away from the war he lost. Ninety-nine per cent of the juggling going on at the United Nations Security Council and at the Paris Peace Conference is still over the precise questions of boundary and territory which are made so completely irrelevant in this Year II of the atomic age.

Now a more fundamental question. I have no doubts that there are individuals within the United States, as in Russia, who are so tensed by waiting, so insecure in the face of any uncertainty, that they can't stand not knowing any longer and say, in both countries, "Let's do it now, when we are sure, rather than later when we may not be sure." But — and I think Russia knows this, but if she doesn't she ought to reflect on it — one of the desirable or undesirable characteristics of a democratic nation is that it is not free to move spontaneously; and in this country not without that kind of support from the public and Congressional debate which results in a declaration of war.

Now, what does all of this mean? It means that irritations will continue, that frictions will continue, that jockeying will continue, Russia, England and the United States will take war-like actions. But in no foreseeable short-term period is there, in my opinion, the slightest possibility of the beginning of that full-scale atomic World War III.

But, I must be honest with you. Thus far I have been examining war in terms of what was the reason for the stock market crash. The stock market does not reflect what might happen twenty years hence. And if I were talking in terms of twenty years hence I

would whistle an entirely different tune because there is just no reason to suppose that anything has happened in the world which eliminates war. As a matter of fact, there is every reason to suppose that it hasn't happened.

A Fight Between the Pot And the Kettle

We have the habit of acting as though war were an extraordinary occurrence that comes with complete surprise. Each war is the exception and after each one we end for all time. That is not a recent intellectual invention. Every major war has always been characterized by precisely the same psychology, when the plain fact is that war is one of the most accepted forms of international adjustment and must be in a world of separate sovereign nations. It is the fact of the separate sovereign nations which produces war. The United States, the Germans and the English and the Russians merely play their largely inevitable role in that connection. And it is for precisely that reason, in fundamental terms, that I can't help but express the feeling that the conflict between Wallace and Byrnes was a fight between the pot and the kettle. Both, by precisely opposite roads, are intent on following the identical course, a two worlds course, a course involving a world made up of separate nations. I honestly don't know and don't much care which of the two would most delay the next war but, fundamentally, they are both conditioned upon the existence of the next war.

I'm not much of a gambler. I won't give you the odds of our attaining some kind of limited war federation with an international sovereignty of its own, not subject to the veto or secession of any nation, with complete international control both of atomic energy and the sources of uranium supply. But I am this much of a gambler: I'll give you a thousand to one odds that if we get it we have begun to eliminate war as an accepted social institution; and if we don't then the next war is as sure as the last.

Now to return to the stock market. If war is not the reason — and I am talking of imminent war, war that occurs within the distance of time the Wall Street mind can see, and no derogation intended of Wall Street — its role is not to see beyond certain distances.

A Second Round of Strikes

Now, there are other reasons given. Another reason is the threat of a second round of strikes, labor disputes. Well, there wasn't anyone who didn't know six months ago when the first round was on that the second round would occur. There isn't anyone who will sign a contract with a labor union that doesn't know that the end date of that contract is the signal for the next start of conflict. And yet six months ago this did not depress the bull market.

Now, several additional things have happened within these six months. Six months ago labor — and I am now talking of the labor leaders — were intent on striking. Today the labor leaders, in most instances, and I exclude the Communist-dominated union because it follows an entirely different course — most labor leaders, both AFL and CIO, don't want the next round of strikes. Their problem is how to get the rank and file to go along. The greatest problem facing Philip Murray and Walter Reuther today is how to keep the hat on the automobile union, and they probably won't. But there is a vast difference in a strike when a

union leader pursues it reluctantly than when he leads the vanguard.

Union Treasuries Depleted

Still another factor. Union treasuries are depleted and a strike on a depleted treasury is an entirely different kind of strike than on a full war chest.

Still another factor. Management will not give in quite as easily this time and labor knows it.

Still another factor. The certainty that even the mildest wave of strikes following January 1st brings repressive labor legislation. And don't think that labor isn't worried.

In other words, in addition to all of the known factors, six months ago, these new factors strengthen management's expectations. And so without much of a stretch of imagination I say that a threat of another wave of strikes was not the reason for the sudden decision on the part of many investors that things were bad.

1947 Profits

And now we come to a third. 1947 profits are not going to be as high as 1946. First, if we take out of 1946 the excess profits credit and the loss carry-over, 1946 would be one of the more dismal years in recent business history. 1947 may not be our peak year, but whatever the economic circumstances, it will be a better year than the best year we have had prior to this war and there is not a single person in management who will contest that with any confidence.

Mr. Felio, as a matter of fact, used a very interesting figure of speech in a conversation we had just before lunch. There is a growing concern about the next depression now. The same wave of fear that hit economists and government authorities about a year and a half ago has now begun to hit the business community and it may prove to be just as illogical unless you are intent on making it true. And here is the figure of speech Mr. Felio used. I wonder how many hands would be raised in this room right now in answer to this question: "If you could get, and of your choice, how many of you would go out immediately and buy two suits?" Would you raise your hands? (Large show of hands.) Gentlemen, do you see the gloomy harbinger of dried up demand and of the absence of purchasing power in that show of hands?

Now, let me tackle the fundamental question: "Depression in 1947?"

Two years ago the former Secretary of Commerce advanced a very radical theory. He said that if by 1950 we could achieve 60,000,000 employed at a reasonably high standard of living we could sustain full and continuous employment in this country. Well, this is four years before 1950 and we have 62,000,000 employed at the highest standard of living we have achieved, coupled with an extraordinary continuation of extreme demands as we could ever, with good health, sustain. Add to that a back log of savings which has not been diminished much. And we are worrying about depression!

Production Problem Not Licked

Now, I have examined every factor except one. It is the factor to which I devoted almost my entire speech a year and a half ago — Productivity. I said then that we had one year of opportunity to assure ourselves of continuing prosperity. We have dissipated that year. It is not my function nor do I think it serves any useful function to place the responsibility for it. But we have not licked the problem of production. We have not achieved production and without it we, un-

fortunately, may realize some of our present unfounded fears. We have, unfortunately, priced more and more of the consuming public out of the market. We have, unfortunately, failed to unleash the one thing that could have given us ten years of sustained prosperous activity — a home construction industry that would occupy the role of the automobile industry following World War I. And housing today is the biggest fizzle in American economic life despite the demand for a minimum of 16,000,000 housing units.

We have our last chance, a year's grace beyond the time I thought would be available to us. Some time within the next six to nine months we have got to come to grips — and successfully — with production so that output gets somewhere in line with price and wages, both of which are already out of line, and we will find ourselves with the most acute demand. Unless we do, we will face the most active speculation in raw materials and accumulation of inventories but with no goods coming to market and an extraordinary number of consumers incapable of buying that which there is on the market.

I am sure that if all of the businessmen of the country were represented in this room it would be possible to get a decision or a series of them which could produce the results required within the next few months. Unfortunately, they are not all in this room. Unfortunately, you haven't the complete authority to make that decision and, unfortunately, there is a great deal more involved in that decision than just businessmen.

Attitude of Labor Leaders on Productivity

These are the assets. The responsible labor leaders have come to learn what a wage increase is that is not met with an increase in production. A new word is on their lips — productivity — and they have begun to understand it. That's an asset. Don't minimize it and don't throw it away.

Government has begun to understand that the essential crisis and problem is production, and business, at least with its right hand, has always known that it is; but on some occasions, unfortunately, its left hand is accumulating inventories while its right hand advocates productivity. And both hands make perfectly good sense. It just depends on the measure you use.

Summary

I have three minutes in which to sum up and I believe in honest sales representation. I have before me the list of questions on the leaflet which brought you out to hear these remarks. You have a right to an answer to them and in the recapitulation I am just going to go down question after question to answer them.

"Will we have prosperity or depression?" I prefer the phrase "boom or bust" because we are in the biggest boom we have ever seen right now. The question is will we level off and sustain high activity or let it spiral further for another three or four months and then bust. The answer to that is more in your minds than in mine. By how much will production be stepped up? By what resourcefulness will we produce something of the kind that was produced during the war? Where is the flood of merchandise coming from? How much will there be and how much of it will be lower in price?

If enough prosperity and production — a boom; if a further spiraling and a continued half-productivity — a bust.

"Will we have a static or a shifting tax picture?" Congressmen from both parties will promise us a 20% tax cut in their effort to be elected this fall. If the promise were ever delivered,

our headaches would be multiplied at least by two; and to the extent it will be partially delivered, our headaches will be increased.

"Will we have full employment or mass unemployment?" The answer to that is the same as to the first question.

"Will we have economic security or insecurity?" My answer to that is that we have the opportunity for more economic security than we have ever contemplated and more insecurity in our business minds than almost at any moment since the depression years.

"Will atomic energy be harnessed or unleashed?" My honest guess is that we are neither going to harness or unleash it; and we will fiddle along for too long a time. That brilliant proposal made by the Baruch Atomic Energy Committee will continue to meet with half-hearted support on the part of the American people, with far less than brilliant support by the Administration and less than an even chance in the United Nations Council.

"Will we be able to avert another war? Or will the next twelve months sow the seeds of another war?" My answer to the "Will we be able" is a flat yes. We can and it isn't the next twelve months that will sow the seeds of another war. The seeds were sown at San Francisco when a United Nations was constructed which was not adequate for the job. It is an automobile with a beautiful body and no motor. It has no sovereignty of its own and no means of restraining the sovereignty of others. It has an armed force that remains on paper and even if formed it wouldn't make any difference because it is not government; and only government produces law and only law produces security.

Those of you who know me know that I have developed an unenviable reputation for pessimism, but quite honestly, gentlemen, it is a pessimist telling you that we haven't a single adequate reason today for pessimism except our own fears. But if we don't restrain our fears and use some of that wasted emotional energy in producing, our fears themselves may yet become the reality. Here's hoping they don't.

Extend Time for Exchange Of Bogota Bonds

Holders of the City of Bogota (Republic of Colombia) 8% External Sinking Fund Gold Bonds of 1924, due Oct. 1, 1945, and of the Municipality of Bogota, Power and Light Consolidation Loan of 1927 Twenty-Year External 6½% Secured Sinking Fund Gold Bonds, due April 1, 1947, have been notified that the time within which they may exchange their bonds and the appurtenant coupons, under the Offer of Nov. 15, 1944, for Republic of Colombia 3% External Sinking Fund Dollar Bonds, due October 1, 1970 has been extended from October 1, 1946 to October 1, 1947. Copies of the offer may be obtained from The National City Bank of New York, Corporate Trust Department, 20 Exchange Place, New York 15, N. Y.

Call Eire Bonds

Holders of external loan sinking fund 5% gold bonds, due Nov. 1, 1960, of the Irish Free State (Saorstát Éireann) are being notified that \$15,000 principal amount of these bonds have been drawn by lot for redemption on Nov. 1, 1946, through the sinking fund, at par. Redemption will be made at the head office of The National City Bank of New York.

U. S. Global Foreign Trade Policy

(Continued from page 1650)

be large. We want large exports and large imports and we want them for reasons that are grounded, in large part, in our own interests. I do not mean to imply that we must push exports as a means of maintaining employment in the United States. That, in strict logic, is not the case. If, instead of seeking both quantity and quality in our employment, we were to content ourselves with quantity alone, we could doubtless have it with little or no foreign trade. If we were to accept the necessary controls, it is conceivable that we could keep everybody steadily at work in a closed economy. But it would require a drastic readjustment for us to do so; it would reduce the output of our labor; it would impair the well-being of our people.

We want large exports. An important part of our agricultural activity has long been directed toward sales abroad. And now our heavy, mass-production industries are also geared to a level of output which exceeds the normal, peace-time demands of the domestic market. The maintenance of the type of plant, technology, labor force and management that they require is essential to the preservation of our economic health and even of our national security. It will be easier for us to maintain both the quantity and the quality of our employment, it will be easier for us to insure our security, if we keep our labor at work, insofar as possible, in the industries where it is most effectively employed. And this means that we must sell substantial quantities of our output abroad.

We want large imports. The war has made great inroads on our natural resources; we have become and will increasingly become dependent upon foreign supplies of basic materials. The quantity and the variety of our demand for consumers' goods is capable of indefinite expansion. If we are to sell to others, we must be prepared to accept payment in the goods that they are better able to provide. Nor is that to be regarded merely as a necessary evil. Our imports are essential to our industrial strength, to the richness and the diversity of our daily living.

But abundant trade will not benefit the United States alone. Many nations, particularly the smaller ones, are more dependent on foreign commerce than are we. Wider markets, with increased specialization and more active competition, should enhance the efficiency of their industries and cut their costs. More goods should flow from less effort and levels of consumption should be heightened all around the world. A renewed sense of well-being should contribute, in turn, to domestic stability and to international peace. Untrammelled trade is not an end in itself; it is a means to ends that should be held in common by all mankind.

Foreign Commerce by Private Enterprise

Our second principle is that the foreign trade of the United States should be carried on by private enterprise. Indeed, we should prefer this pattern, by and large, for international trade in general. We should prefer it because private operation, in our view, affords the best assurance that trade will be competitive, efficient, progressive, and non-discriminatory and, finally, that it will be non-political. Business men will ordinarily seek to buy in the cheapest market and sell in the dearest one; governments, if actuated by something other than economic motives, may deliberately buy where prices are high and sell where they are low.

Private transactions are carried on at private risk; if they are displeasing to individuals, they need not involve the state. Public transactions must be effected by governments; if they give rise to dissatisfaction, they are all too likely to become the subject of diplomatic representations. International relations, in all conscience, are difficult enough without creating a situation in which any purchase and any sale may assume the character of an international incident.

It must be recognized, of course, that the postwar transition, even for the United States, may temporarily require some hang-over of public trade. Lend-lease must be wound up. Relief must be provided. Trade must be opened with the occupied areas. We must be assured continued access to certain materials that are still in critically short supply. But our policy for the long-run is clear. The foreign trade of this country—almost all of it—will be in private hands. The persisting exceptions will be few; they will be confined almost entirely to transactions that are essential to our military security.

As you know, the United States has requested the nations that have maintained wartime purchasing missions in this country to limit their operations to commodities required for civilian relief and rehabilitation, to confine them to the normal channels of trade, to make their purchases in accordance with commercial considerations, and to liquidate their operations at the earliest possible moment. In general, the responses to this request have been favorable. Several of the missions are expected to go out of business by the end of the year. Others have curtailed their commercial operations and confined their activities to expediting private trade. Though there will always be some residue of foreign government procurement in the United States, the wartime pattern of purchasing mission activity is slated gradually to disappear.

We can determine how trade is to be conducted within our own borders; we cannot determine how it is to be conducted abroad. Nationalization has made great progress in many countries since the war. We may not welcome this, but there is very little that we can do about it. Where American investors are expropriated, we can demand prompt and effective compensation. Where loans are requested, we can, if we choose, refuse to grant them. But Ruritania's organization of her internal economy is Ruritania's business and if she embraces—or tolerates—collectivism, the best that we can do is to accept her course as one of the facts of life and adjust ourselves to it.

Our problem here is difficult, but it is one to which a solution must be found. We do not wish to isolate ourselves from the collectivist economies, to divide the world into public-trading and private-trading blocs. Nor do we believe that the forms and the methods of collectivism should be employed in carrying on the whole of the world's trade simply because they provide the most convenient method of dealing with the small fraction of that trade that is in public hands. The solution must be found, rather, in an arrangement which will enable the free market economies and the controlled economies to trade with one another on a basis of equal treatment and mutual advantage. And this is what we seek.

Advocates Multilateral Trading

Our third principle is that international trade should be multilateral rather than bilateral. Particular transactions, of course, are always bilateral; one seller deals

with one buyer. But under multilateralism the pattern of trade in general is many-sided. Sellers are not compelled to confine their sales to buyers who will deliver them equivalent values in other goods. Buyers are not required to find sellers who will accept payment in goods that the buyers have produced. Traders sell where they please, exchanging goods for money, and buy where they please, exchanging money for goods. This arrangement is the rule in the domestic market; it has had its counterpart in international trade. Thus, in the years before the war, we bought from Brazil twice what we sold her and from Malaya ten times as much as we sold her, while, at the same time, we sold the River Plate countries twice and the United Kingdom three times as much as we bought from them. Bilateralism, by contrast, is akin to barter. Under this system, you may sell for money, but you cannot use your money to buy where you please. Your customer insists that you must buy from him if he is to buy from you. Imports are directly tied to exports and each country must balance its accounts, not only with the world as a whole, but separately with every other country with which it deals.

The case against bilateralism is a familiar one. By reducing the number and the size of the transactions that can be effected, it holds down the volume of world trade. By restricting the scope of available markets and sources of supply, it limits the possible economies of international specialization. By freezing trade into rigid patterns, it hinders accommodation to changing conditions. True multilateralism is non-discriminatory; bilateralism is inherently discriminatory. Multilateralism follows market opportunities in a search for purely economic advantage; bilateralism invites the intrusion of political considerations.

During the 'thirties, bilateralism found its principal expression in blocked exchanges and discriminatory import quotas. Today, it manifests itself most conspicuously in a whole series of short-run, barter-trade agreements involving those nations whose economies have been most seriously disrupted by the war. These agreements are the inevitable product of serious shortages of goods, instability of currencies, and persisting exchange controls. They may have made possible a considerable volume of trade that otherwise could not have taken place at all. But as goods become available in ample quantities, as currencies are stabilized, and as exchanges are freed, the need for them, real or apparent, should disappear. As multilateralism comes to offer the promise of superior opportunities to buyers and to sellers, such contracts will look less tempting than they do today.

More serious, however, are a few cases of bilateral agreements between important trading nations, involving large quantities of goods and running for long terms of years. In our view, such agreements are bound to be discriminatory, since they give the sellers an advantage over all other sellers in obtaining access to markets and assure the buyer a preferred position in procuring supplies. Their very existence may induce or even compel other nations to enter into similar arrangements for the protection of their own interests. For the duration of such contracts, sellers will not be free to dispose of their goods and buyers will not be free to bid for products in the most favorable markets. If any considerable portion of the world's trade were thus to be frozen over a long period of time, our progress toward multilateralism would be seriously retarded if not completely blocked.

The United States has raised no question with other nations con-

cerning state trading *per se*. It has expressed no concern over bilateral agreements covering small quantities for short terms. Nor has it undertaken formally to protest any of these deals. But it has deemed it proper, in the case of the large-volume, long-term agreements, to call their probable consequences to the attention of the nations concerned. If it should appear that such advice may be gratuitous, I would remind you that the commitments for the liberalization of world trade that have been made not only by this nation but also by other nations are repeated and definite. The future pattern of international trade is a matter of legitimate concern to us, as it is to every other people on earth, from Afghanistan at the beginning of the alphabet to Zanzibar at the end. The system of ownership in Ruritania's internal economy, as I have said, is Ruritania's business. But the methods that Ruritania employs in her external trade affect the character of world trade in general. And world trade is everybody's business.

Our fourth and final principle is that international trade should be non-discriminatory. We believe that every nation should afford equal treatment to the commerce of all friendly states. We

believe that discrimination obstructs the expansion of trade, that it distorts normal relationships and prevents the most desirable division of labor, that it tends to perpetuate itself by canalizing trade and establishing vested interests and, finally, that it shifts the emphasis in commercial relations from economics to politics. For all of these reasons, we have been opposed and shall continue to be opposed to preferential tariff systems and the discriminatory administration of import quotas and exchange controls. Discrimination begets bilateralism, as bilateralism begets discrimination. If we are to rid ourselves of either one of them, we must rid ourselves of both.

These principles have found repeated expression: in our commercial treaties, in our reciprocal trade agreements, in the Atlantic Charter, in Article VII of the Mutual Aid Agreements concluded with our allies during the war, in connection with lend-lease settlements and the extension of credits to the United Kingdom, France, and other powers, in the Articles of Agreement of the International Monetary Fund and the International Bank for Reconstruction and Development, in the economic clauses proposed by

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THE PUBLIC NATIONAL BANK AND TRUST COMPANY of NEW YORK

Main Office, 37 Broad Street

CONDENSED STATEMENT OF CONDITION

September 30, 1946

RESOURCES

Cash and Due from Banks	\$116,369,583.99
U. S. Government Securities	288,604,140.57
State and Municipal Securities	9,401,355.37
Other Securities	1,605,836.03
Loans and Discounts	153,341,394.18
Customers' Liability for Acceptances	1,965,355.14
Stock of the Federal Reserve Bank	660,000.00
Banking Houses	2,162,681.23
Accrued Interest Receivable	950,412.66
Other Assets	261,763.93
	<u>\$575,322,523.10</u>

LIABILITIES

Capital	\$9,625,000.00
Surplus	12,375,000.00
	<u>22,000,000.00</u>
Undivided Profits	6,180,256.74
Dividend Payable Oct. 1, 1946	226,875.00
Unearned Discount	639,043.77
Reserved for Interest, Taxes, Contingencies	4,515,192.55
Acceptances	\$4,991,065.70
Less: Own in Portfolio	2,583,296.53
Other Liabilities	388,990.29
Deposits	538,964,395.58
	<u>\$575,322,523.10</u>

Securities carried at \$28,702,216.49 are pledged to secure U. S. Government War Loan Deposits of \$25,225,028.95 and other public and trust deposits, and for other purposes as required or permitted by law.

MEMBER: N. Y. CLEARING HOUSE ASSOCIATION
FEDERAL RESERVE SYSTEM
FEDERAL DEPOSIT INSURANCE CORPORATION

26 Offices Located Throughout Greater New York

U. S. Global Foreign Trade Policy

(Continued from page 1673)

this Government for inclusion in the treaties of peace, in the Proposals for Expansion of World Trade and Employment which were published in December of last year, and finally and most fully, in the **Suggested Charter for an International Trade Organization** which was published last week.

Suggested Charter for International Trade Organization

The **Suggested Charter** is an elaboration of the **Proposals** to which the British and French Governments have already given their formal support. As it stands, however, the **Charter** is presented purely as an American draft. It is not to be taken, in detail, as representing the fixed or final position of the United States. It has been made available as a basis for public discussion, at home and abroad. And it will be the subject, early in the coming year, of public hearings before an appropriate interdepartmental committee in Washington.

If you are fully to appreciate the beauties—and discover the flaws—in this document, you will have to read it for yourselves. In major outline, however, it embodies the following proposals:

1. That each nation should agree to take action, within its own jurisdiction, designed to provide regular and useful employment opportunities for those who are able, willing and seeking to work; that no nation should serve this end by adopting measures which would export its unemployment to its neighbors; and that all nations should cooperate in an effort to stabilize production by exchanging information and participating in consultations with respect to anti-depression policies;

2. That the devices by which governments have distorted the natural flow of trade, whether through the restriction of imports or the artificial stimulation of exports, should be modified or abandoned;

3. That governments conducting state enterprises should agree to give non-discriminatory treatment to the commerce of all friendly states; that they should make their purchases and sales on purely economic grounds; and that governments whose foreign trade is completely socialized should commit themselves as to the minimum quantities of goods which they propose to import;

4. That nations should agree to act, individually and cooperatively, to curb the restrictive practices of private combines and cartels, when such practices interfere with the expansion of production and trade and the maintenance of high levels of real income;

5. That any action taken on behalf of producers of primary commodities that are in world surplus, instead of being taken by any one nation, without regard to its effect on others, should require international agreement; that the solution of the problem presented by a world surplus should be sought by measures that would remove the basic causes of the difficulty not by measures that would perpetuate it; that the solution should be sought, in particular, by methods that would expand consumption; that measures restricting exports or fixing prices, where they are necessary, should be limited in duration; that they should be so administered as to provide increasing opportunities to satisfy requirements from the most economic sources; that they should be attended, at every stage, by full publicity; and that consuming countries should be given an equal voice with producing countries in their formulation and administration; and

6. That all of these commitments should be embodied in a World Trade Charter and carried out

through an International Trade Organization, established under the charter, in appropriate relationship to the Economic and Social Council, as an integral part of the structure of the United Nations. At the suggestion of our Government, the Economic and Social Council has voted to call a World Conference on Trade and Employment. This Conference, of some fifty or sixty nations, will probably be held in the late summer or early fall of 1947. It will be its task to adopt a World Trade Charter and to establish an International Trade Organization. To prepare for this Conference, the Council has set up a committee of 19 nations—the United States, the United Kingdom, the U. S. S. R., France, and China; Canada, Australia, New Zealand, South Africa and India; Belgium and Luxembourg, Holland, Norway, Czechoslovakia and Lebanon; Brazil, Chile, and Cuba. This Committee will hold its first meeting in London on the 15th of October. Its suggested agenda, adopted by the unanimous vote of the Council, is identical with the headings in the American **Proposals**. At a later stage in the course of this preparatory work, our Government intends to go forward, collaterally, with definitive negotiations for the reduction of barriers to trade under the provisions of the Trade Agreement Act. If all goes well, we should emerge from these negotiations, sometime before the end of 1947, with a protocol embodying the new trade agreements completed and signed by the President, and with a World Trade Charter ready for presentation to the Congress. The International Trade Organization, upon the adherence of a sufficient number of states, should be established and in operation before the end of 1948.

We believe that this Organization should be open to the widest possible membership. But, once it has been established, we do not believe that all of the benefits that flow from it should be extended automatically to those who decline to assume its obligations. Accordingly, we have suggested that a year or more should be allowed to permit adherence to the Organization, but that, thereafter, unless the Organization consents, members should not apply the tariff concessions agreed upon among themselves to the trade of other countries which, although eligible for membership, have not become members, or have withdrawn from the Organization.

In conclusion, I should like to correct a few misapprehensions concerning this program that have appeared in the public print. The first is the careless statement that this Government is seeking to establish free trade. This, of course, is not the case. Free trade would require the complete elimination of all protective barriers. Politically, it would be impossible; economically it would be unwise. As far as this Government is concerned, its negotiations with respect to specific barriers to trade will be conducted within the limits of the authority conferred upon the President by the Reciprocal Trade Agreement Act and in accordance with the procedures of public notice, open hearings, and *quid pro quo* bargaining that have been employed for the past twelve years in the administration of that Act. By a judicious exercise of the power provided in the present law, the United States may lead the world toward freer trade. It cannot, and does not, seek to take it all the way to free trade. We shall expect to come out of the pending conferences with something far better than the sort of restrictionism that has fastened itself on the world's commerce during the last 20 years. But we shall be

willing to settle for something that falls short of Utopia.

Another misapprehension has given rise to the comment that our line of policy has been tailored to meet the needs of highly industrialized states and is therefore prejudicial to the interests of undeveloped areas. The fact of the matter is that the United States affirmatively seeks the early industrialization of the less developed sections of the world. We know, from experience, that more highly industrialized nations generate greater purchasing power, afford better markets, and attain higher levels of living. We have sought to promote industrialization by exporting plant, equipment, and know-how; by opening markets to countries that are in the early stages of their industrial development; by extending loans through the Export-Import Bank; by participating in the establishment of the International Bank. We recognize that public assistance may be required, in some cases, to enable new industries to get on their feet. But we believe that such aid should be confined to enterprises that will eventually be able to stand alone; that it should be limited in extent, temporary in duration, and subject to periodic review; and that it should gradually be tapered off in accordance with a predetermined formula. We believe that the Economic and Social Council and some of the specialized agencies of the United Nations, including the proposed International Trade Organization, may make affirmative contributions to the process of industrial development, and we stand ready to consider all serious proposals that are directed toward this end.

No Exploitation of Smaller States

Still another misconception is revealed by the opinion, recently expressed with some vigor, that the United States seeks multilateralism because this policy will best enable it to exploit the economies of smaller states. At the Peace Conference in Paris, our Government has proposed treaty clauses under which our former enemies would grant non-discriminatory treatment to the commerce of those nations that accord similar treatment to them. This proposal, of course, appears to us to serve the interests of victors and vanquished alike. But it has nonetheless been said to threaten the "enslavement" of the areas concerned. If our country had made the opposite proposal—that special privileges, denied to other powers, be granted to the United States—such a characterization would fairly have applied. But reciprocity in non-discrimination serves merely to protect the right of every nation to compete, on equal terms, with every other nation in the markets of the world, to sell more goods, of better quality, with superior service, for less money, so that labor may be more productive and levels of living more nearly adequate in every corner of the earth. It assures to smaller states an opportunity to buy and sell where they please, on terms as favorable as those afforded larger powers. Far from reducing them to slavery, it affords a guarantee of economic liberty.

And finally, a word should be said about the view that liberal trading principles, being the product of 18th century minds and 19th century practice, are now out of fashion; that our whole project is hopeless; that multilateralism is doomed; that the world is bound to be divided into competing economic blocs; that we might as well adapt ourselves to the inevitable. This, I submit, is a counsel of despair. It is true that the economic and the political situation in the postwar world is full of uncertainties. But the future is not foreordained. For this country to surrender its principles, without

a struggle, simply because the going may be rough, would be neither necessary nor wise. Our initiative with respect to matters of trade policy has been widely commended by other governments. Our **Proposals** and our suggested **Charter** have posed the issues

about which the discussion of these matters now revolves. Our present position imposes upon us a responsibility that we do not propose to abdicate. It gives us an opportunity that we do not intend to throw away.

"Red Herrings" and the SEC

(Continued from page 1648)

Contrast that woman with the informed investor who has exercised his judgment about what to buy. The informed buyer does not expect the impossible, has no illusions about what you can do for him, and is not likely to look for scapegoats in retribution for his investment misfortunes. If I were in the investment business I would pray, for my own protection, if for no other reasons, "Let me have about me customers who are informed."

Now, if a broker undertakes to give investment advice he undertakes the duty to tell his client, to the best of his ability, when to buy and when to sell. As you know, it is our business at the Securities and Exchange Commission to help enforce the policy of Congress that investors shall get the information they need. But it is not our function at the Commission to tell people what to buy or sell or when to buy or sell. Where the free play of buyers and sellers is unaffected by artificial impediments, the Commission has no power or authority to interfere with the operation of the market and price movements. Our job is to help lay the foundation for an informed market free from artificial influences. In other words, our job is to prevent tailor-made fluctuations. That job, I think I may say with pride, we have done to the best of our ability. In passing, as you probably know, the Commission is making a comprehensive study of the recent market decline. What that study will disclose we do not know. Our future course will be determined by the facts revealed.

In choosing a topic for my remarks tonight, there were many things I had to consider. Would our very charming ladies forgive me if I talked shop. Would the gentlemen bear with me if I talked on a subject which would require some pretty precise language. I answered both these questions in the affirmative. I know the ladies will forgive me. I know the State Commissioners, the investment bankers, the dealers and the members of the bar who make up this body, by and large, will bear with me because the subject matter of my remarks has a peculiar, even if different interest, to each of those present.

Getting Information to Investors

One of the most important pieces of legislation we administer is the Securities Act of 1933. I want to deal tonight with some problems raised under that Act in our attempt to make a reality of the Congressional policy of getting information to investors.

With certain exceptions, all securities being publicly offered must be effectively registered under the 1933 Act. The Act contains a fairly simple mechanism for the registration of securities. A registration statement is filed on a prescribed form containing the information deemed important. Assuming that the registration statement is not amended, or if amended, that the amendment is pursuant to our order or with our consent, registration becomes effective on the 20th day after the statement is filed. However, the Commission can cut down the 20-day period having due regard, among other things, "to the adequacy of the information respecting the issuer theretofore available to the public." Cutting down the period of registration is known as "accelerating effectiveness of registration."

This lag in time between the filing and effectiveness of registration is known as the "waiting" or "cooling off" period. There is no doubt whatsoever about why Congress provided that waiting period. It was so that high-pressure selling would be discouraged and that, during the waiting period, information about the security, available from the filed registration statement, could percolate out to investors before they were called on to buy. I cannot emphasize too strongly the need for using the waiting period in order to get preliminary information out to the public. Although the registration statement is publicly on file during the period, relatively few investors or dealers get to know what is in it. It is a common practice in public distribution of securities to take orders over the telephone as soon as the registration statement is effective and to deliver the prospectus with the confirmation. This can lawfully be done, but unless reliable information is currently available before the order is taken, there is a grave danger that the basic policy of the Act is being frustrated.

Waiting Period Largely Unused

In general, full use has not been made of the waiting period in order to disseminate information. It is unfortunate that the Congressional policy has not been put into maximum operation in this regard; and my specific concern tonight is with some of the reasons for this and some of the ways in which it can be remedied. The problem has been apparent to us not only from our own experience within the Commission but as a result of numerous communications we have received from investors, dealers, underwriters and others in the financial community.

The "Red-Herring" Prospectus

The financial community has in the past made some adjustment towards using the waiting period for the dissemination of information; and one of the most widely known methods is through the circulation of "red herring" prospectuses. In general, the Act provides that the first written attempt to sell a security which is required to be registered should be either through a prospectus meeting the requirements of the Act or should be preceded or accompanied by such a prospectus. To comply with the Act a prospectus must contain the most significant information in the registration statement and be up to date within a year of its use. Some underwriters have used the waiting period to disseminate to dealers and investors a document looking something like a prospectus, and setting forth the significant information contained in the registration statement as filed. Remember that this document was sent out in advance of the effective date, while it was unlawful to offer the security. In order to avoid the implication that the securities covered by this document were being offered in violation of the law, a legend in red ink was customarily placed across the top of the first page of the document explaining, in part, that the document was for information only; that it was not an offer to sell or a solicitation of an offer to buy. The name of the document derives from this red ink legend.

While we have never really known to what extent the red herring prospectus has been used,

it is clear that, in recent periods, its use has fallen off considerably. Now the red herring prospectus is not an unmixed blessing. It does serve to get information to the public during the waiting period; but that information comes out of a registration statement not yet effective and might well contain inadequately stated or otherwise misleading material. Further, there was always the danger that such a document would not only inform but would also be used to solicit indications of interest. And such solicitation in advance of effective registration is contrary to the policy of the Act. Nevertheless, we have from the earliest days recognized that getting reliable information out to the public during the waiting period was part of the fundamental policy of the law. And we have issued repeated interpretations permitting the use of the red herring prospectus without deeming it an unlawful offer or solicitation where we were satisfied from the circumstances that it was being used for information only.

The tendency to avoid using the avenues of information to get knowledge about securities disseminated during the waiting period is a matter of deep regret and concern to us. The reasons for this tendency are many and complex. I cannot discuss all of them; but I will try to sketch some. One often heard is the paper shortage. Another is the predominance, in the recent past, of the seller's market. But one of the most important reasons for inability to get reliable information around during the waiting period is the inadequacy of registration statements as filed. It does more harm than good to circulate to investors inadequate statements, half facts, shaded truths and sometimes downright, although not fraudulently intended, prevarication. It was because of that danger that the Commission in April of 1945, publicly announced the policy of refusing to accelerate effectiveness of registration in cases where inadequate red herring prospectuses are circulated until we are assured that the material amendments to the registration statement are communicated to those who get the red herring prospectus. Many underwriters have said that this public announcement has acted as a deterrent to the use of red herring prospectuses.

Now you will hear of all sorts of arguments about the registration process. One of them is that there is nothing inherently wrong with most registration statements as filed and that the Commission consists of a group of fly-specking perfectionists who cannot tolerate having any statements go through as filed. Of course the Commission is careful and cautious. You would not want a Commission that was not. And you would be hearing less public criticism of the Commission if we let some of the rotten registration statements we get become effective—with the consequent odium and expense of a public stop-order proceeding and possible civil liability. Nothing in the law requires us to exercise such care in reviewing registration statements in advance of effectiveness. The care of the staff in processing registration statements in advance of effectiveness has a tendency to protect those filing statements and bearing liability as well as to protect investors. But because of the thoroughness of staff review a feeling has grown up, in some quarters, that the registration statement can be filed in sloppy shape. That wasn't the intention of Congress. Quite to the contrary, Congress intended that the registration statement as filed be a carefully prepared and conservative document so that the information getting out during the waiting period would be fairly reliable.

It should be obvious that we

cannot depart from the policy of refusing acceleration when inadequate red herring prospectuses have been used. We cannot compromise with our duty to investors, and a successful program of encouraging the dissemination of information in advance of effectiveness of registration must recognize this as a basic premise. The key to success in achieving the statutory policy is the filing of adequate registration statements and care in the filing of statements will cut down materially the need for repeated amendments.

We want to encourage getting out to investors, during the waiting period, reliable information about the security; it should be done so as not to result in unlawful offering or solicitation; it should be done with as much stress on setting out the standards as clearly as possible; it should be done within the pattern of the Act and within the limitation of our power thereunder; and in a spirit of cooperation between us and those with whom we deal. It cannot be done if wholesale revision is necessary before the information in the statement can be safely disseminated to the public. And we, on our part, will be continuously alert to gear up our practices, hasten our procedures and limit our criticism of registration statements to those matters only which are of material interest to investors.

I would like to sketch for you briefly some of the lines along which we at the Commission have been thinking. Again I want to say that my words will of necessity have to be precise. The description of a proposed rule is not what might be called a very appetizing cordial but it will, I am sure, be of interest tomorrow and the day after tomorrow. My remarks are to be considered as tentative only. Although I may talk in terms of proposed rules I want it understood that I am merely outlining something which I hope will serve as the basis for fruitful discussion between interested representatives of the public and the Commission.

In general, a program of this kind would contemplate the adoption of two rules. The first would be designed to dispel any lingering fear on the part of those who use a red herring prospectus in compliance with the rule that they would be charged with having made an unlawful offer to sell or solicitation of an offer to buy. The rule would declare that a legitimate red herring prospectus, complying with the rule, is not such an offer or solicitation of an offer. The rule would, of course, require that the red herring prospectus contain reasonably accurate and complete information and that it bear a specific legend limiting the use of the prospectus to informative purposes only. We have tried to set up a standard of what would constitute reasonably accurate and complete information. We expect that a red herring prospectus would be reasonably accurate and complete if it is prepared on the basis of the information contained in the registration statement as amended to correct the inaccuracies, and inadequacies pointed out in the Commission's first letter of comment on the registration statement. Except for data as to price, and other underwriting information, it is our hope that such a red herring prospectus would be substantially complete.

The second rule would provide that the lawful final prospectus could consist of the red herring prospectus complying with the rules, and a supplemental document containing such additional information as is necessary to correct inaccuracies, and to supplement the information in the red herring prospectus.

Under this rule, any person to whom the red herring prospectus

was sent or given prior to the effective date need be sent or given only the correcting and supplementing material. If a registration statement is in fairly decent shape when filed, the supplementary material should be short. In this way the use of a red herring prospectus will not require wastage of effort and material by sending out a full new prospectus duplicating most of the material already sent out.

To encourage the use of this interim method of disseminating information, and to help further the purposes of the rules, the Commission would refuse acceleration of the effective date of registration where it believed that underwriters have not tried to accomplish an adequate dissemination of information during the waiting period. What constitutes an "adequate" dissemination we do not yet know, and we hope that we will be able to formulate some specific standards by the time a rule is finally adopted. At present one of the minimum requirements we might lay down would be that, in an underwriting, all prospective and actual-selling group members should have received a red herring prospectus complying with the rules.

Underwriters will be expected to have available red herring prospectuses to be furnished to all who require copies. The Commission, of course, would continue its policy of refusing acceleration where a materially inaccurate or inadequate red herring prospectus had been circulated until corrective information is communicated. However, it is our hope that this will no longer be a major problem since the red herring prospectus, in most instances, would not be circulated until after receipt of the Commission's first letter of comment.

The proposed rule which would permit a red herring prospectus to be part of the final prospectus should encourage the printing and use of red herring prospectuses. Under this rule a red herring prospectus which has not been used before the effective date can be made part of the final prospectus by attaching it to the necessary corrective document which, in the usual case, should be relatively short. Further, as I have noted, the requirements of the Act that a prospectus be furnished would be met when a person who had been furnished a red herring prospectus would be given, within the limitation of the law, a relatively short document containing the corrections and supplemental material. Thus, the use of the red herring will not involve underwriters, or others effecting the distribution in duplicate printing.

We have thought of various other methods of meeting the general problem I have been discussing. Among them is the possibility of using summaries of information in registration statements for general circulation. The difficulties involved in the use of summaries are many, and we are not clear that the proposal for the use of summaries offers a workable solution. However, as the project is thought out further, it might develop that summaries may form a feasible supplement to the red herring prospectus rules. It is easy to envision some of the difficulties we would face. Among them is the question of what constitutes a fair and adequate summary in a particular case. It will not be easy to define the line between fair summary and unlawful stimulation to buy which is the natural result of emphasis on favorable data at the expense of the unfavorable data. And further, the adoption of a procedure regarding summaries may have to involve submitting those summaries to a check by the Commission in advance of their use.

You realize of course that the programs I have sketched out tonight are still tentative. We hope,

within the next few days, to set machinery in motion for getting specific proposals sent out to serve as a basis of discussion between the Commission and other interested persons. We will of course welcome the views of those who administer State securities laws and we stand ready to avail ourselves of the benefit that their experience, and the experience of others, can bring to the formulation of a program. And I emphasize again that a successful program depends on cooperation.

I assume it is perfectly clear that our eagerness to accomplish the dissemination of information concerning securities which are the subject of a registration statement does not represent any modification of our rigid policy to prevent the offering and sale of securities before the registration statement becomes effective. Properly administered, dissemination of information on the one hand, and enforcement of the prohibitions against premature sales on the other, can supplement each other. Together they make the period before the effective date of the registration statement one in which prospective purchasers have a real opportunity to become informed about new security issues.

It has almost become fashionable for a newly selected Chairman to state publicly his views as to Commission policy in the future. I have been elected by the votes of my associates and the Commission policy is not what the

Chairman thinks or says but what a majority of the Commission decides on the evidence.

So, at the moment, I deem it inappropriate even to suggest policies which purport to bind my colleagues. However, I do believe that the country has a right to know that we are very conscious of our obligation to administer statutes passed by the Congress and that we do not make the law but rather that we are agents to enforce it. We are responsible to the Congress and they, in turn, to the American people.

I know that my colleagues are aware of the importance of making early and clear decisions on disputed matters. While we will not sacrifice justice to a slavish devotion to consistency, as a quasi-judicial body, we hope to establish in the minds of lawyers and business men and all those who are affected by the Commission, that our decisions represent a common sense application of law and that they will constitute precedents on which business men may safely guide their affairs.

It is an unfortunate tendency of many contemporary writers to characterize people in the government service as being "to the right" or "to the left." I assure you we shall carry no ideological banner and if we are to be defined geographically, I am sure that our conduct will show the Commission intent on carrying out the will of Congress "right down the middle" — in line with the law.

MEMBER OF FEDERAL RESERVE SYSTEM



MEMBER OF NEW YORK CLEARING HOUSE ASSOCIATION

The CONTINENTAL BANK & TRUST COMPANY of NEW YORK

STATEMENT OF CONDITION
Close of Business September 30, 1946

RESOURCES

Cash and Due from Banks	\$50,429,691.79
U. S. Government Obligations	74,979,641.50
Municipal Bonds	15,225,298.28
Corporate Bonds	4,096,947.73
Federal Reserve Bank Stock	300,000.00
Loans and Discounts	54,915,105.22
Accrued Interest Receivable	555,449.04
Customers' Liability Under Acceptances Outstanding	965,491.17
Other Assets	84,228.70
	<u>\$201,551,853.43</u>

LIABILITIES

Capital Stock	\$5,000,000.00
Surplus Fund	5,000,000.00
Undivided Profits	1,781,920.06
	<u>\$11,781,920.06</u>
General Reserves	607,366.47
Reserve for Taxes, Interest and Expenses	528,919.65
Dividend Payable October 1, 1946	100,000.00
Other Liabilities	279,945.06
Acceptances: Outstanding	\$4,741,503.43
Less Amount in Portfolio	3,766,910.24
	<u>974,593.19</u>
Deposits	187,279,109.00
	<u>\$201,551,853.43</u>

Securities carried at \$11,813,891.19 in the above statement are pledged to qualify for fiduciary powers, to secure public monies as required by law, including \$10,237,736.02 of United States Government War Loan Deposits, and for other purposes.

MAIN OFFICE: 30 BROAD STREET, NEW YORK

Branch Offices: 345 MADISON AVENUE / 512 SEVENTH AVENUE

MEMBER FEDERAL DEPOSIT INSURANCE CORPORATION

International Fund and World Bank Convene

(Continued from page 149)

John W. Snyder, Both the President and the Secretary stressed the heavy responsibilities placed upon the two Bretton Woods organizations and urged immediate action to place them in actual operation. Although Russia has not yet become a member of either institution, that country was represented by observers, and, evidently, having in mind that Russia participated in the Bretton Woods Conference and agreed to the charter, Secretary Snyder, on urging all peace loving nations to join, stressed the point that the charters of both the Fund and the Bank are drawn broadly enough to encompass various types of economic and trading systems.

Call for 5% of Subscription to World Bank's Capital

In accordance with an earlier notice to its members, the International Bank for Reconstruction and Development has made a call of 5% of the subscriptions to its capital stock, payable on November 25, 1946 in the local currency of its members. This call, which amounts to the equivalent of \$383,500,000 will bring to a total of 10% (or \$767,000,000) calls payable on subscriptions to the capital stock of the Bank.

The Bank has also informed its members of its intention to make two further calls of 5% each on stock subscriptions within the next few months. These calls will also be payable in the local currency of the member governments. When these calls are made, the Bank will have taken all necessary action to secure paid-in capital amounting to 20% of its capital subscriptions as provided in the Articles of Agreement of the Bank.

President Truman's Message

Following is text of President Truman's message to Secretary Snyder and the Boards of Governors of the Fund and Bank:

"It is my great pleasure, on behalf of the people of the United States, to welcome to Washington the boards of governors of the World Bank and Fund.

"The World Bank and the World Fund were conceived in the midst of a great war to help meet the difficult problems of the postwar period and to become a permanent part of the structure of international co-operation visualized by the United Nations. At this first annual meeting of these two organizations it is impossible to look about the world and fail to see the great responsibility that confronts you.

"The world looks to you to provide leadership in helping to build a stable economic world in which nations can trade and prosper in peace. Your governments have accepted the Bretton Woods plans and have placed substantial funds at your disposal to carry them out. Let us put both the plans and the funds to work.

"It is with the deepest personal concern that I wish you complete success in your important work."

Secretary of Treasury, John W. Snyder, in his capacity as Chairman of both the Board of Governors of the International Bank and of the International Monetary Fund, made the following address:

I welcome you to Washington. And I take this opportunity of expressing my deep appreciation of the honor of serving as your Chairman.

I am conscious of the great responsibility which we share as Governors of the Boards of the World Fund and World Bank during this critical period. The agreement reached at Bretton Woods two years ago was possible only because of the convictions we shared that postwar problems would be complex, and would require unprecedented international

cooperation. These expectations have been realized; the magnitude of our postwar international economic and financial problems has more than taxed our individual abilities. We must now actively assume our share in the task of building a permanent peace and providing a prosperous life for the peoples of the world. We must not fail to meet this challenge.

Beyond the Blueprint Stage

We are now beyond the blueprint stage of Bretton Woods. Last March at the Savannah Conference we established the basic operating structure under which these institutions of international cooperation would function. The period since the Savannah Conference has been one of building the organizations. Basic procedures and policy have been explored by the Executive Directors of the Fund and Bank and the important task of choosing key personnel has been practically completed. The election of Mr. Camille Gutt as Managing Director of the Fund and Mr. Eugene Meyer as President of the Bank has inspired confidence in the institutions whose operations they have been chosen to guide. I wish to commend the Executive Directors for their excellent work during this organizational period.

The initial period of building the structures of the Fund and Bank is at an end. From now on they will be operating agencies in their appointed fields. If I may be permitted to express the keynote of this second meeting of the Boards of Governors, it is this: **Let us lose no time in speedily activating the Fund and Bank as effective instruments in a world sorely in need of their services.**

The Fund and Bank were designed to meet both the immediate postwar and the longer term monetary and financial needs of the world.

I think we may take pride in saying that since the end of the war, no nation—despite its many other woes and troubles—has been denied the financial means of obtaining temporary relief and assistance. As the world shortages of goods are overcome, however, financial needs will become even more apparent than they now are. The war-devastated countries must now be put in a position to restore production as rapidly as possible on a scale adequate for home use and for export.

It has been the privilege of the United States to offer leadership in positive action toward international peace and economic stability, through encouraging the formation of the United Nations organization, Bretton Woods and other international groups. And in furtherance of the ideals and objectives of these endeavors, the United States has been privileged to offer considerable financial aid in an earnest effort to reestablish economic equilibrium in the war-devastated countries, as well as in those countries materially affected by the effects of the war. In making this contribution, the United States has been prompted not only by its recognition of the great needs of other nations, but also because, as a member of the world family, the intelligent self-interest of the United States recognizes that all of us must move forward together.

As a part of this broad program, since V-E Day, our Export-Import Bank has made loan commitments of over \$2,000,000,000, the bulk of which has been for reconstruction purposes. When the United States Congress increased the lending power of the Export-Import Bank in 1945 from \$700,000,000 to \$3,500,000,000, it did so not only in recognition of the world's urgent reconstruction requirements but in the expectation that the International Bank would

soon become the principal international lending institution. Despite the very large loan commitments already made by the Export-Import Bank and by the United States and other governments, there remain large credit needs which should be met if we are to have a stable and prosperous world. As we all know, the International Bank must now assume the primary responsibility for underwriting reconstruction loans to countries otherwise unable to borrow on reasonable terms. I am sure that all of us in the Bank are conscious of how far-reaching our operations will be, even though necessarily tempered by the distinctions between prudent lending and improvident borrowing.

In addition to assisting in the restoration of war-devastated areas, the Bank will have an enduring function in stimulating the flow of international capital for development purposes. Many parts of the world are in need of funds in order to develop their productive resources or to improve existing facilities. The economic goal of the United Nations is productive employment for all who are able and willing to work, and better living standards for everyone.

Wants Full Operations at Early Date

It is equally urgent that the International Monetary Fund begin full operations at an early date. During this critical period, when nations are endeavoring to restore their currencies, they need the help that the Fund is designed to provide. We all know that no government can function internally or externally without a sound currency system. Every encouragement should be given to countries to get rid of currency restrictions, wartime or otherwise, which are designed to cover up fundamental weaknesses. We must not allow the restrictive and discriminatory trade and currency practices which were forced upon many countries prior to and during the war to become permanent fixtures of international commerce. The Fund can provide timely assistance to countries in maintaining imports while their export industries and foreign markets are being restored.

There are many obstructions in world trade, closely related to monetary and financial arrangements, but the existence of the Fund and Bank as operating institutions will greatly facilitate their removal. We should expect no overnight solutions of these problems, since some members of the Fund will necessarily retain certain controls during the transition period. However, a most immediate task of the Fund should be to encourage and assist all of its members in removing these restrictions as rapidly as possible. We have long since agreed that we must attack these problems together. Active leadership on the part of the Fund in this regard is essential if world trade is to be restored to a high level and if economic warfare among nations is to be avoided.

Currency Par Values to Be Determined

One of the most important jobs on which the Fund is now engaged is to determine by agreement with each member country the par value of its currency. If we are to avoid the uneconomic consequences of improper exchange rates, and avoid the competitive undermining of the exchange rate structure, we must determine by cooperative action a pattern of vestment, and give confidence to people everywhere in their own currencies. Everyone must realize that this is a most complicated and difficult task. The mere attempt to do this is a great pioneering

step, and although we shall undoubtedly find obstacles and resistances, I am sure we shall be successful if we have the full cooperation and the confidence of the member nations.

A function of the Fund which I want to emphasize is that of promoting common standards of fair practice in monetary and financial relations among nations. In discharging this function the Fund must be a flexible instrument capable of adjusting to changing international economic conditions. At this time I believe that our success can be measured by our development of acceptable standards to which all countries are willing to adhere. Healthy economic competition undertaken in an atmosphere of international good will is wholesome and will contribute to the expansion of international trade. Economic warfare reduces trade and creates suspicion among nations. We cannot afford to permit economic warfare to weaken the bonds which hold the United Nations together.

Wants All Peace Loving Nations to Join

Among the problems with which the Boards of Governors will want to deal at this meeting is that of considering the applications for membership which have been made since the Fund and Bank came into existence. It has always been contemplated that eventually other nations would want to join. Obviously, the Fund and Bank will gain strength if the largest possible number of peace-loving nations join with us. All but six of the 44 nations represented at the Bretton Woods Conference have joined the Fund and all but seven are members of the Bank. I sincerely hope that all peace-loving countries will see their advantage in becoming members of both institutions in the very near future. Cooperation in the economic world is no less important than cooperation in the political world. It is essential to the peace and prosperity of all nations that they operate under the same fundamental rules in their business dealings with one another. The charters of the Fund and Bank are drawn broadly enough to encompass various types of economic and trading systems. In this world of rapid change and widely differing systems of economic and political organization, it is essential that we reach an agreement on common standards of fair practice in international dealings.

The world is looking to us as we begin our task of putting the Fund and Bank in full operation. At Bretton Woods we gave a war-weary world the promise of peaceful trade and economic prosperity. In joining the Fund and Bank, our respective governments have not only invested large sums of money, but they have in a considerable measure staked their economic destinies on the success of these institutions. We must not fail our governments and, above all, the hopeful people they represent.

The spirit of cooperation and enthusiasm which we show here, will carry over into the day-to-day operations of the Fund and Bank. I can ask no more than that the members of the Boards of Governors gathered together at this meeting will have the same spirit of cooperation, and the same faith and will to succeed, as was manifested two years ago at Bretton Woods, and again at the Savannah Conference last March.

We have the machinery—let us put it to work.

Bank Ready for Loans

Following Mr. Snyder's address at the initial assembly of the World Bank's directors, a report was issued announcing no formal applications for loans have, as

yet, been filed, but there were a few informal requests.

"The bank stands ready to play the important role in reconstruction and development which has been assigned to it by its thirty-eight member governments," said the bank's first report to its assembled governors.

"It is vital," the report continued, "that well articulated and productive programs of reconstruction and development should be ready. The bank is prepared to consider furnishing technical assistance in the preparation of loan applications."

It has become known that only two countries, France and Czechoslovakia, had asked for loans. Since the report was written, however, Poland has requested \$100,000,000 and Chile has announced it will seek \$40,000,000. The total of informal requests is now over \$1,400,000,000.

President Meyer's Address

Eugene Meyer, President of the International Bank, after submitting the first report of the institution, addressed the meeting of the Board of Governors as follows:

The report by the Executive Directors, submitted to the Board of Governors today, had its genesis over three years ago during a war in which nearly all mankind was engaged. At that time members of the United Nations were by no means sure when or how the war would end. But they were vividly aware of the vast destruction that was taking place over the world and of the need for common action after the war if currencies were to be stabilized and if international investment was to approach in volume the needs that would exist for the reconstruction of the world economy.

By the summer of 1944, when the Bretton Woods Conference was convened, UNRRA had been established and there was reasonable assurance that the immediate relief and rehabilitation requirements would be met following the liberation of areas then occupied by the enemy. It was frankly recognized that relief was not the appropriate object of international investment.

The International Bank was created to assist in the reconstruction and development of the territory of its members by facilitating the investment of capital for productive purposes. This is the only sound basis on which any international lending institution can be conducted.

You have in your hands now the first annual report by the Executive Directors which reflects the progress made by the Bank in readying itself for business. The structure of the Bank has been established, most of the key personnel has been appointed, and working procedures and relationships have been successfully developed. At the same time the Executive Directors have examined, together with the staff, the policy and operational questions which lie ahead and they have made preparations to meet them as and when they arise.

I am happy to say that on every matter which has come before the Executive Directors it has been possible to resolve all differences of opinion. Action has been unanimous on each item of business. The Executive Directors have impressed me as a group of unusually able men who are guided by the high purposes expressed in the Articles of Agreement of the Bank and who are working together in a spirit of harmony with goodwill toward each other and toward the staff.

Capital Subscriptions Received

The Bank fixed June 25 as the date for the formal commencement of its operations. By this action the first 2% of the subscriptions of each of the members, payable in gold or United States dollars, became due within 60 days

—by Aug. 24. An additional 3 and 5% of the capital subscriptions have been called, payable in local currencies of the members on or before Nov. 25. The members also have been notified that the Bank intends to make two further calls of 5% each, payable in their local currencies on or before Feb. 25 and May 26, 1947, respectively.

Of the first 2% of the members' subscriptions, the Bank has received in gold and United States dollars nearly \$144,000,000, and under the Articles of Agreement partial postponements have been authorized for seven countries which were occupied by the enemy during the war. Also, pursuant to the Articles of Agreement, requests for postponement of the balance of the first 2% of subscriptions are under consideration in the case of two countries.

The United States had paid in full the 3% call and Chile and Costa Rica have paid in full the 3% and 5% calls.

As a result of the various payments the Bank had at the time of the report capital resources of about \$242,000,000. Except for approximately \$3,000,000 represented by local currencies, this amount was composed entirely of gold or United States dollars.

The Executive Directors have authorized the investment of the United States dollars received by the Bank in payment of the first 2% of the subscriptions of the members in bills, notes and certificates of the United States Treasury having a maturity when purchased of not more than 12 months. Under this authorization, we have already completed the investment of \$125,000,000 in such securities. Funds received in payment of the further calls will be represented by currencies of the members, who are entitled to substitute non-interest bearing notes, payable on demand, for such funds to the extent that they are not needed by the Bank in its operations.

I have been surprised in recent weeks to find that there are those who think it curious that the Bank has not already negotiated a number of loans. The fact is that, at the date of the annual report, letters requesting loans had been received from only two countries, and in neither case has the Bank yet received such properly documented applications as would make it possible for us to act. Since then, a letter has been received from a third country which indicates that its representatives are prepared to begin discussions, and informal advices indicate that the same may be true of several other countries. It is impossible to know at the moment how rapidly the necessary information in these cases will be developed and how speedily the negotiations can be conducted.

Marketing The Bank's Obligations

The Bank can, of course, supplement its capital by borrowing the additional funds necessary for its lending operations. I have spent a good deal of time in discussions of the problem of marketing the Bank's securities. Commercial bankers, investment bankers, representatives of insurance companies and savings banks, dealers in securities and officers of the Federal Reserve banking system have been consulted. I have also requested the Executive Director of the Bank representing Canada to take up with his Government the possibilities of marketing the Bank's securities in Canada. As circumstances justify, we will study the marketing possibilities in other countries.

In the United States, the laws of some of the states will have to be revised before insurance companies and savings banks can invest their funds in the Bank's securities, and steps must be taken by the United States authorities and others to secure the necessary changes. These changes will, of course, take some time. Naturally,

every effort will be made to coordinate our borrowing with our program as to loans, and I am confident that any amount that may be required immediately can be promptly obtained.

I have been asked what the form of the Bank's securities will be and what interest we shall pay on them. It would be futile and misleading if I were to pretend that I knew the exact answers to these questions. But it does seem to me that, if the Bank acts prudently in its lending operations and the general economic conditions of the world continue to develop along the lines envisaged in the Bretton Woods Agreements, the Bank's securities will be attractive enough to command a reasonable rate of interest.

Bank's Staff

We have moved carefully in the recruitment of the Bank's staff because it is essential that the officers and employees of the Bank have a high order of competence. If we should fail to select people who meet the highest standard of character and competence, we would most certainly find the Bank's operations seriously hampered in the future.

It has been our desire to recruit personnel as rapidly as was necessary for the proper functioning of the Bank, but not to build up a large staff before it was clear precisely what would be needed. We have, however, made arrangements which will permit us to call upon engineers and other technically qualified personnel on a consulting basis should this prove necessary. This procedure also will be useful in the period before the permanent staff is fully completed. I feel that we are in a position to handle properly any formal loan applications which we will receive, and we will proceed with the permanent staffing of the Bank as circumstances require.

Our desire to build soundly has led us to the conclusion that we should let our experience in operations determine the form and nature of our cooperation with other international organizations whose activities complement or affect those of the Bank. We have had representatives in attendance at meetings of the Food and Agriculture Organization and the Economic and Social Council and its subcommittees. We have been especially anxious to coordinate our activities with those of the Fund, and we are now establishing a joint standing committee of the Executive Directors of the two institutions to assure the maintenance of continuous contact. It is not possible yet to establish formal arrangements for cooperation with the Economic and Social Council. But we have every desire to give and receive cooperation and will develop practical working relationships wherever these prove advantageous either to the Bank or to the United Nations.

We have included in the annual report financial statements based on an audit as of June 30 and additional financial statements as of Aug. 31. Naturally, these cover little more than the first payments of subscriptions to the capital of the Bank and the operating expenses already incurred. We have, however, established an accounting procedure within the Bank and we engaged an outside auditing firm to make an audit of the Bank's financial position as of June 30, the end of our fiscal year.

Expect to Lend Large Sums

We expect to be lending large sums of money. This will entail the borrowing of large amounts from private investors. The accuracy of the Bank's accounts therefore must be beyond question and there must be confidence in our auditing procedures. We have set up a chart of the Bank's accounts which we believe will be adequate to reflect fully the operations in which we will engage, and

periodic outside audits of our accounts will assure the closest scrutiny of our accounting procedures.

I shall not review in any further detail the material included in the report submitted to you today. It is a report of the early stages in the life of an institution to which the people of the world look for help in reconstructing their devastated lands and in assisting them to engage in productive activities which will increase their standards of living.

We in the Bank and in the Fund are working in organizations whose purposes are to promote peace and prosperity through the machinery of monetary stabilization and through restoration of international credit on a large scale by the member nations. It is unnecessary to tell you that these institutions do not operate in a vacuum. They are part of a plan for general international organization to improve the lot of humanity. Their activities are rooted in the fundamental relations between the nations of the world, great and small. Stability, to be achieved, must be desired and struggled for. We must realize that after the great storm of war, a calm cannot be expected immediately. Still, if the fundamental desire of the nations is for peace and understanding, there is hope that the stability we desire may be attained.

The Executive Directors of the Bank and I welcome this opportunity to meet with the Board of Governors and discuss the proper service which the Bank can render. I believe in its ability to serve the world, and I am sure that the Executive Directors and the staff have only one objective—to carry out the purposes which the founding nations had in mind when they created this International Bank for Reconstruction and Development.

I think the Bank is well begun and that the year ahead will be one of progress in the fulfillment of its mission. I cannot close without paying tribute to the men of the various nations who first conceived the idea of creating these two great world organizations—the Bank and the Fund—and proceeded to make their dream come true. Whether or not these institutions will fully attain the objectives of all their hopes and expectations, the world certainly will be vastly better for the fact that such high ideals were crystallized into united action by the great group of nations which conceived them.

Railway Employees Up 1.42% to 1,368,019

Employees of Class I railroads of the United States as of the middle of August, 1946, totaled 1,368,019, an increase of 1.42% compared with a month previous, but was 5.55% below the figure for the corresponding month in 1945, according to a report recently issued by the Bureau of Transport Economics and Statistics of the Interstate Commerce Commission.

A decline under August, 1945, is shown in the number of employees for every reporting group with the exception of transportation (other than train, engine and yard) which shows an increase of 2.66%. The percentages of decrease are:

Executives, officials, and staff assistants, 0.13; professional, clerical and general, 3.73; maintenance of way and structures, 13.94; maintenance of equipment and stores, 5.73; transportation (yardmasters, switch-tenders, and hostlers), 7.40; and transportation (train and engine service), 2.62.

Juggling Government Statistics

(Continued from first page)

groundless public fears have been generated simultaneously by statistical sleight-of-hand by representatives of pressure groups in Government employ," Mr. Court said. "Citizens have been warned to face large scale unemployment and the pleasant necessity of a 50% improved standard of living in almost the same breath."

"The people of the United States have a right to expect that Federal statisticians will represent all of the nation, and not merely one special interest group. Government statistics must reflect the facts without fear or favor. The general feeling that so-called official statistics are fair and unbiased must be backed by true impartiality in fact-finding if Democracy is to be rebuilt."

Mr. Court expressed his sympathy for the treatment the President had received at the hands of his statistical advisers. Specifically, President Truman announced a national wage-price policy based, in part, upon what were alleged to be factual analyses produced by Secretary Wallace's office in the Department of Commerce. Weeks after the President had taken his public position based upon this document, Secretary Wallace repudiated his own report, saying: "It merely reflected an effort by Harold Wein, an economist . . . The projections were not intended, nor should they have been regarded as official forecasts of costs, prices, or profits for the automobile industry or for industry as a whole." In the meantime, it was revealed that the report Wallace blamed on Wein had been leaked secretly to the UAW-CIO.

"It is an unfortunate spectacle to see the Chief Executive of a great nation making important public statements of policy based upon misinformation and distorted

statistics supplied him by his own statisticians only to have even this information later repudiated," Mr. Court continued.

"Among current government computations that are disturbing business confidence is the Federal index of industrial production. According to this computation, July automobile production was 78% above the 1935-39 average. The actual production in July was about 300,000 cars and trucks compared with an average of 335,000 units for the '35-'39 period, or down 10%, rather than up 78% as claimed by Government statisticians."

"The government's production index is not based on the number of cars and trucks actually manufactured. Rather the index is estimated on the basis of the number of hours for which the employer pays. Thus the slower that people work and the less work they do per hour, the higher the production index goes, according to the official government formula. Paid lunch periods, paid sick time, pay for smoking on the job, call-in pay, and all the other methods of paying for not working which have been forced on industry in recent years make the official government production index go up, even though they don't contribute to the output of cars."

"This procedure, which is not untypical of government index making, is in part the result of the U. S. Department of Labor's policy of defining manhours and payrolls in industry so that the official average hours of work appear high and, as a result, average hourly earnings show less increase than actually exists."

"It all adds up to this: People waiting for new cars can't ride on government statistics."

CHARTERED 1853

United States Trust Company of New York

Statement of Condition September 30, 1946

RESOURCES

Cash in Banks	\$ 31,197,183.01
Loans and Bills Purchased	23,514,181.31
United States Government Obligations	96,526,050.66
State and Municipal Obligations	8,256,000.00
Other Bonds	3,563,000.00
Federal Reserve Bank Stock	840,000.00
Real Estate Mortgages	3,627,051.23
Banking House	1,475,000.00
Accrued Interest Receivable	480,442.00
Total	\$169,478,908.21

LIABILITIES

Capital Stock	\$ 4,000,000.00
Surplus Fund	24,000,000.00
Undivided Profits	2,785,776.80
General Reserve	844,611.35
Deposits	131,538,993.05
Bills Payable	5,000,000.00
Reserved for Taxes, Interest, Expenses, etc.	953,674.16
Unearned Discount	5,852.85
Dividend Payable October 1, 1946	350,000.00
Total	\$169,478,908.21

Securities carried at \$21,115,000.00 have been pledged to secure United States Government War Loan Deposit of \$14,101,632.25, to secure Bills Payable, and for other purposes as required or permitted by law.

Member
Federal Reserve System
New York Clearing House Association Federal Deposit Insurance Corporation

The German Economic Situation

(Continued from first page)
best efficiency in the Ruhr only by setting aside the more stringent requirements of the denazification program. The Russians on the other hand are said to use Nazis whenever they have the needed talents. They are willing to take a chance on their misbehaving.

In a conversation with a high officer of the British military government last week I was told that the British have found it necessary to employ Nazis for supervisory and technical work. This officer, who under British policy may not be quoted by name, discussed this and other matters as follows: "We have denazified the coal industry of our zone to such an extent under the quadripartite program that we have almost wrecked the industry. The law is fantastic. Recently we have installed a new series of denazification panels."

Briton Expresses Views on Bizonal Merger

"The merger of the American and British zones is one step in the right direction," the general continued. "The full answer to the problem is to make Germany into an economic whole. Meanwhile the United States and the UK must keep on supporting Germany with food and other imports."

Asked to comment on decartelization policy, the officer continued: "I do not see any really great difference between British and American official policy as to cartels. We both want to break them up." On the subject of German-directed administrative machinery: "We have been much slower than the United States in handing over authority to the Germans mainly because we have had a much bigger problem in the Ruhr. You haven't any control down on the ground."

"Through the bizonal merger both sides will gain, as planning will be done only a single time for the whole. Foreign-exchange proceeds of the two zones will be pooled for the common benefit, although the exact share of each zone has not yet been decided upon. On the grounds of larger population, the British want 53% of the bizonal export proceeds to go to the British part of the bizonal area. Just what the relative populations are we do not yet know. The census to be taken in all Germany in October will give us the facts."

"This area needs raw materials of many sorts, and foods. We need fertilizers, tires, trucks, cotton, wool, etc. At present the UK Government is pouring £130,000,000 a year into Germany. Coal is the great need. Some industries are actually being shut down for lack of enough coal in the British zone. After coal production is increased, Germany will be able to manufacture for export as well as for domestic needs. We are reckoning on £50,000,000 for exports."

When asked whether American and British businessmen would be permitted to come to the British zone to seek German export products, the officer expressed the view that at present businessmen visitors would only be a nuisance. They won't be able to rates which will be consistent with the maintenance of international equilibrium and stability of international currency values. An early stabilization of exchange rates at their proper levels will give encouragement to the flow of international commerce and in-bury much here for a long time, he thought.

Concerning the method of promoting exports at present, the "Chronicle" was told that the Military Government had made a clearing arrangement involving

British coal for Norwegian fish, another for Swedish woodpulp, and that a third for Czechoslovakian chemical pulp had failed of realization. "There is a great shortage of newsprint here and we are handicapped in getting our views out," the officer stated. This is probably one reason for the complaints by Germans in the UK zone against the Military Government. All sorts of rumors make the rounds and are given credence, such as the report that the British and Americans are actually taking food out of Germany!¹

Reasons for Laziness

According to the officer quoted—and I have heard the contrary opinion expressed by other Britishers in the zone—a lack of incentive for hard work is the fact that when one has worked the first three days of the week there is nothing you can buy with the rest of the week's wages. In other words, you need not work a whole week to buy the rationed goods to which you are legitimately entitled, and if you want to trade on the black market, even a whole week's wages will not buy more than a trifle.

Another reason for not exerting one's self in Germany is that many people have considerable savings which may be freely withdrawn and used on the black market. (In the Russian zone, where bank deposits were frozen, this is not the case.) "The financial situation is serious. Practically all concerns in Western Germany are running at a loss. The coal mines are in operation only by virtue of the enormous subsidy paid them by the government. Steel is operating at only 13% of capacity. The trouble in steel is that we are facing a more difficult winter than last and we may have to shut down recently opened enterprises."

"As for coal, we have virtually used up all stockpiles and now are down to our daily output, which is low because of the cut in rations. Then there is the prospect of a hard winter. The canals will freeze and so stop movements of coal that way. The railroads also will have difficulties. It is a vicious circle. The only solution is to be given a breathing space during which we shall be allowed to withhold some of the present exports."

"Coal is being shipped to several countries from the Ruhr and in addition France takes some out in the form of electric power. Each month about 120,000 tons of coal is exported. France gets the biggest part. Other coal goes to the U. S. Zone, Holland, Luxembourg, Italy, Denmark, Austria and Berlin."

The Bizonal Merger

"The chief benefit of the bizonal merger will be the better distribution. There will be a joint Anglo-American staff in Minden

¹Food imports to the British Zone: During August 1946, 172,622 tons of food were imported into the British Zone. This showed an increase in the amount of potatoes, fish and meat imported. Owing to the collection of the indigenous crop, the imports of bread grains and vegetables were considerably less than in July. The breakdown follows:

Commodity—Bread grains, country of origin: U. K., Canada and U. S. A.; made up of wheat, 32,000 tons; flour, 11,000 tons; barley, 9,000 tons; maize, 7,000 tons. Quantity: August, 59,000 tons; July, 154,500 tons.
Commodity—Potatoes, country of origin: U. K., 7,415 tons (dehydrated, as eating equivalent); Holland, 40,205 tons; Czechoslovakia, 48,362 tons. Quantity: August, 95,982 tons; July, 48,112 tons.
Commodity—Fresh vegetables, country of origin: Holland. Quantity: August, 17,852 tons; July, 28,894 tons.
Commodity—Fish, country of origin: U. K., Norway. Quantity: August, 8,858 tons; July, 6,733 tons.
Commodity—Meat, country of origin: U. K., 126 tons (kinned); 804 tons (dehydrated whale meat). Quantity: August, 930 tons; July, nil.
Total quantity: August, 172,622 tons; July, 237,439 tons.

(British Zone), a very small one, sitting over the German Executive Committee for Economics. That committee will be supervised by a panel of three Germans from the American zone and three from the British zone plus a chairman.

"The type of German being used is a non-Nazi businessman or professor. It is hard to find men both technically and politically suitable." I got the distinct impression that the British believe that the French as well as the Russians are ignoring the denazification program in second or third tier jobs, their aim being maximum output.

The British view is that the quadripartite law on denazification went down too low in the scale of nazidom, since it reaches even foremen. This British Military Government officer pointed out that in the case of a coal mine disaster not long ago, the only man who could direct the rescue work was a Nazi, who had to be called back to work for the purpose. (Elsewhere I learned that the Nazi in question has continued in employment since that occasion.)

"We are now trying to get the denazification program finished up once and for all," said the officer. "The Germans are especially discouraged from seeking skilled work of a superior grade for fear that during the screening process they may lose even their present jobs. We have got German panels now working madly on the problem. Some 5,000,000 persons are involved."

[U. S. Zone Ministers of Political Liberation summarized Trial Tribunals activities as of Aug. 25 as follows: Tribunals established, 397; persons charged in Trial Tribunals, 53,741; cases terminated, 30,347.]

Power Supply Crisis

In connection with the statements of the British official quoted above, the following British announcements on power and coal are of interest:

"The regional power supply crisis in Land North Rhine-Westphalia has become even more intense and will probably necessitate another cut within the next few hours. Whole areas may be blacked out, affecting both industry and private consumers. The crisis, which has been building up in the last few weeks, began when the shortage of hard coal caused an overloading of the region's network to the extent of seven million kwh. A first cut of seven million kwh. per week was made at the beginning of the month and this was increased to 14 million kwh. per week."

"These cuts so far have affected only certain industries and export to the American and French Zones. Export of power outside the Land has been restricted to 62,500,000 kwh. per month which is less than half the previous output. The total saving in hard coal amounts to approximately 56,000 tons per week."

Coal Production For August

"There has been an overall increase in hard coal production in the British Zone for the month of August."

"The monthly total stands at 5,324,711 tons which represents an increase of 1,040,020 tons over the July figure of 4,284,691 tons."

"The daily output of coke was 32,720 tons which is an increase of 2,354 tons over the July figure. The monthly total also shows an increase, being 981,681 tons against the July figures of 728,781. Braunkohle figures showed an increase of 995,189 tons."

The officer admitted that there is in the UK zone at present a "hell of a lot of grouching by the

Germans against the military government. Most of this is through ignorance. There are some most fantastic rumors."

The Inflation Prospect

As to inflation, it is a question how much longer "Mil Gov" can control the mark. "A financial plan must be agreed upon soon and put into effect quickly," my informant stated.

I visited the street black markets which are quite openly to be seen in Cologne and Duesseldorf. Here, on a small scale, luxury type goods, mostly foods or ersatz foods, are to be bought for cash. Perhaps in these markets, as elsewhere in Germany, some goods are bartered, but all the transactions I witnessed were for cash. Some of the prices I ascertained in the Cologne black market were as follows:

1 German cigarette	4 marks
1 German cigar	7 marks
1 English cigarette	7 marks
1 American cigarette	7 marks
1 small box of matches	2 marks
1 small envelope of saccharine	14 marks
1 German pound of sugar	50 marks
A packet of cigarette papers	13 marks

In Duesseldorf I circulated in a street black market where bread and butter ration coupons as well as various foods could be bought. Apart from tobacco, the only non-food item I saw sold there was a silver brooch inlaid with garnets, which exchanged hands for 10 marks. The seller was obviously a poor man, and physically handicapped. Contrast that transaction with another conducted simultaneously five feet away: ½ lb. of butter for 90 marks. Surely there could be no better indication of Germany's present economic-financial situation.

In this same market it took 25 marks to buy bread-ration coupons for one pound of bread; 160 marks for the coupons for a pound of butter; 10 marks to buy three German cigarettes; 6 marks for one English cigarette; 35 marks for a bar of English chocolate, etc. I saw a woman with a market bag of slices of "cake", really sugar coated bread, which she was selling at 5 marks a slice just as fast as she could take in the money and make change. The cake was taken unwrapped and eaten for the most part right on the spot. There was such a crowd around the woman I had trouble getting through the crowd and close enough to see what she was selling and at what price.

At the same market, which incidentally went on despite a brisk rain, I saw a man trying to sell a can of fish. Another pulled from his pocket a jar of home-preserved fruit. A woman was selling open-faced fish sandwiches at four marks.

Despite the fact that the black markets described above are openly conducted, the British, if one may judge by the number of press releases they have issued, have been quite active in combating illegal trade in food. I had a long talk with one of their officials who is well acquainted with the matter, and the following is what I learned from him.

British Combat Black Market

Any transaction outside the rules and regulations laid down to cover food and clothing is black-market in the eyes of the Military Government of the British Zone. Since almost everything needed to maintain food and life is regulated, the black market gets all sorts of articles. For example, the British have had a good deal of trouble with illegal slaughtering, which of course tends to break down the rationing system. The number of detected cases of this sort seems to be running pretty evenly from month to month. One or two big cases in the cattle area are now pending. (While the writer has not himself seen many cattle, two persons stationed in Germany

have stated to him that there are many more cattle here than in most other countries.)

Clothing, shoes, tobacco, liquor, cheese, butter and bread are all rationed and therefore to be found on the black market. The British authorities have noted an increasing barter trend in business, as disclosed by correspondence which has come to their attention.

Coal, for example, is offered for furniture. In Duesseldorf most coal is deputed coal, namely coal allotted to the miners for their domestic use. If several miners live together, they exchange their surplus coal for what they want more. It may be tobacco.

Clothing is exchanged for other commodities, such as food. This is illegal and is supposed to be controlled by the German authorities. However, the latter are believed to patronize the black market themselves. Any German, almost, can tell you the black market prices of the day for a variety of things you might mention. At any rate, the German black-market control officials are, to say the least, extremely inefficient. The control machinery is admittedly very poor and unable to force the farmers, as did the Nazis, to hand over all their output.

In the UK Zone of Germany, British cigarettes used to be sold for Allied Military Marks. But the issuance here of the sterling voucher currency (described in a recent article) ended that, since the Germans have little that the soldier wants. Now a German would not dream of offering a British soldier German currency, since the soldier could not use it for anything and could not get it exchanged.

There is evidence in the black market that many people have been exhausting their past savings since VE-Day. Others, consequently, have a surplus of marks and are engaged in trading to work some of them off.

There seem to be no organized black-market rings in the UK Zone, other than a few small ones which are quickly smashed. There have been several cases where farmers have lost their farms or their cattle as a result of their entanglement with the law, or have had to pay heavy fines.

But in Germany, as elsewhere in the world, people do not seem to regard the black market as breaking the law, rather as something clever. In Germany, a grim need forces many to buy on the black market. Even before the war there was a tremendous black market in Germany.

In Germany the farms are mostly quite small and the crops, being diversified on a single farm, even smaller. Collection of foods is hard and leakage easy. So many people may be seen going into the country from any city on bicycles, or trains, or on foot, looking for food to buy. The police try to stop the movement of black market foods after they have left their source of supply.

Proceedings in British Zone

In the British zone an enormous number of people have been arrested, quite apart from very small-quantity violators against whom no proceedings are taken. Implementing the Potsdam decree as to Germany's standard of living naturally creates the controls which give rise to black-market-ing.

The leakage of some commodities to other countries is known to be taking place in Germany. In some cases drugs in short supply have been sent abroad, as a means of transferring capital or for making purchases abroad. The chief problem in the zone right now is forged coupons. The ration list involves such products as butter, margarine, jam, meat, milk, flour, cereals, sugar, cheese, coffee-substitute, soap, washing powder, fish, bread, vegetables,

eggs, etc. Last winter not all people got their full rations. Some do not get them even now. The chief weakness as the British see it here is that the German customer is not tied to any particular shopkeeper. This opens the way to forging. There used to be such a tie before the blitzes, but now the customers are not known to the shopkeepers.

Black-market enforcement work won't be particularly affected by the bizonal merger, unless for the better.

It is pointed out that the differences between legitimate and black-market trade is often very thin. The increase in trade following the merger, freedom of travel, etc., will mean better distribution. There will be in the British zone increased supplies of potatoes and in the other zone of coal. This should lessen the black market business.

In business transactions, as mentioned above, the British have detected an aversion to accepting payment in marks. Even in their correspondence there is a tendency to ask for payment in some scarce commodity. Cases are known of cloth being asked in exchange for coal; the cloth in turn to be used to buy office furniture. In growing instances of late factories and artisans have been noted to accept payment for goods or services in kind. You may get a new roof put on your house in exchange for a goose. The money economy is thus tending to be bypassed, beyond the ration.

Farmers are very keen to get bicycles, so people are bartering them for food. In one displaced persons camp occupied by Poles the latter, wearing soldiers' uniforms and carrying forged papers, traveled into Belgium for coffee and tobacco. At Duisburg on the Rhine people barter with Dutch sailors for goods. In Cologne, similarly, the crews of Rhine barges exchange food for textiles, radios, and bicycles.

On trains the British have caught people in possession of screw keys to loosen the panelling so as to hide goods behind it. Thefts from fields and gardens continue, and it is a common sight this time of the year to see people getting apples from government apple trees lining the roads, a practice which would have been very expensive before the war.

An increase in black-marketing has been noted in the isles of Foehr and Sylt, due to visitors. In some cases decreases in black-marketing have been noted, due to the curtailment of UNRRA as well as to the replacement of reichsmarks by BAFVS, the British voucher money paid to the British troops.

Doped Pigs Get A Ride

Black-market control officers in the British Zone have found passengers on trains carrying pigs in their baggage, apparently for use in bartering in the Russian zone. The pigs are alive, but doped to keep them quiet.

Forging of ration documents is widespread in the British Zone, investigators report. A considerable amount of forged coupons has made its appearance. All sorts of illegal devices are employed, including the validating of old coupons. Printers run off counterfeited coupons, gravely imperiling the ration system, the writer was told by a British official. The black market in coupons is described as "terrific".

While the money used in black-market transactions necessarily stays outstanding, rather than finding its way into the tax coffers, among some of the people who have been buying in the black market there begins to be evidence of a growing shortage of money. In Schleswig-Holstein, for example, officials report that

money is playing a diminishing role in the black market.

From Hanover comes the report of young men going into the Russian Zone to get liquor. One even carried a first aid kit, in case of emergency.

In Brunswick, Poles have been responsible for some cases of forged ration cards. In Kreis Syke illegal distilling from sugar beets of alcohol for sale in Hamburg and Bremen involved nearly all the inhabitants, either in the production or sale. In the Hanover area coal has been seized from people who brought it from the Ruhr to use in barter for potatoes and young pigs. In Hamburg cleaned bricks from bombed buildings have been stolen and sold on the black market. In that city the number of forged ration cards has increased, and a special staff has had to be set up solely to deal with forged and stolen ration cards.

Water police are reported to be proving effective and severely hampering black market activities in that direction. During August British Zone water police made 284 arrests. A great reduction in black market traffic by train is believed to be indicated by the fact that out of 166 arrests made at train checks during August, 133 produced no evidence. An increasing number of persons is reported to be abandoning food when train checks are made.

Another device which the authorities have to watch is the use of the forwarding of train passengers' luggage, express luggage, and ordinary railway luggage.

At Seedorf in Kreis Bremer-vorde an organized black market at a Latvian displaced persons camp was discovered. Cattle thefts had been traced to the camp. In Wuppertal bakers are not equally supplied with flour, indicating something wrong with the distribution of that rationed commodity. At Cologne large amounts of butter and sugar are changing hands on the basis of forged ration cards. At Recklinghausen irregularities were discovered at the food office and three arrests made. At Oberhausen there have been many complaints concerning the uneven distribution of foodstuffs.

It is suggested that in some cases the German legal authorities are not supporting the police in their work, because of the inadequacy of the punishment meted out to black market operators.

These instances and observations reveal that the black marketers in Germany are at least as versatile and agile as those elsewhere and that the authorities must constantly keep on their toes to suppress the illegal activity.

Besse Elected Pres. Of Boston Stock Exch.

BOSTON, MASS.—Harry W. Besse, Draper, Sears & Co., was elected president of the Boston Stock Exchange, at the annual election. Jonathan Chace, Chace, Whiteside & Warren, Inc., was elected vice-president and Mark R. Hodges, Schirmer, Atherton & Co., was named treasurer.

Elected to the governing committee for terms to expire in 1948 were Horace O. Bright, Elmer H. Bright & Co.; Lyon Carter, Estabrook & Co.; John R. Chapin, Kidder, Peabody & Co.; Charles A. Collins; John Perrin, Perrin, West & Winslow; and Stearns Poor.

Members of the nominating committee for 1946-47 are: Richard S. Bliff, chairman; John F. Doyle, Proctor, Cook & Co.; Hollis Hunnewell, Hunnewell & Co.; James F. McMahon, Louis P. Mott & Co.; and John H. Peterson.

Auto Industry Beset With Difficulties

(Continued from page 1650)

war practice. More people will want motor cars. And they will expand the use of those they have. Again we see the need of an adequate system of highways to take care of the probable future.

"I have always referred to our hope of a sustained higher national income as we move into the postwar era, hence a more extensive use of our highways. The automobile and its supporting activities have, I believe, distinguished themselves down through the years in the development and use of advanced technological processes. While it cannot be fairly said that the scientific developments of the war have brought possibilities of change in automotive practice of a dramatic character, yet progress has been accelerated. And, in general, along a wide front of engineering and construction, I am confident that this group of industries can be counted upon to maintain the continuous progress of the past, offering year by year more effective, more efficient vehicles, at increasing dollar value. To the degree that we can thus encourage and expand a greater use of the motor car do we support an expanding economy and contribute to higher increased employment on a wide economic front, the impact of which is sure to manifest itself in a great variety of related industries.

"It may seem a long road from here to there. Today, as you all know, the automotive industry is beset by all manner of limitations. It is not what we would like to do; what we had planned to do, or expected to do. It is what we are permitted to do. Indifferent workers take the place of effective workers. Work stoppages take the place of continuous operation. Absenteeism takes the place of full service. We attempt to solve strictly economic problems on the national level on the basis of a political formula. And, naturally, it does not work. And then some wonder WHY we are in such a mess. And we certainly are in a mess! And one of our own design. It is important to recognize that. At the moment our opportunities for accomplishment were never greater, on the one hand, and the obstacles against sound progress never more discouraging, on the other. But we must have a certain amount of faith in the future. Bad as the situation is at the moment, it should not prevent us from doing what we can, whatever limitations may be imposed upon us. That is the only way out. We usually manage to solve, in some way or other, such problems as have confronted us in the past. Somehow, even at great cost, unreasonable delay, the weakening of our economic position, and the acceptance of much less than we might have, we will, I believe, overcome the difficulties that face us at the moment—at least in degree."

Newton Neustadter Is Now With Sutro & Co.

(Special to THE FINANCIAL CHRONICLE)

SAF FRANCISCO, CALIF.—Newton H. Neustadter, Jr. has become associated with Sutro & Co., 407 Montgomery Street, members of the New York and San Francisco Stock Exchanges. Mr. Neustadter in the past was a partner in Strassburger & Co.

Blyth Adds Three to Staff

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL.—John R. R. Roser, Nathan L. Udell, and Henry G. Watson, Jr. have been added to the staff of Blyth & Co., Inc., 135 South La Salle Street.

Observations

(Continued from page 1649)

sive" bases throughout the globe, with the distasteful sabotaging of UN.

And then there is our policy in European relief—present and future. At the same time as we are exchanging notes with Yugoslavia, which in all past times of diplomacy would portend certain war, we are nevertheless continuing beneficently to hand her hundreds of millions of UNRRA relief. The paradox is epitomized in this week's exchange of memoranda concerning the detention of Yugoslav UNRRA guards for illegally carrying concealed hand grenades, and Tito's charge that we inspired our "fascist" press to give a false account of the incident.

And in the military sphere: our high officers in their recent colorfully aggressive utterances should either be unequivocally endorsed, or discredited as loud-mouthed jingoists. I refer to such statements as that of Admiral Mitchener that our fleet won't withdraw from the Mediterranean until the Paris Peace Conference ends; to Admiral Halsey's "we'll go when we damn please"; and to General Mark Clark's references to "our Eastern Bridgehead in Austria." And what about the statement of our Public Relations Officer in Paris that we have operational planes based in Germany capable of carrying atomic bombs?

And domestically: even in the face of our election campaign period, our international position should be understood and maintained in unison. But even the internationalist ex-UNRRA Director Herbert Lehman, in starting his campaign for the Senate, displays the need for straddling between Wallace-Stalin-PAC and the nation's established bi-partisan policy—a la the recent Truman-Hannegan fiasco in chasing all the voters simultaneously. Only inclusive clarification of public opinion can forestall continued repetition of this, and of such disgraceful performances as the Wallace-Pepper political rally in New York's Madison Square Garden.

Is the fear of War with Russia—as charged by Messrs. Wallace, Pepper and Elliot Roosevelt—merely a fantasy being viciously promulgated by British and American so-called Fascists, by Imperialists, by pro-Nazi reactionaries, by anti-Roosevelt Democrats, by all Republicans, and the newspapers; all of whom Senator Pepper charges are agitating to Blitzkrieg Moscow? Or, on the other hand, is Mr. Byrnes correct in desperately striving to forestall Munich-like appeasement of repeated aggressions, such as led up to the last War?

Are we to believe Mr. Stalin when he broadcast to the world last February his philosophy "War is the inevitable result of monopoly capitalism!"—or now conversely when he sweetly and reasonably asserts that friendly and lasting cooperation can exist with communism? How do we choose between Mr. Stalin's agreement of this week that capitalist England and the U. S. don't want and cannot effect, a so-called encirclement of the Soviet Union—and, on the other hand—the self-pitying complaints about just such encirclement (a la Bismarck) endlessly issuing from his Politburo, from Pravda and Izvestia, and in the filibustering from his twin emissaries, Mr. Gromyko in New York and Mr. Molotov in Paris?

And already since last week's "appeasing" speech, the Kremlin's messenger boys have intensified their attacks on Secretary Byrnes. M. Vishinsky in Paris accuses the United States of having "unnecessarily bombed Ploesti" and of making war profits while Russia bled. At Lake Success Mr. Gromyko charged that British and U. S. armed forces (actually only a small fraction of the size of his own) are stirring up trouble. And from South America—in the person of Lombardo Toledano—to Iceland, Moscow's representatives intensified their anti-United States attacks.

Tuesday of this week the Moscow Government's organ on foreign affairs, "The New Times," launched another vitriolic attack on the United States for allegedly planning an atomic war, in the face of the righteous struggle by the Soviet Union for a just and durable peace "against the influential reactionary groups" of the Anglo-Saxon countries.

Uncle Joe's sweet press interview was also unfortunately followed—almost accompanied—by his ultimatum-demand on Turkey that she renounce all outside aid against Russia and her satellites in the settlement of the Dardanelles question.

The Credibility of the Kremlin Witness

The record of past pronouncements from Moscow, serves only to reaffirm as crazy-quilt opportunistic chicanery the pattern of Soviet policy. Back in 1933 Russia, representing herself to the world as menaced by Hitler, revised her previous foreign policy in embarking on a self-styled crusade "against war and Fascism"—with Adolf as Enemy No. 1. In line therewith, at the time of Munich the Communist world-wide press mercilessly attacked Mr. Chamberlain as an "appeaser" performing the greatest sell-out in all history. Yet—amazingly—the same Russian regime, through the mouth of "our own" M. Molotov, scarcely a year later denounced the British for not appeasing; placed the responsibility for war on the "imperialist ruling forces" of Great Britain; and entered into the climactic pact with Hitler, without which his attack on Poland never would have been made. The epilogic re-reversal of the Stalin-Molotov line after Hitler's 1941 attack on Russia is of course understandable.

At this crux in our nation's history, can we blandly disregard the record, and wishfully place our trust in the text of such a witness' statement to the correspondent of a London Sunday paper—or in the pious incantations of Henry Wallace?

G. S. Emery Now With Hirsch in Cleveland

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, OHIO—Grenville S. Emery has become associated with Hirsch & Co., 1010 Euclid Avenue. Mr. Emery has recently been with Davis, Skaggs & Co. in San Francisco. Prior to serving in the armed forces, Mr. Emery was with Ledogar Horner Co. in Cleveland.

Thomas E. Bates With Uhlmann & Benjamin

(Special to THE FINANCIAL CHRONICLE)

SPRINGFIELD, MO.—Thomas E. Bates has become associated with Uhlmann & Benjamin, Board of Trade Building, Chicago. Mr. Bates has recently been with the U.S.O.W.I. in Washington. In the past he was Springfield manager for B. C. Christopher & Co.

Emil Schram Discusses Margin Prohibition and the Market Break

(Continued from page 1649)

problem. It is high time that responsible government leadership address itself honestly and courageously to this problem and inform the American people of the seriousness of the Federal budget problem.

The issue is clear cut: it is real wages versus synthetic wages. It is more dollars, regardless of what they buy. This vicious cycle is fraught with dangerous consequences to this democracy. It is perfectly clear that when and as the pump runs dry, for one reason or another, a scapegoat will be sought out and found. And again I warn the nation that it will be capital—the product of hard labor and thrift. It is high time that the thinking populace of this nation gave equal thought to the capital requirements of this great capitalistic democracy. Those with savings have no fear of the future if they will take hold of the present opportunity, while the going is comparatively good, to speak out in defense of and in support of free enterprise built with private funds, not with government credit. For if we wait an inevitable business correction or depression, we can rest assured that the left wing Communistic element in our society, as in the past, will strike again below the belt.

Stock Exchange Epitomizes Functioning of Capital

What does this have to do with government regulation of the New York Stock Exchange? The New York Stock Exchange is the largest free market in the world. It is the symbol of our capitalistic democracy. As I have said previously it is high time that all our people, in all walks of life, appreciate the true functioning of capital within our economy. I face scarcely a single problem in the ordinary conduct of my own daily life that I don't think of the interest of labor tied in with the interest of management, both coupled with the interest of capital—for I am a consumer. These are the four parts of the equation of our very economic existence. If one interest is outweighed to the disadvantage of another, our economy finds itself lacking balance.

The Standard Oil Company of New Jersey, in connection with its annual report to shareholders for 1945, published an interesting fact. For every worker on the payroll of that corporation and its consolidated companies, from the President to the employee on the lowest salary scale, those companies have had to invest—in bricks, in mortar, in property, in machinery, in equipment—the sum of \$22,600 per employee. Does the American citizen want the United States Government in the future to provide those necessary funds to make possible the gainful employment of each and every one of those employees' services? Or does it want private capital, the savings of the country, to provide those funds?

Capital is a living thing if we but recognize it. We, the people, speaking through our representatives in the government, can breathe life into the capital resources of this great democracy and make capital live, or we can let it die or dry up as we have seen it do repeatedly in the past fifteen years.

Government Paralyzed Business

During the past fifteen years, including the war years, the government, by design in those years prior to the war, and of necessity during the war years, has encroached upon the freedom of conducting business through nor-

mal channels. In the 30's the policy of our government to regulate and harness the conduct of business became insidious. It was a sort of creeping paralysis that finally did paralyze private capital, and drove it into hiding or into the safest haven: government bonds or sound, fixed income bearing securities. I believe in conservative investment policy where it is called for; in fact, one important economic study estimates that 50% of our savings prior to the war were sheltered funds, committed to dollar securities. However, what we need in this country, and need in abundance, is risk capital, capital in the hands of the daring who are willing to seek out opportunities for gold and oil in Alaska, minerals in South America, to exploit the virgin West or to open up a small business within the competitive metropolitan area of New York, a gas station, an electrical appliance shop or a small grocery store. It is a misconception to think that all venture capital beats a path to Wall Street.

Private Capital Has "Taken It"

Private capital has taken enough abuse in this country in the past fifteen years. What we need is an old-fashioned crusade for the cause of private capital that will choke off any need for government spending, including subsidies, except for the ordinary conduct of the business of the government and for military purposes.

Government regulation of the organized securities markets has been in effect since the enactment of the Securities Exchange Act of 1934. The activities of all national security exchanges are thoroughly regulated. The Securities and Exchange Commission has been granted broad powers to regulate a wide variety of trading practices with a view to maintaining an orderly and non-manipulated market. The authority to regulate margin requirements on both long and short transactions is vested in the Board of Governors of the Federal Reserve System.

The Stock Exchange in Market Breaks

Since 1934, we have experienced two violent and demoralizing breaks in security prices on our national exchanges and in the over counter markets. One break took place in 1937 and the other within the recent few weeks.

It is not the business of the New York Stock Exchange as such to make the market and we firmly believe that the market from day to day represents in price the public's appraisal of events and circumstances for the present and for the foreseeable future. We, the management of the New York Stock Exchange, are as equally interested, as is any governmental agency and the Congress of the United States, in having our market represent the "fair market price" where a willing buyer and a willing seller, both in possession of the known facts, agree upon a transaction which is promptly published.

Under the extraordinary circumstances of the past decade and a half, the financial community has welcomed the cooperation of the government in meeting the overwhelming problems which have faced the nation for solution: reform in the wake of depression, an attempted recovery in business the encroachments of war and, for the present, the furtherance of recovery, full employment and

high living standards, accomplished through sound policies.

Margin Requirements and Federal Reserve Board Credit Policy

In the 32nd Annual Report of the Board of Governors of the Federal Reserve System, covering operations for the year 1945, it is stated, and I quote:

"Increasing the margin requirement in February 1945 from 40% to 50% had little observable effect, either on the growth in stock market credit or on the course of stock prices, but it did operate to reduce somewhat the proportion of trading in stocks that consists of margin trading. After the requirements were raised in July to the 75% level, however, the upward trend of stock market credit was reversed notwithstanding a further sharp increase in stock prices. The proportion of margin was further reduced, and margin traders sold more securities than they bought. This afforded evidence of the potency of margin requirements as an instrument of credit policy, the most impressive evidence in fact that has been afforded since the instrument was brought into use, by Congressional mandate, in 1934."

I continue to quote from that report:

"A factor in this result was a rule first imposed in July which required the proceeds of all sales of securities in undermargined accounts to be used to reduce outstanding indebtedness in the account."

The Board's Conclusions

"Early in 1941, at a time when there was renewed governmental interest in combating inflation, when stock prices were rising rapidly and some increase was also taking place in stock market credit, the Board raised margin requirements to the 100% level. In that connection, the Chairman of the Board issued a statement explaining the Board's action and at the same time calling attention to the need for more fundamental measures, particularly fiscal and monetary measures."

The Board further stated:

"There was, however, little increase in the amount of credit employed in the purchasing and carrying of securities."

It would be interesting to those endeavoring to ascertain the facts in analyzing security values to know if this statement is a correct statement; if, in short, it applied on Tuesday, Sept. 3, when the security markets experienced one of their sharpest breaks in history.

Margin Restrictions Should Be Flexible

The Federal Reserve Board rules for the regulation of credit are supposedly "flexible" rules and subject to change with varying conditions. Mr. Winthrop Aldrich, in an address at Rochester, N. Y., on Oct. 14, 1937, stated:

"The purpose of the new margin requirements imposed by the Federal Reserve authorities is, rather, quite definitely to hold down stock market speculation on the rise and to prevent an undue increase in the amount of credit going to security speculation. Let us accept this theory and let us consider what policy should be followed under the law on this theory itself. Assume that we have a new control," continued Mr. Aldrich, "designed definitely to prevent speculative excesses in the stock market. On this theory, the margin requirement would be raised when the stock market was rising rapidly and very especially when it was rising rapidly on borrowed money. But, per contra, on the same theory, the margin requirement ought to be promptly lowered when the market breaks sharply or when loans on securities are being liquidated. If this method of control is to be used, it

should be a two-way control, flexibly and promptly applied."

Restrictions Discriminatory

The prohibition of the use of credit in the purchase of securities today is unsound and discriminatory, and has resulted in the diversion of investment funds into speculation in commodities, farm lands and real estate, where the ability to borrow funds is virtually unrestricted, and where credit is abundant.

It is unfair, unjust and discriminatory for the government to permit the latitude granted to those dealing in unlisted securities in the face of rigid regulation of the organized exchanges. The uncovering of technical weakness in the unregulated market cannot help but have its repercussions within the listed market.

We are in a period of large scale expansion in American industrial activity. In the first quarter of this year anticipated expenditures for new plant and equipment were estimated by the Department of Commerce at \$2.2 billion while in the third quarter the figure reached \$3.2 billion, or at an annual rate well in excess of \$10 billion. This trend must be maintained if we are to provide our people and the peoples of the world with the goods and services demanded of us.

Equity Financing Required

A period of business expansion requires a considerable amount of capital, largely in the form of equity financing. During the months following the end of the war and prior to the collapse in the stock market, we had the repeated offering of rights to stockholders to subscribe to additional stock on favorable terms to provide these needed funds. In an expansion period rights are usually favorably received. During the past year, in a majority of instances, this has not proved true. Rights have actually served as a deterrent to price and in the case of some seasoned, well-managed, financially strong, low cost producing companies, the offering of rights to stockholders has actually broken the back of the price of the stock. The offering of American Telephone & Telegraph rights is a case in point.

Why should such a condition prevail? What is the reason for this action in a stock upon the issuance of favorable rights to stockholders in a period of great expansion in business? In the answer to this question lies in large part the future of American business, employment, and national income.

Taxation of Capital Gains and Dividends Should Be Revised

As usual, I think this situation may exist by reason of a combination of circumstances. Although we cannot see much, if any, tax relief ahead, a broad revision of the tax structure as it presently exists, to promote risk capital in furthering the expansion of business enterprise is overdue. This statement implies elimination of double taxation of dividends by the Federal Government and a lowering of the maximum effective rate on capital gains. Both moves can be undertaken without loss of revenue to the Federal Treasury. When the new Congress of the United States convenes in January, it should undertake a study of the Securities Exchange Act of 1934. New blood must be infused into the Federal Reserve Board in order that their policies may become more flexible.

Asking for Investigation of Non-Exchange Loans

Expressing belief that liquidation of collaterally secured bank loans was a contributing factor in the break in stock prices after Labor Day, Mr. Schram revealed his intention of asking the Com-

troller of the Currency to make an investigation to determine how many loans on securities have been made by banks since last Jan. 1.

In an interview at the Hotel Commodore Sept. 27, where he attended a luncheon of the National Association of Securities Administrators, Mr. Schram said that while he believed such selling was unquestionably a factor in the market's decline, there were of course many other reasons for the action of stocks.

The exchange head reiterated his belief that Federal Reserve officials are under a misapprehension in thinking they have stopped margin trading and prevented purchase of stocks on credit, by the requirement of 100% margins.

Actually, Mr. Schram said, the margin business has been driven into new and more or less inexperienced channels, with the result that when market prices break, many of the lenders, instead of calling the margins, call the loans. He expressed belief there was considerably more of such selling than was generally realized.

His Address to the Securities Administrators

The text of Mr. Schram's remarks at the Dinner of the National Association of Securities Administrators that evening (Sept. 27) follows:

As I look over this audience I cannot help but be impressed by the tremendous amount of power that is represented here. Practically every regulatory body, so far as it relates to the securities industry, is here tonight.

Because of the unusual activity in the market in the last month, we are hearing a great deal about regulation. It has been said by many that the recent break was caused by too much regulation and I am sure that the Securities and Exchange Commission mail, if I may judge from the type of mail I have been receiving lately, has been full of complaints that we do not have enough regulation. I certainly am not going to argue that point tonight. There are very good arguments on both sides.

I think there is one point, however, upon which we can agree and that is we must have enlightened administration of the securities laws—not only Federal but State as well. We are most encouraged that we will have this type of administration under the new Chairman of the Securities and Exchange Commission.

As my experience as President of the New York Stock Exchange progresses, I become more and more convinced of the great need of a better understanding by the public of the securities industry and all its practical problems. All of us have a task before us at the present time. The Securities Acts and many of the so-called Blue-Sky Laws were passed as the result of the 1929 crash with the hope that a similar occurrence could be avoided by applying laws and regulations. It is beside the point whether or not the recent break in the market was as severe as that of 1929. I am inclined to think that in some aspects it was, but, of course, it has not been as long sustained and the atmosphere is entirely different. The fact remains that we did have a severe break and that was disturbing. It must teach us some lessons and one of them, I am sure, is that the public needs a better understanding of the economic functions and broad usefulness of the securities markets.

Our markets do perform a very necessary economic function. We must keep them free and unhampered so that they may continue to facilitate the flow of funds to industry. A security purchased must have a ready

market at all times. That is an economic necessity.

The markets should be regulated. The Stock Exchange itself was probably the first proponent of regulation; otherwise there would be no need for its existence. But in regulation we must be careful not to place all the emphasis upon the protection of the buyer, disregarding the interest of the seller. They are both entitled to the same consideration. When the purchase of a security is made you have at once created a potential seller.

The public has an obligation so far as the regulation of the securities market is concerned. My observation has convinced me that we must all give more thought toward educating the public as to how to use our markets. We should never cease pointing out the risks that are always involved in the purchase of securities, but we should do so in a manner that will not discourage the use of risk capital. Venture capital has made this country great and, if continued to be encouraged, it will make it still greater.

As President of the New York Stock Exchange and in behalf of its Governors, I want to pledge here tonight that this institution will continue to keep uppermost in mind the public welfare.

We consider ourselves public servants with a sense of high obligation.

We are going to continue our educational program with the hope that we will be able to create a better understanding not only of the function of the markets, but the function of the Securities and Exchange Commission and the various state interests represented here tonight.

I am most encouraged by the attitude of the regulatory bodies today. I am convinced that they are doing everything they can to be constructive. There is much to be accomplished and I am looking forward to a closer relationship between the various regulatory agencies and the securities market. We must all dedicate our efforts to the common good.

Colored Glasses and The Stock Market

(Continued from first page)

asset values. The stock of a company long operating at a loss frequently doubles in price because of a new development which it is expected will change the picture. The level of stock prices depends, therefore, more on psychology than on statistics. If the economic situation remains unaltered as has been the case in recent months and as was the case in the fall of 1929, there may nevertheless be a drastic decline in stock prices, reflecting no more than a change in the investor's psychology.

Security analysts too often forget that investors at one time survey the economic scene through rosy glasses and later through dark glasses. The whole level of stock prices depends on which colored glasses are used.

Through Roseate Lenses

With the rosy glasses everything seems to justify hope and optimism. There are no dark spots anywhere in the picture. Unfavorable factors such as a bad political or labor situation are examined carefully, but seen through rosy glasses these seem to have little significance and it is felt that the situation will soon be cleared up.

If, however, security owners put on dark glasses, the same situation which seemed so bright when looked at through rosy glasses becomes gloomy. The unfavorable factors now completely overshadow the favorable ones. Nowhere does there seem to be ground for optimism.

These sweeping psychological changes in the minds of security holders have always occurred from time to time. The economic picture did not change in October and November 1929—all that happened was a sudden change from unbridled, speculative hopes to pessimism. Confidence in the coming of a Utopia in which depressions were to be eliminated and earnings would increase forever was followed by doubt and cynicism about the future.

The 1929-1932 Swing

The magnitude of psychological changes was illustrated in the 1929-32 period. Take, for instance, a stock like General Electric which reduced its dividends by less than half and which reported some earnings throughout this period. This company's net worth declined from 1929 to 1932 by only one-fifth, and in 1932 the stockholders owned the same manufacturing facilities and had the benefit of the same management. Yet during the three years from

1929 to 1932, the price of General Electric stock declined by 91%. In 1932 scarcely any investors were ready to buy a stock which had been so popular only three years before at eleven times the price. The simple fact was that the investors wore rosy glasses in 1929 and dark glasses in 1932. No statistical comparison could account for the stock market decline, but the price decline did measure correctly the enormous swing between invincible optimism and black despair, each explainable only in terms of changed attitudes.

Why is it that security analysts continue to direct so much attention to statistical analysis and so little to the psychology of the investor? The answer is that the psychology of investors depends on intangible emotional factors which can never be reduced to statistics. As nature abhors a vacuum so are analysts unwilling to engage in any study which cannot be buttressed with statistics. It is far more comfortable to confine one's work to the statistical field where logic and accuracy prevail than to consider emotional factors. Most analysts would feel lost if they endeavored to appraise anything so intangible as general states of mind, important as these are.

Human Emotions vs. Statistical Procedures

Instead, the analysts' attempts to take into account and forecast the major swings in the stock market are usually confined to the Dow theory. The great popularity of this theory is probably due to the fact that it endeavors to forecast stock prices by the use of arithmetic formulas. But, unfortunately, human emotions cannot be filtered out by any statistical procedure, and the practical results obtained by the Dow theorists indicate that the correctness of the Dow theory is a myth.

Another fallacy is the belief that a break in stock prices foreshadows a business depression on the theory that the stock market is endowed with a sixth sense as to the future course of business. Anyone familiar with the lack of intelligence which usually characterizes stock market transactions, even on the part of so-called insiders, knows that this cannot possibly be true. Undoubtedly, however, a break in stock prices has a profound effect on the business world, for it results in, everyone trying on his dark glasses and if the situation as sur-

veyed through these new glasses seems dark enough, the rosy glasses are discarded and the whole temper of business and financial changes and a business depression may well result.

It is often more important for the security analyst to try to forecast the time when the rosy glasses will be exchanged for dark glasses than it is to forecast changes in the economic situation. To appraise this likelihood, the first thing to do is to avoid dependence on statistics. A great accumulation of factual data prevents good perspective. Broad judgment and that rarest of qualities, common sense, thrive only when freed from complexities and details. Analysis of the kind of thinking pursued by investors in the early part of 1946 would have given ample warning of the danger of a reversal of investor psychology and of the imminence of a stock market decline.

Analysis of Quality of Investor Thinking Crucial

In the first place, it was evident from V-J Day on that investors were thinking in terms, not of the business situation as it stood, but in terms of how they thought it should be after reconversion had been completed. Stock prices were based on hopes and not on actualities.

In the second place, the arguments advanced by even the optimistic were such as to occasion alarm. Many of those who were most confident that stock prices would rise over the near future expected business recession and lower stock prices within a year. If so, why should not the investor begin to sell stocks at once rather than wait to the last?

Another clue as to the coming of the end of a boom era was to be found in the presence of speculation. The fever of speculation runs its course quickly and is invariably followed by an abrupt and unexpected decline. Conservative investors always shun a speculative market, for every dollar put into the stock market by the uninformed speculator costs for as much as the dollar of the wise investor. Speculation profoundly influences stock prices. In the spring and summer of 1946, purchases were largely made by inexperienced people and new security issues sold to the public doubled or trebled in price shortly after issue, without reason. Urban real estate values also indicated that we were living in a speculative climate.

Finally, the fact remained that the market had been rising for years without any substantial reaction. Was it not, therefore, inevitable that investors would be using rosy glasses? Everyone who had been buying stocks had been making profits. The very unanimity of optimism prevailing in Wall Street was dangerous, for it was clear that in case things went wrong, everyone would run to cover at once.

Such intangible factors were not easy to appraise and they did not fix the time of the decline. They did indicate, however, that the market was subject to quick psychological reversal. The determination of such factors is particularly valuable in the case of a security analyst who believed that the investors' hopes were not justified.

The Recent Rosy Outlook

When the situation was viewed through rosy glasses a few months ago, stocks were bought on the assumption that we had a healthy and sound industrial system. On that basis it seemed obvious that the war would be followed by extraordinary prosperity. On the one hand, the pent-up demand for goods not obtainable during the war had assumed gigantic proportions. On the other hand, the ability to meet this demand was known to be amazingly great in view of the war production record. With high production it

seemed evident that corporation earnings would be very satisfactory.

To be sure, there were sporadic strikes, but as viewed through rosy glasses these were considered to have only temporary significance. The economic system had survived thousands of strikes. It was even claimed that the longer the strikes lasted the more the pent-up demand for unsatisfied wants would accumulate.

These hopes have not been realized, though the war is now over more than a year. The idea that pent-up demand would necessarily cause high production has proved to be false. With the crying demand for automobiles, the cars manufactured this year will not be enough to supply even a year's normal replacements, let alone take care of accumulated demand. Fewer refrigerators, radios, and washing machines have been produced this year than under prewar conditions, in spite of the urgent scarcity. Production of steel will fall short of that achieved in the war peak year by 20 million tons, equivalent to Russia's entire production in 1940.

Instead of having turned the production corner, we are now informed by the National Electrical Manufacturers Association that full production cannot be attained in that typical industry until April 1947 at the very earliest. This estimate necessarily cannot take into consideration future interruptions to production not now foreseeable.

The Unexpected Industrial Performance

The industrial system is performing as no one had expected. Its smooth functioning had been taken for granted, but the system now seems to be out of order and sick. Investors are becoming aware that strikes in the early part of the year were no temporary phenomenon, for a new wave of strikes appears to be inevitable. If so, the return to full production will again be delayed. Hence doubt instead of hope dominates investor psychology and rosy glasses are put aside.

Why should the stockholder expect that things will be going better six months from now than they are now? What reason is there to believe that the situation a year and a half after the war will be better than one year after the war?

The Strike Situation

As the stockholder puts on dark glasses his attention is naturally centered on the strike situation, which is by far the most disturbing factor. The investor is not concerned with who is right or wrong in labor controversies. The fact remains that, whatever the reason may be, disputes between management and labor are settled only by bringing all operations to a stop. The destructiveness of the strike is proving to be almost beyond exaggeration. The direct loss in revenue to the company and in wages to the men is easily ascertained, but there is no measure of the damage from the resulting material shortages occurring months later, perhaps in another industry. For example, furniture is not now available, and furniture workers are idle because of a lack of tacks and of springs resulting from the shortage of steel caused by the steel strike early in the year. In some cases, for every dollar gained by the striker a thousand dollars is lost by other workers, due to indirect unemployment following the strike.

Aside from the question of the economic cost of strikes, the investor is properly disturbed at the shift in power resulting from strikes. Labor leaders now have far more power than corporation executives. In fact, a labor leader who can in one instant stop the work of hundreds of thousands of men wields greater power than

has ever been exercised by anyone in this country. The modern, streamlined, strike, carried out with military efficiency, is as potent in the field of labor relations as the atomic bomb in international warfare.

What is disturbing about labor's accession to new power is the inexperience of labor leaders in business affairs and their lack of understanding of the economic consequences of their actions. In the business world, a man does not assume the powers of the president of a corporation without years of training and not until his judgment and reliability have been well tested. Now, a labor leader, possibly with little education and no business experience, may suddenly wield far greater powers over the current affairs and future destiny of a corporation than the executive heads. Such considerations take on ominous importance as the investor re-surveys the scene with his new dark glasses.

Bad as is the strike situation from the standpoint of the investor, the problem of the present inefficiency of labor is even more serious. It is variously estimated that the production per day of the individual working man has gradually dropped from prewar levels to the extent of from 20% to 40%. If we were to take the moderate estimate of a decline of 25% from normal, we would have a loss in annual production from prewar levels equivalent to strikes which shut down all production three months every year. Clearly, the economic loss in production from inefficiency is greater than that from strikes.

No present solution of labor difficulties is in sight. If the Republicans gain control of Congress there is little reason to believe that they would handle the labor problem more satisfactorily than have the Democrats. Both parties seem to be equally ineffective in dealing with labor issues. There seems to be no labor leader, business executive, or politician who is in a position to exert constructive leadership in solving labor problems. Yet we will probably not see a return to full production, nor enjoy a period of great prosperity until labor somehow comes to a realization that the wealth of a nation does not come from higher wage rates, nor shorter working hours, but solely from increased production of goods.

A serious business depression such as that of 1932 seems to be impossible because the immense demand for all kinds of goods is so real. The situation is fairly strong defensively. The decline in stock prices is not due to fears of a business depression, but simply to the abandonment of the rosy hopes which had been so widely held and which have now proven false.

Future emotional states cannot be forecast and there is no telling when and how the dark glasses will be taken off, but a guess can be hazarded. Certainly the situation as it stands is such as to foster pessimism rather than optimism. The ignorance of labor as to the economic effects of strikes is matched by the incompetence of business in dealing with broad social forces such as are involved in labor's demands. Differences between labor and management are carried on in a highly emotional atmosphere and too frequently result in no work at all.

It was the failure to achieve the expected production which occasioned the collapse of the investor's hopes and this is not likely to be forgotten. Restoration of full production and the satisfaction of the nation's economic wants are impossible unless management and labor learn to cooperate. It would seem that only when the investor comes to believe that such cooperation is at hand will he be disposed to reach again for his rosy glasses.

Inconsistencies of Our Foreign Trade Policies

(Continued from page 1653)

tively as in the case of coffee. Political considerations, rather than economic factors, will dominate world markets. World-wide statism of some brand will be inevitable.

If the United States permits the revival of these prewar schemes, the prospects for free enterprise in the United States will be bleak indeed. Nations cannot for long control the production, distribution, and price of so many vital products in international trade without similar controls over their entire domestic economy. No nation can long remain half slave in its foreign trade and half free in its domestic markets. A totalitarian United States will soon stand vis a vis a Communist Russia and a Socialized Britain, all engaged in state trading and entangled in bitter struggles for control of markets, which can end only in war.

The blueprint for the future was drawn up in 1940, when after eight years of planning to consolidate controls over all staple commodities, affecting the economic life of our Nation, the Inter-American Coffee Agreement, the first of its kind in history, was consummated between the United States and the coffee-producing countries of South America.

Such Trade Treaties Endanger Bill of Rights

One major significance of the Agreement lies in the fact that the President through treaties, approved merely by two-thirds of the Senate, can, under the latest interpretation of the treaty-making power, amend our Federal Constitution. Article VI provides that "all treaties . . . shall be part of the supreme law of the land, . . . anything in the Constitution or laws of any state to the contrary notwithstanding."

Any treaty, therefore, can revoke any federal or state statute, or any provision of any state constitution. Any treaty, as "part of the supreme law of the land," it is staunchly held in certain quarters, can even supersede vital guaranties of the Federal Constitution. If this construction is sustained by the present Supreme Court, as would appear likely, Constitutional guaranties can be radically impaired without approval of two-thirds of the lower House, and three-quarters of the states, as the Constitution requires.

Such construction would mean the end of our free society. If provisions of a treaty with Liberia on rubber were threatened by public attacks, freedom of speech could be legally suspended by mere act of Congress. By majority vote Congress could legally nationalize any business with or without compensation or permanently continue the wartime state trading of the federal government. Under a treaty with Cuba on sugar, Congress could fix all farm prices and all farm wages. Under a treaty with Japan, the federal government could establish all industrial wages and prices by bureaucratic edict. For these reasons, and for other political and economic considerations, these trade agreements have sinister implications to all Americans.

The declared purpose of the Coffee Agreement was "orderly marketing by limitations on coffee exports from producing countries and on importations into the United States," to be enforced by 15 countries. The Foreign Members of the American Republics in July, 1940 approved the agreement and set up an Economic Committee to study similar programs for all "Commodities of prime importance to—the Western Hemisphere—to assure equitable

terms for both producers and consumers."

The unusual interest of the planners in commodity agreements arises from realization at long last that any unilateral attempt to control prices of any international staple is doomed to certain and disastrous failure. All such past experiments in planned economy have proven that only when all potential producing nations participate in agreements to restrict production, fix prices and establish import and export quotas—only then can such schemes succeed and then only by autocratic state trading or fascist controls, with all free markets and competition eliminated.

Background of Cartels

After World War I the world's productive capacity far exceeded prewar capacity, as well as post-war demand at war-inflated prices. Consequently, with the return of peace, most all international staples were immediately shackled under control schemes of one or more nations. Their objectives were to stabilize prices at the war-inflated levels—much higher than would prevail under free competition of free producers and free private merchants.

The major inducement for these schemes was the unprecedentedly high debt structure, governmental and private, national and international, which arose out of the war. Debtor nations realized that, as war-time prices fell back to normal levels, the debt burdens would become correspondingly heavier. They also desired to prevent the liquidation of their high-cost producers (who were politically powerful, large in number, and could continue production only because of inflated prices) from competition with lower-cost competitors in newer areas.

All these schemes were at the expense of the consuming nations, particularly the United States, which was by far the largest consumer of the controlled commodities. Artificial prices were maintained by government edicts and subsidized restrictions on production or exports, all at the expense of the foreign consumer.

The history of these schemes falls into two periods. Between 1920 and 1931 they flourished briefly and collapsed miserably after short periods of temporary success. Between 1932 and 1939 they were reorganized but were saved from the second disaster only by World War II. In each instance non-subscribing areas rapidly expanded production under price umbrellas, held by the agreement nations. Consumer nations raised tariffs, restricted imports, subsidized home-grown products at absurd prices, expanded reclaiming of materials, and frantically engaged in research for synthetic substitutes. By 1931 all the schemes crashed disastrously, and prices fell to the lowest levels in modern history with expanded world production far in excess of demand, even at low-record prices. The international dams, which had been raised higher and higher, finally had burst and flood water swept the entire world with a debacle of prices in 1932.

The Coffee Monopoly

Brazil's attempts to maintain monopoly prices for coffee originated in 1902 with coffee at 5½¢ per pound. Coffee valorization has operated almost continuously since then. Yet it has been the classic and tragic example of the fallacies and futility of planned economies. Despite dire consequences, the stubborn continuation of valorization is due to the coffee producers who are the country's largest and most effective political bloc.

Brazil, which normally produces 75% of world coffee ex-

ports, not content with large crops at reasonable prices and expanding markets, sought to regulate the flow of coffee to market at artificial prices. Brazil's planners believed they had solved the mystery of nature's crop cycles and planned to sell in the short crop years stocks bought and stored up in the bumper crop years—the ever-normal granary of the Pharaohs and Henry Wallace. The planners sought to eliminate the greedy and uneconomic middleman, who had absorbed market, credit, crop, and other risks. They would save the high-cost producer, at the expense of the foreign consumer, who would pay a monopoly price and finance the entire scheme. The United States, as usual in these cartel commodities, has consistently consumed more coffee than the rest of the world.

The program was suspended during World War I under sharply higher prices, which averaged 17.8 cents in 1919, but declined to 10.2 cents in 1922. In that year valorization was revived with huge loans from abroad. The scheme succeeded in the short term, as usual. The average price rose to 24.6 cents in 1924. Then, contrary to the planners' theory, came a series of bumper crops and, with the international financial crisis of 1931, the plan utterly collapsed with high financial losses, large surplus stocks, and the price for the year only 8.6 cents.

The Rubber Monopoly

In 1922 the British, controlling 76% of world rubber production, unable to induce others to join in a control plan, undertook it alone. They openly declared they would compel American consumers of 70% of world rubber exports to pay the British war debt to the United States. The plan promptly forced the price from 11 cents in 1922 to \$1.23 per pound in 1925, with the year's average at 73 cents. But under increased production in uncontrolled areas, heavy reclaiming in the United States and the threat of synthetics, the British cancelled the program in 1928 with rubber at 48 cents. The Dutch production had risen from 21 to 38% of the total. By 1929 reclaiming, which had been nominal in 1922, constituted 47% of U. S. consumption, rising to 51% later. Worse still, a commercial synthetic rubber was now a certainty in time. Consequently, under full production, prices crashed to an all-time low of 2½ cents in 1932, with a yearly average of only 3.4 cents. In ten years rubber had risen from 11 cents to \$1.23, only to topple to 2½ cents.

The Silk Cartel

Government planning for silk began prior to World War I. The Japanese following Britain in rubber and Brazil in coffee, seeking monopoly profits, with control of 70% of world silk production, fought to maintain prices above the prewar level of \$4.00 per lb. while the United States consumed 70% or more of total silk exports. Despite absolute Fascist controls over production from mulberry farms to foreign markets, pressure of competition from synthetics forced silk from \$8.23 in 1922 to \$1.58 in 1932, while rayon consumption in the United States rose 3600% between 1916 and 1933 and again more than doubled by 1941, and rayon prices fell from \$3.10 in 1916 to 52 cents in 1938.

In 1934 silk averaged only \$1.36 in terms of the new 59 cent dollar—only 80 cents in the 100 cent dollar—a decline of 90% in 12 years. Despite this drastic decline and despite heavy export subsidies, Japan's silk exports fell steadily until her domestic con-

sumption exceeded her exports for the first time in the 20th Century.

In 1938 the development at \$2.25 per lb. of nylon, which can compete with silk in quality, quantity, and price, spelled the doom of silk. There is now little doubt that on a strictly competitive basis, silk consumption in the future will be confined mainly to the Far East.

Cartel Prices Reflected in U. S. Government Index

Meanwhile, by 1932 practically every private and government cartel had likewise collapsed. Their short-term benefits had run their course. The long-term effects of these attempts at government planning is best illustrated by the movements of the U. S. Wholesale Commodity Index. With 1913 as 100, this index rose under war conditions to 231 in (August), 1920. Then, despite all planners' and all control schemes, it fell sharply to 138 in 1926—a decline of 40% in six years. With the schemes collapsing thereafter, one by one, between 1926 and 1932, the index crashed to 93.4 in 1932—a total decline of 60% in twelve years—6% below the 1913 level. Instead of stabilizing prices at war levels, the planners had expedited their return to prewar levels, with the controlled staples falling faster and further than the "forgotten" commodities.

After the international financial crisis of 1931 and the price debacle of 1932, the various control schemes were reorganized with broader participation of producing nations, more fascistic controls, and somewhat more realistic objectives. The British and Dutch, with 97% of world rubber production now under control, reorganized the rubber plan. The British, Dutch and Bolivians created a monopoly in tin. The British, Dutch, and Chinese reestablished the tea program. Brazil reorganized coffee valorization, Japan strengthened her grip on silk. The United States had now undertaken for the first time and alone, to do for wheat what Canada and Argentina had not been able to do, and for sugar what Cuba and Java had failed to accomplish and for cotton what no nation had ever dared attempt.

Depreciated Currencies and "Planned Economics"

Under these reorganized planned economies, with most national currencies now devalued at least 40% in frantic efforts of the planners to bolster declining values, prices stabilized somewhat in the depreciated currencies. However, the relief was only temporary. The same economic forces relentlessly took their toll, as research and technology reduced costs and the eternal search for new sources of supply and synthetics went on apace.

By (August) 1939, the U. S. Wholesale Commodity Index (which had stood at 231 in 1920 and fallen to 93.4 in 1932) had recovered only 15%, despite the 40% devaluation of the dollar in 1934, which alone, the planners had figured would raise prices 69%.

Actually, in terms of the 1932 dollar, the index in 1939 was 30% below the 1932 level and 39% below the 1913 level. In fact, the decline in terms of gold from the peak in 1920 to August, 1939, was 72%.

As for individual commodities under the reorganized programs, rubber rose from an average of 3.4 cents in 1932 to 17.7 cents (in the 59 cent dollar) in 1939. Silk recovered from \$1.58 in 1932 to \$2.71 in the 59 cent dollar in 1939. Wheat, despite devaluation and the AAA in (July) 1939, was selling at only 59 cents in the devalued dollar. In fact, wheat on the free Liverpool market in (August) 1939 was selling at the

lowest price in 250 years. Only the outbreak of World War II prevented the second collapse of all these schemes, most of which were converted into State Trading programs during the War.

U. S. Export Markets Deliberately Surrendered

Meanwhile, the AAA price-pegging operations had, however, held wheat prices sufficiently above world levels to prevent sales of U. S. wheat abroad in 1938-1939, except under Federal subsidies of 12 cents to 35 cents per bushel. In fact, by 1939 we were on the verge of a subsidy war with Canada and Argentina.

King Cotton was not only sold down the river by the planners, but he was dethroned, perhaps forever. For more than a century the United States had exported more than 50% of its cotton crops without subsidies. In 1938 United States cotton exports had fallen to only 28% of the crop, despite a federal export subsidy of four cents per pound. The AAA in six years had deliberately surrendered our foreign cotton markets to Egypt, India, Brazil, and Russia.

In the meanwhile, the federal government of Brazil in 1931 took over from the States the collapsed coffee program, and levied special export taxes, paid by the foreign consumer, the proceeds to go to purchase surplus stocks for destruction by fire and to service interest on foreign loans. Coffee rose from 8.6 cents in 1931 to 10.6 cents in 1932, but never exceeded 11.1 cents until World War II. Instead, the yearly average slowly declined to 7.1 cents in the 59 cent dollar in 1940, 35% below the 1932 level. In terms of gold, this was the all-time low.

One Coffee Crop in Three Burned

The program for burning coffee had begun seven years earlier in 1933. Almost one crop of every three was totally destroyed. Valorization was now totally bankrupt after 38 years. Meanwhile, Brazil's coffee exports under valorization had declined from 75% of the total in 1900 to 60% in 1939. The Brazilian currency, with a par of 50 cents in 1900, had fallen to a yearly average of 22½ cents in 1920, to 7.1 cents in 1932, and 5.1 cents in 1939—only three cents in the 1932 dollar. Shortly thereafter a new currency unit became necessary. If valorization continued, Brazil herself would be bankrupt. But Brazil was, however, able to unload the entire scheme, lock, stock, and barrel upon the United States.

For the U. S. planners, despite the failures of their domestic programs, believed that they only needed more power, hemispheric power, yes, even world power, and they could succeed at home. On July 21, 1940, President Roosevelt issued a statement advocating "an inter-American organization with an effective system of joint marketing of important staple exports of the American Republics." A widely distributed pamphlet, "Total Defense," then proposed a giant Inter-American Trading Corporation to buy all exportable surpluses of the United States, the Latin American republics, and Canada. This corporation would act as the sole sales agent to all countries. The United States would dominate all foreign trade of the hemisphere, as Russia handles her foreign trade—complete dictatorial control at the expense of the taxpayers and consumers. Administration spokesmen undertook to "sell" this hemispheric cartel plan to the country. But public reaction, however, was mostly unfavorable and the Coffee Agreement was instigated as a temporary substitute.

In February, 1941, the Senate ratified the Coffee Agreement. In April, Congress authorized the

President to fix quotas for coffee imports into the United States from each country. For the first time a commodity, not produced here, was subjected to quotas. Senator Barkley asserted the treaty would merely save the market from demoralization. Senator Harrison said, "There might be a tendency for coffee to go up in price a wee bit!"

Senator Taft identified the treaty for what it was—a Fascist device—when he said, "We have here exactly that international regimentation of trade which, it is agreed, would result from a German victory—one which we should avoid by all means."

In the nine months between the Conference of the Foreign Ministers and the day the quota system became effective in April, 1941, the price of coffee in New York rose from 6.8 to 9.9 cents, an increase of about 50%. On May 28, 1941, the Inter-American Coffee Board, aroused by public protests, raised the U. S. quota 5%! Brazil, our good neighbor, however, on July 9, capped this move by establishing a minimum export price of 12 cents and 22 days later deliberately raised the export price to over 13 cents. Uncle Sam now had a Brazilian tiger by the tail!

U. S. Consumer Foots the Bill

In four months coffee prices had risen 35.4% (in contrast to only 8% in eleven other basic import commodities). Within twelve months the price of coffee had increased 99%.

Consequently, based on 1940 imports, U. S. consumers since 1941 have paid a yearly subsidy of \$84 million to foreign coffee growers. In addition, they have absorbed millions in the foreign export taxes, while U. S. taxpayers have absorbed a 3 cents per lb. subsidy on coffee to hold retail prices down.

On Aug. 2, 1941, the Coffee Board raised the U. S. quota by 20%, for the United States delegates alone can increase that quota. However, neither the United States nor the Coffee Board could control Brazil's minimum export prices. The matter had now become a question whether the United States or Brazil should arbitrarily fix the price of coffee for the U. S. breakfast table.

Unpleasant Consequences of Coffee Control

The coffee control scheme has had other unpleasant consequences—black market practices, under which coffee, allocated to other countries, is finding its way here because of higher prices prevailing here. Private importers, wholesalers, and retailers have no standards on which to operate. Again, "inside" speculators, here and abroad, knowing the next move of the U. S. and foreign governments, are in a position to make large fortunes. If 40 more such markets are made available, the field will be open to all comers, with the race to him who can tap the bureaucratic grapevine here or abroad most accurately and most often.

Effect on U. S. Cost of Living

If similar Trade Accords are developed from all the prewar control schemes, the cost of living in the United States will rise sharply because of artificial high monopoly prices, sustained, as they only can be sustained, by world-wide agreements, enforced by totalitarian methods, all to prevent the reestablishment of free markets for private enterprise, under properly regulated and enforced competition among free merchants.

On June 27, 1946, the New York Times carried the following item: "Washington — Retail coffee prices will be increased 3 to 4 cents to encourage coffee shipments to the United States, the

Office of Economic Stabilization announced today . . .

"The price rise is forced by an increase of 2 cents a pound in the price which importers may pay for coffee . . .

"The State Department had long urged that prices . . . be increased to offset higher production costs . . . and has renewed the request with the OPA, the CES, and the Department of Agriculture.

"In return for the price increase for its coffee, Brazil, has agreed to assure a sufficient supply of coffee to this country and . . . not to increase its minimum export prices or export taxes or alter its exchange rate. The Brazilian Government generally will refrain from taking any action likely to encourage withholding of coffee from the market."

Fascist Control of Coffee

So green coffee rose to 15.4 cents by government edict. This item indicates the extent to which fascist controls can be developed, if applied to numerous other international staple commodities. Note that four U. S. agencies are now compelled to negotiate with foreign governments with respect to their monopoly export taxes, and artificial exchange rates. It is rather intriguing to learn that Brazil will refrain from "any action likely to encourage withholding of coffee from the market." One could inquire whether she will suspend burning of one-third of every crop.

The Coffee Agreement stands as a pattern for peacetime commodity controls, supported by all the might of the United States. If this blueprint is applied to all major international staples, our capitalistic system of free enterprise, free producers, and free merchants on free markets, with competition enforced by government to assure our people ever higher standards of life, shorter hours, higher wages, and greater leisure, is surely doomed, along with constitutional government.

Future Prospect for U. S. in Government Cartelized World

The United States will be fortunate, indeed, if any case we can maintain an island of free enterprise in the Western Hemisphere in face of the rapid communization and socialization of large portions of the globe. The vast Russian Empire has indulged in state trading since 1917, with repeated disruption of world markets. With Great Britain now engaged in planned socialization of her industries, for operations on international markets, with her decision to retain wartime state trading with a government agency as an exclusive purchaser of all cotton and wheat consumed in the British Isles, with a similar agency for sale of all African cocoa on world markets, and with similar controls or international agreements likely for rubber, tin, tea, wool, jute, textiles, oil and coal throughout the British Empire, the American businessman, as a seller to, a buyer from, or a competitor of such agencies, will have little enough chance of survival. Russia and Great Britain between them can, if they desire, dominate all world markets, particularly if the United States continues to take it lying down and, in fact, encourages, rather than prevents, the reestablishment of these government cartels, whose objectives are to tap the rich U. S. markets or shut U. S. business out of foreign markets.

Add to this picture the probable nationalization of all major export industries in Europe and Asia, as well as artificial determination of exchange rates, and the chances of maintaining our free enterprise system grow dimmer and dimmer. All these socialized countries, selling a thousand commodities in international trade, will be domi-

nated by political rather than economic considerations. If one nation desires to curry favor with another, she will undersell all competitors, regardless of price, and by large barter transactions dominate world markets. This will, in time, force the United States into state control of its foreign trade and insure commercial warfare between England, Russia, and the United States, with the taxpayers paying the piper. All free enterprise in both domestic and foreign trade will disappear. It will be only a question of time when full-fledged war will be inevitable.

State Department "Fiddling"

The United States has the ability, through the unparalleled purchasing power of its domestic markets and as the only source of large foreign loans, governmental or private, to insist upon the return of international markets, not to free trade, but to freedom of trade, that is freedom from government monopolies and political interference by foreign nations. In the meantime, the U. S. State Department fiddles around with tariff reductions, reciprocal trade agreements, empire preferences, and other discriminations, all of which in the aggregate carry, as compared with these government cartels, only an infinitesimal threat to the survival of free enterprise in the world of tomorrow. Trade disputes between private merchants can be settled at law or arbitration. Disputes between socialized nations, however, will be a constant threat to war. The world, after one atomic war, will not need to worry over ideologies or trade. Civilization will be gone for many centuries.

On the other hand, if the State Department will hold firmly to our traditional principles of freedom of competition for private producers and merchants, both at home and abroad, freedom to trade on world markets can and will be reestablished, just as freedom of competition in the field of international air transportation has been recently underwritten by Great Britain at our insistence.

If for political or economic or social reasons, it is deemed necessary to subsidize U. S. agriculture, either temporarily or as a permanent program, the subsidies should be directly to the farmer and not indirectly through artificially-maintained prices of farm products. The pegging of prices by any device destroys foreign markets, reduces both domestic and foreign consumption, and deprives everyone, at home and abroad, of the benefits of technological reductions in costs, which make for higher living standards, higher wages, and more leisure for all of us. Free competition and free markets are essential to free societies.

To accomplish this, however, public opinion of the world must be focused on the totalitarian aspects of these governmental cartels. They must be outlawed in the public interest. Otherwise our free society is doomed. A totalitarian United States will stand vis-a-vis Communist Russia and Socialized Britain, with the atomic war for world domination inevitable.

Wm. L. Meffert Dead

William Lincoln Meffert, former member of the New York Stock Exchange and former senior partner in Clark, Childs & Co., died at the age of 66.

Mr. Meffert retired from Clark, Childs & Co. on Oct. 30, 1929, and in 1931 formed the brokerage firm of Meffert & Co. with Henry A. Schatzkin. He purchased his Stock Exchange seat in 1934. He had also been a member of the Chicago Stock Exchange, of the Chicago Board of Trade and of S. B. Chapin & Co.; he had also been in the past a partner of Thomson & McKinnon.

Tax Saving Opportunities in Market

(Continued from page 1657)

ordinary income this year, and can use the \$19,000 remainder any time during the next five years to offset capital gains if he has them and, to the extent that he does not, he can still deduct up to \$1,000 from ordinary income each year for five years.

Effect Tax Rates Applicable to Profits on Security Sales in 1946†

Brackets of Income After Exemptions	Net—Short-Term	Net—Long-Term
\$ 2,000—\$ 4,000	20.90%	10.45%
4,000—6,000	24.70	12.45
6,000—8,000	28.50	14.25
8,000—10,000	32.30	16.15
10,000—12,000	36.10	18.05
12,000—14,000	40.85	20.43
14,000—16,000	44.65	22.33
16,000—18,000	47.50	23.75
18,000—20,000	50.35	25.00*
20,000—22,000	53.20	25.00*
22,000—26,000	56.05	25.00*
26,000—32,000	58.90	25.00*
32,000—38,000	61.75	25.00*
38,000—44,000	65.55	25.00*
44,000—50,000	68.40	25.00*
50,000—100,000	82.65	25.00*
100,000—200,000	85.50	25.00*
over 200,000	86.45	25.00*

†Combined normal tax and surtax after adjustment for 5% over-all reduction. *Maximum rate of 25% applies to net long-term capital gains.

The 25% Maximum Alternative Rate

The excess of the 50% of net long-term capital gain, which is taken into account, over a net short-term capital loss either may be included with ordinary income, or, if more advantageous to the taxpayer, may be taxed separately at 50%. This alternative tax thus establishes a maximum effective rate of 25% on long-term capital gain, and should be used by taxpayers with surtax net income of \$18,000 or more. For those with smaller incomes there are lower rates applicable to individual surtax brackets.

The Time Element

The majority of investors usually wait until the year-end to decide on making changes in their investment portfolios that will result in the maximum tax advantage. Deferring such action this year may prove expensive, as the delay may take many securities out of the six months' category into the longer period with only half the loss deductible, and market recovery might eliminate the loss entirely.

The 30-Day Rule

In making sales for this purpose, the "wash sale" provision of the internal revenue law should be kept in mind; it does not recognize losses on securities if within 30 days before or after the sale the taxpayer purchases the same or substantially identical securities. Those sold to establish gains, however, may be repurchased immediately.

The Value of Selection

Taking a loss that is advantageous from the tax viewpoint need not be deferred from any apprehension over re-establishing a long position, because it is usually possible to replace securities sold with others similarly or better situated. In fact, indiscriminate selling in recent weeks has reduced market quotations for both high-grade and speculative stocks, and there are opportunities for investors to switch into issues of higher calibre affording attractive yields if that is the primary consideration, or into high velocity speculative securities affording maximum appreciation possibilities in a rising market.

Recording Gains Advantageously

If an investor has already taken a substantial short-term loss and also has an unrealized long-term gain, he may well consider taking the gain, for two reasons: he can apply the loss against it, and if he waits he risks a decline in the

stock that can shrink the profit faster than the tax.

If an investor wishes to retain his holdings intact but also feels that a further market decline is likely, he may find it advantageous to register a long-term gain (taxable at 25% maximum) and immediately to repurchase the same securities. Thus he creates a potential 100% short-term loss if the market declines within the subsequent six-months period, while if the market rises and he does not take the profits this year he will be out-of-pocket only the buying and selling costs and the 25% tax on long-term gain realized, with the advantage of having marked up his cost on a favorable tax basis.

Conclusion

Investors, especially those who registered security profits earlier this year, may be able to establish security short-term losses for tax purposes as a result of the sharp decline in the stock market. They should consider these possibilities before the opportunity is removed, either by a recovery in the market or by the passage of time which would convert short-term losses into long-term losses. Every \$1,000 of realized short-term loss will offset \$2,000 of long-term gain. In addition, net loss is deductible from ordinary income up to \$1,000, and any unused balance can be carried forward for five years to apply against future capital gains without limitation, or against ordinary income not exceeding \$1,000 in each of the five years. At the same time, the individual investment or speculative position of a security to be sold as well as the outlook for a security to be purchased should be examined carefully, lest the gaining of a tax advantage be outweighed by investment disadvantages. — (From "Investment Timing" of Sept. 26, 1946, published by the Economics and Investment Department, National Securities and Research Corporation, 120 Broadway, New York City.)

Three With Stifel Nicolaus

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL. — Albert A. Hoffman, Jr., John X. Kennedy, and Thomas A. Lewis have joined the staff of Stifel, Nicolaus & Co., Inc., 105 West Adams Street.

Our Constitution in Danger!

(Continued from page 1652)

stitutional laws passed by the legislature, and to pronounce judgments between litigants; also to declare null and void those laws that do not accord with the Constitution. The judiciary cannot make law, that is for the legislature only, but the judiciary may find out and declare that the unwritten law is the Common Law and interpret and pronounce judgments in accordance both with the written and the unwritten law.

The enforcement branch of government—the executive branch—is to carry on the administration of government according to constitutional law and enforce the judgments of the courts. Under our constitutional concept, this branch may not make law nor judge it. While, because of its functions, the executives may superficially seem to head the government, over-topping the other branches, yet a closer analysis shows that the executive branch is, in fact, and in some respects, actually the servant of both the other branches, because it cannot make law, but only carry out law made by the legislature, as directed by the legislature; it cannot try and sit in judgment on the law, but can only enforce the decisions made by the court.

Whenever, and in so far as, any of these branches undertakes to exercise the functions of any one of the others, it is a usurper, and is betraying the trust bestowed upon it by the sacred franchise of the people. Our Constitution was drawn on the assumption that men called to public office would be patriots and that, obedient to their oaths of office, they would strike to preserve, not to destroy, the Constitution and the free institutions set up under it. But Lincoln forecast in his Lyceum Address that some ambitious traitor might try to destroy our constitutional form of government; and Lord Bryce, the British statesman, has pointed out that a perversion of our constitutional forms could be brought about by evil, designing persons.

Roman Law

The other system, the Roman or Civil Law, conceives all authority as vested in and flowing from a personal sovereign, a monarch, a king, or an emperor, and this sovereign grants to his subjects such rights and privileges as he thinks wise and best and desirable. The king or emperor is the final and supreme authority in all legislative, judicial and executive functions. Those who assist in the administration of government are his agents, appointed by him, answerable to him, and holding their places at his sole pleasure. These agents may with propriety under this system, exercise either legislative, judicial, or executive functions, or two or more of them, or all of them. The machinery of government and its actual operation are carried on under such rules and regulations, or laws, as may be necessary to make of government an effective organization, but stripped down to the bones, everything is amenable to the sovereign will of the monarch. The people, in the last analysis, have neither choice nor voice. They have those rights, they may do those things only that are granted and authorized by the emperor. All the residuum of power is in the emperor. He makes the laws, judges the laws, imposes the penalty, and enforces the penalty—he is legislator, judge and sheriff.

This fundamental concept is as old as human government. So far as the modern world is concerned, it had its first flowering in the Justinian codes (483-565).

These were revised by Napoleon and embodied in a code which bears his name. These codes are, by inheritance, the basic laws for all continental Europe; they have the same place in Japan by deliberate adoption. Every absolute monarch, every dictator since Rome rose, has operated under this system of law. Some have attempted the dictator role under the Common Law system, but thus far none has succeeded.

This concept has a variant where, instead of the ultimate authority resting in one individual—the king or emperor—it is lodged in a group of a few or many members, which group is self-perpetuating. The present Russian communistic government may be of that type, though the information that leaks to us of the public is so meagre that one cannot be sure that one man may not be the real head, with a window-dressing of seeming associates. It seems certain, however, from the little that comes out, particularly in view of the liquidations—that is, political murders—that occur among them at intervals and at strategic crises, that if it be not a one-man government, then the oligarchy has very few members.

In all absolute governments, whether of one despotic sovereign or a dictator oligarchy, the ruling power must and does control its subjects, to the extent deemed necessary, in all their activities, often to the last details—their eating and drinking, their dress, their occupations, their intellectual growth and its direction, their speech, their press, their family life, and their religion—particularly the latter, because a free conscience means freedom of thought, and this an absolute monarch cannot permit, for it means his downfall. Rome so understood and so inflicted her terrible persecution upon the early Christians. There must be a state religion, prescribed by the state, to make secure the throne of a despot.

This is all just history.

The Common Law or Constitutional Concept

I repeat again, the Roman system is a fertile soil for growing despotisms, because of its fundamental concept recognizing one person or one group as the ultimate source of all authority and power. The Common Law concept, as crystallized in our Constitution, is destructive of despotisms, because of its concept that all power and authority, and the ultimate source of each, lie in the people as a whole. Only a usurper can rob the people of their power through prostituting his office and perverting the free institutions which the people themselves, not some absolute monarch, have set up.

It may be remarked in passing that the Roman Law concept of an absolute personal sovereign, with all power and authority resident in him, yielded readily to the inclusion of the further concept of the divine right of kings, an idea that found encouragement when the Church repudiated one contestant for royal honor and recognized another, and then by some ritualistic ceremony formally installed the favorite.

As already stated, where there is an absolute sovereign claiming possession of all governmental powers, he may endow any of his agencies with all or a part of these powers with respect to any matter or function pertaining to government. The well known abuses of this system, fatal to all equality among the people, and to all principles of freedom, or even of fair dealing, are also matters of history. The system made rights to property dependent upon the whim of the ruler; none

was safe from molestation. Individual liberty was in like situation. Imprisonment, for just or unjust cause, lay at the caprice of the ruler.

I repeat again, all this is history, the history of centuries of oppression and woe and misery and bloodshed, the history of the privileged few, so made by birth, or by the corrupted favoritism of the monarch, as against the oppressed mass. It is, to a greater or less extent, the history of continental Europe since Rome rose.

Working of the Constitutional System

Under the Common Law system, our constitutional system, when it is not perverted, the people have the right and the power at fixed intervals, to rid themselves of any agent or representative who fails to maintain the system. If an agent has curtailed their liberties, if he has debauched their free institutions, they can elect other agents to restore the due order and course. This principle is subject always to temporary delays in that restoration because of pettifoggers, perverters, blatherskites, political buncoers, or because of the mass corruption of the body politic by what an American politician, a beneficiary of the conspiracy, has, within the decade, termed "a judicious use of the public funds," and subject also to the principle of Lincoln's dictum: "You can fool some of the people all of the time, and all of the people some of the time, but you can not fool all of the people all of the time." Under the Roman Law the people's will or desires have nothing to do with changing policies, short of internal commotion at or nearing revolution.

We Are Adopting Concepts of Roman Law

Now, in the last years, we in America have gone a long distance towards the adoption of the Roman concepts, and the abuses against property rights and human freedom and liberties which are possible under that system. And let me say here and now, that in the whole history of the human race, from Adam until now, Tyranny has never come to live with any people with a placard on his breast bearing his name. He always comes in deep disguise, sometimes proclaiming an endowment of freedom, sometimes promising help to the unfortunate and downtrodden, not by creating something for those who do not have, but by robbing those who have. But Tyranny is always a wolf in sheep's clothing, and he always ends by devouring the whole flock, saving none.

So it is today.

Alien Corruption

Alien emigres, in largest part, trained and schooled in the Civil Law, some at least acting as if emissaries of other governments, have acquired, in large part by foul and devious methods, an over-topping, directing power in this country by corrupting our thought and by voting their misled adherents. Already, with their puppets and tools in or with access to the key positions in administration, they have secured the setting up in our Federal Government of a whole mass of governmental agencies—the alphabetical bureaus, of which the OPA is a type, but there are a multitude of others. All are fashioned and function after the fundamental concepts of the Roman Law.

These agencies have infringed upon the rights of property to the point, in some cases, of practical confiscation;

They have robbed our great divisions of government, legislative, executive, and judicial, of their constitutional functions, and by an unconstitutional exercise of power are themselves playing law-maker, judge, and sheriff to the grievous burdening of the people, and

they have on occasion used the United States Army to enforce their despot-like ukase;

They have exercised unconstitutional jurisdiction over matters that by the Constitution should be in the exclusive control of the local governments, so destroying local self-government which is the bulwark of freedom and the secure refuge of a free people;

They are controlling costs, kinds, and quantities of production, and dictating prices, places, and amounts of distribution, thus controlling even the health of the people; indeed, already they have induced a planned hunger and want;

They are maintaining a fictitious scarcity of critical materials by exercising unconstitutional controls over prices and wholly disregarding the great underlying economic principle of supply and demand;

They have sent billions of dollars, wrenched from us, the taxpayers, to their favorite alien governments, and they give no signs justifying a hope that this will cease;

They have sent to their favorite aliens not only supplies needed here at home, but farm and other machinery indispensable to the maintenance of our necessary production here and largely useless to the countries to which they are sent;

They are charged, without convincing denial, with sending in a never-ending stream, directly to their favorite alien government, or inevitably to reach it, military supplies that they must know are being accumulated for use against us, to kill our own sons;

They have used our tax money by the hundreds of millions of dollars to spread amongst us falsifying propaganda destructive of our government;

They have used every device their fertile, evil minds could suggest, to breed and intensify class hatred, to the destruction of the fundamental freedoms and political equality guaranteed by the Constitution;

They have curtailed freedom of assembly by limiting the size of an assembly and the purpose for which it might be held.

They have planned to curtail freedom of speech by providing machinery for rigid censorship over public utterances;

They are slowly destroying an effective freedom of the press by making impossible the necessary fabrication of print paper, so limiting and curtailing the circulation of the news;

They are prepared to curtail freedom of religion, as shown by the regulations and rules made to control the character of religious assemblies and the purpose for which they might be held, prohibiting all such assemblies not authorized by them;

They have built up and maintained a general policy of looting the people generally and then misappropriating and wasting the proceeds of their loot, to the weakening not only of our constitutional institutions, but to the crippling of the war power of the nation, so that in due course it will fall an easy prey to their favorite alien government; and I here say that the wide-spread strikes, plus the threats of making them nation-wide, show how easily our whole industrial activities may be paralyzed; and if unfortunately open warfare should break out with their favorite government, you may look for strikes and sabotage and mob violence, and liquidations—murders—as well as organized resistance against our government, on a scale never before seen in the history of the world;

All the evidence indicates that some of them, at least, have sought, and are now seeking, to bring chaos in this country, plan-

ning then to build out of that chaos a sovietized regime, with its full despotism, cruelty, and murder, so helping to communize the world, to the destruction of everything we hold dear and sacred in government, in family life, and in religion.

Not All An Exercise of War Powers

It will not do to say that all these are exercises of the war powers; for the principle behind each invasion of our rights was put in operation before we declared war, and has been continued, sometimes intensified, since the war ended.

All this, and much more, is as clear as though it were written out on the palace walls as in the days of Belshazzar. We Americans are today near the place where that impious despot stood then. Unless we repent of our transgressions and return to the ways, the freedoms, and the liberties of our fathers, God must say to us as He said to Belshazzar of old:

"Mene, Mene, Tekel, Upharsin."

God help us not so to ripen in iniquity. Give us, we humbly pray, the strength and the will to avert this tragedy.

Motor Carrier Tonnage Increased 3.1% in July

The volume of freight transported by motor carriers in July increased 3.1% over June and 8.2% over July of last year, according to American Trucking Associations, Inc., which further announced as follows:

Comparable reports received by ATA from 211 carriers in 40 states showed these carriers transported an aggregate of 1,915,373 tons in July, as against 1,858,511 tons in June and 1,769,640 tons in July, 1945.

The ATA index figure, computed on the basis of the average monthly tonnage of the reporting carriers for the three-year period of 1938-1940 as representing 100, was 187.6.

Approximately 83% of all tonnage transported in the month was hauled by carriers of general freight. The volume in this category increased 3.0% over June and 8.4% over July, 1945.

Transportation of petroleum products, accounting for about 11% of the total tonnage reported, showed an increase of 1.5% over June and 5.6% over July, 1945.

Carriers of iron and steel hauled about 3% of the total tonnage. Their traffic volume increased 9.9% over June and 12.9% over July, 1945.

About 3% of the total tonnage reported consisted of miscellaneous commodities, including tobacco, textiles, groceries, building materials, wood, motor vehicle parts and motor vehicles. Tonnage in this class increased 3.6% over June and 7.8% over July, 1945.

Henry L. Williams Is Forming Own Inv. Co.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL. — Henry L. Williams has formed H. L. Williams & Co., with offices at 11 So. La Salle Street, to engage in the securities business. Mr. Williams was associated with Brown, Bennett & Johnson as trader.

A. D. Swift Now With Addison Warner

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL. — Albert Duane Swift has become associated with Addison Warner & Co., Board of Trade Building. Mr. Swift was formerly with Allen, Swift & Co.

Management's Future In Labor Relations

(Continued from page 1651)

uation. It is legally proscribed in the exercise of those disciplinary functions which might conceivably restore some measure of respect for and understanding of management's responsibility in the conduct of sound and effective business. It is legally proscribed, moreover, in the exercise of any volition whatsoever in determining whether it will or will not deal with a given union when and if that union is certified as the bargaining agent for its employees. It matters not at all, in the law, that the union so certified may be totally irresponsible, perhaps even criminal, in its leadership and dedicated to the overthrow of the very business which is compelled by law to deal with it. This condition may be likened to the plight of the man who is made to stand by helpless while his own house is consumed by the flames of destruction.

Management, its course having been charted by law, both before and after the union's certification, finds that there is no corresponding chart for labor. Management alone is responsible for its acts under the law. Is it any wonder that management, under such a condition, views its future with fear and misgivings?

Unbalanced Responsibility Under Law

I do not mean to suggest that all unions are always unfair or unjust to management. I wish to establish the point that this condition of unbalanced responsibility under the law is untenable in a free society and if continued it will not only wreck management but will destroy social freedom itself. Law must be impartial in its conception and in its administration or it is merely legislative favoritism leading unerringly to the ultimate breakdown of all law.

Organized labor, proceeding under this system of legislative favoritism and with undue haste to grow to full maturity without the possession meanwhile of a sobering sense of its own responsibility, has brought the country's economy to a state of bewilderment to say the least. Couple with this the fact that true collective bargaining, as between management and labor, has almost completely broken down and you have bewilderment compounded. The assumption by government of the collective bargaining function in the rail, coal and shipping strikes, to name only some, portends the loss of freedom of action for both management and labor, if, indeed, it is not already gone.

Do the American people want this? Do the unions themselves want it? Apparently some of them do but it is my conviction that in this direction lies their own destruction. The inability of management to bargain at the plant level because of union insistence upon the application of industry-wide patterns is part and parcel of the process of destruction.

In the fact of these conditions is it at all strange that management is without the confidence necessary for long-time planning? Its contracts with labor, as to wages anyway, are largely of a day-to-day or week-to-week nature. It has little responsible assurance, even in the face of existing contracts, that its work forces will not be on strike tomorrow or next week. Responsible leaders of the unions have not been able always to govern their members or control the emotional forces they themselves have set in motion.

Wagner Act Not an Instrument of Peace

The National Labor Relations Act (1935) was hailed as the beginning of an era of industrial peace. However, the Bureau of Labor Statistics reports that there were 4,750 work stoppages in 1945 alone, three-fourths of which occurred after V-J Day, involving 3,467,000 workers and causing 38,025,000 man days of idleness. The Wagner Act has definitely not been an instrument of peace but a weapon of force against which management has had no defense. But, partial as it is to the labor unions, the Wagner Act and its agency of administration, the National Labor Relations Board, are now being scorned and by-passed by many unions in their haste to impose themselves upon management without regard for the wishes of employees. They engage pickets, often strangers to employment, as a weapon of organizing procedure, sometimes extending these to the premises of management's customers and suppliers. While doing this they turn a deaf ear to management's plea that they take the matter to NLRB for a more orderly determination of employee wishes. In the face of these conditions what wonder is it that the rest of the world, consistent with its more limited material and financial resources, is making greater progress than are we toward re-conversion to a satisfactory peace time economy?

Engenders Suspicion and Hate

Union leaders, assisted by high government sources, have indoctrinated a considerable portion of labor and the public with the feeling that management is labor's mortal enemy whose every move is suspect and whose chief reason for existence is the exploitation of labor. Of course, there has been exploitation, on both sides of the equation, but I declare to you that a doctrine of suspicion and hatred, whether preached by management or labor, is a doctrine of destruction for both.

Labor has been told, or at least it appears to believe, that management's treasury is bottomless; that management can afford any wage that force can compel; that there is no real basis in fact for the thought that wages bear an inexorable relation to the price at which the product must be sold; that labor can have more by doing less; in short, that two plus two does not make four. Thus, labor has crucified itself upon the very cross it prepared for management because, as the largest element of the consuming public, it has forced prices upward without at the same time delivering a corresponding increase in productivity.

A prominent automobile manufacturer declares that the cost of his product has increased 87% in five years; that hours of labor have increased from 87 hours per car in 1941 to 128 in 1945. A recent opinion poll showed that among unionized factory workers less than 45% think they should turn out as much work as they are able to and 44% think they should do only what the average of their group does. This thinking is undoubtedly due to the fact that the hypothesis of the unions is to reduce the most able to the norm of the least able.

Industry Resources Not Inexhaustible

Another fallacious notion that the unions have, or at least appear to use as a working theory, is that American industry is big and possessed of inexhaustible resources. Considered in the aggregate sense (Continued on page 1686)

Tomorrow's Markets Walter Whyte Says—

By WALTER WHYTE

Market now indicates a ten point swing. Break out in either direction will give next move. Odds favor more down than up and traders should be prepared.

Last week I sounded off on the political outlook and concluded that with the Republicans assured many additional seats in Congress the market had no business going down. It all sounded very convincing. After reading it I was convinced myself.

The market, however, is not convinced. At least its

Steel Industry Employ't Highest Since Dec., 1943

The iron and steel industry employed an average of 585,100 persons during July, compared with 578,000 in June, the American Iron and Steel Institute announced recently. That employment average was the highest for any month since December, 1943, when 604,730 persons were on the payrolls.

The Institute further stated as follows:

"The industry's total payroll showed an increase, compared with June. Average hours per week of wage earners and average earnings per hour of wage earners also were higher in July than in June.

"During July the total payroll was \$137,988,900, compared with \$125,589,900 in June.

"Average hours per week of wage earners increased to 36.9 hours in July compared with 34.6 hours in June.

"Average earnings per hour of hourly, piecework and tonnage workers was 135.1 cents per hour in July, against 134.4 cents per hour in June."

Sherwell Named New York Consul General of Paraguay

G. Butler Sherwell, Vice-President of the Manufacturers Trust Company, has been accredited as Consul General of the Republic of Paraguay in New York, it was made known on Sept. 25. For many years Mr. Sherwell has worked actively for improvement in the cultural, economic and business relations of the United States with our Latin American neighbors. He is a director of several industrial companies in Latin America which are affiliated with important concerns in the United States, including the Union Oil Company of California in Paraguay. He has been honored by several Latin American governments with decorations for outstanding merit and service.

Mr. Sherwell has been with the Manufacturers Trust Company since 1932, during which time he has supervised the Bank's business with Latin America, Spain and Portugal. Prior to that he was at the head of the Latin American Finance and Investment Section of the United States Department of Commerce. He is the author of a number of books and treatises dealing with various aspects of the economics and finances of Latin America and the Iberian Peninsula.

action isn't conducive to any wild hat tossing.

In last week's column I said the market was in a position to rally and gave as its rally point the 172 figure. It betted that objective by about three points going up to about 175. So far, so good. A rally which does better than anticipated is nothing to be ashamed of. Unfortunately this rally brought a revival of the old bullish talk. Now there's nothing wrong with being bullish. To paraphrase that old cliché, "Some of my best friends are bullish," but under cover of that bullishness the market is once again beginning to peter out.

It is important to note that the rally stopped at 175 or so, which is the same old ceiling it hit in mid-September. Hitting it would be okay. But hitting it and backing away from it, is something else. It shows that the selling which started above 200 is still with us.

Where this selling is coming from and why it persists is another story. I have one theory gleaned from the papers. I see where it says that the Japanese holdings confiscated by American authorities are being liquidated. It doesn't say what these holdings are. But it doesn't take much savvy to guess that they consist of many American securities. Of course this is a guess and guesses seldom add up in credits at your brokers. But at least it is one guess that hasn't been used anywhere else (to my knowledge) about the source of the selling.

There is one thing to be said of the present liquidation, at least its being said by brokers, "... liquidation is selective." That means that not everything is going down, which is poor comfort for the man who owns the so-called "selective" issues.

In any event the market is now forming another critical formation. On top it has the 175 figure to contend with, a

figure it has already recognized. But on the bottom it has another figure, one that's also been tested twice. The lower figure is about 164. First time the market closed down around that figure and opened up away from it the following day. The next time an intra-day reaction sent prices down to that point where it rallied away. So now you have a range of about 10 points in which many stocks can move with almost any interpretation you want to put on them.

But above and beyond the action between those two points it must be recognized that that action isn't isolated. It must be considered as a part of the entire picture which goes back to about 210. I won't go into the technical ramifications but if that 164 figure doesn't hold, you can start looking for cyclone cellars. For the next break can make the last one look like a minor reaction.

Should they rally through the 175 the subsequent advance will not be any great shucks. If anything at all it looks like a stumbling affair gradually assuming some shape, a process which can take weeks and months.

Buying stocks which such an outlook isn't to be recommended, at least not by this column. So until the picture clears the advice here is to sit tight and let the next man do the worrying—and the guessing.

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.]

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Are We Headed for War?

(Continued from page 1657)

pendence had been guaranteed) against Turkey and the Dardanelles, against Italy in the Trieste agreement, and against Greece, against government-held territory in China. Minor mobilizations were carried out in all these regions, they have not yet been stopped. In Greece, at this moment, an invasion by irregulars appears to be in progress, whose success would mean Greek dismemberment for the benefit of Tito, Bulgaria and Moscow.

"Para-Military" Operations

Modern war includes not only movements of organized divisions but movements of more or less camouflaged irregulars—so-called "para-military" operations. At their mildest, these consist of propaganda and subversive operations; at the extreme, they ripen into armed revolts and military movements of irregular troops, armed and directed from outside. In the past few months, these para-military operations have increased in the scale of guerilla warfare in northern Greece, on the Turkish border, and in Iran and in China.

Raymond Gram Swing once brilliantly noted that in modern war the clash of arms was the last thing that happened; the para-military lines of propaganda, politics and irregular warfare come first. We have had all stages of war except the actual movement of national armies.

This was accompanied by the screaming of propaganda. It was also accompanied by diplomatic claims, counter-claims, quarreling and sheer insult which, if it meant anything, meant deterioration of relations to the point of war. In this respect, the Stalin statement is at its weakest. It is absurd to say that the Kremlin does not control the Communist parties in all major aspects throughout the world. Their only coherent principle is to support the claims of the foreign office in Moscow with slavish fidelity, adapting their tactics to the country in which they operate. When throughout South American (I note from a couple of newspapers just reaching my desk) Communist demonstrators parade under the banner "Destroy the Anglo-Saxon power—down with the United States," you can be sure that this reflects the Russian policy of the moment.

Communist Propaganda Has Americans Frightened

The strident propaganda in line with the violence of the diplomatic claims, the striking likeness between the positions of Greece in 1946 and Czechoslovakia before Munich, and the inevitable occurrence of border incidents like the shooting down of American planes in Yugoslavia, finally accomplished the impossible. The Soviet and Communist propaganda which the United States had generally and healthily disregarded began to be taken seriously. Americans became aware of it, were frightened by it and reacted violently against it. No American government or political party could have brought the United States public to believe that they might have to fight in their own defense. The Soviet propagandists and diplomats and the Communist elements did succeed in performing that miracle.

In spite of all this, it was clear that no major power wanted, or could afford, a new war. The Russians did not want it; they are in no shape for it. The British did not want it; the price to them is terrible beyond belief. The United States did not want it and evidenced the fact by virtually destroying the greatest fighting force in the world. And yet there was—and is—danger that war would break out. Some diplomatic gambler, some fifth columnist out of

control, some puppet's talk, some reckless use of a Balkan nationalism, could—and now can—easily force a local war, which draws in surrounding countries, and at length engages great powers. That was the danger; and that remains the danger; and there is no use blinking at it. If, for instance, Greece should be dismembered as Czechoslovakia was in 1939, the major powers might well do just what they did in 1939; prepare themselves to fight at the next clash. There is a huge-armed frontier dividing the world. If this is crossed by any great power—as, for instance, in Greece or in the Middle East—the chance of a new world war will be vastly increased.

I have felt that at long last we should weather this storm. It has always been nonsense to say that free democracy could not co-exist with a great power bent on world empire and if war comes it will be because some power-mad group attempts again the conquest of the earth. Much of the Communist propaganda has used just this language but there is a great reservoir of moderation and common sense in the Soviet Union. My own conviction is that both necessity and sound policy will eventually cause a moderate view to control. We have heard little of it so far—except in the recent Stalin statement. We can reasonably hope and expect for more of it in the future. This is time neither for unreasonable optimism nor black despair. It is rather a time for straight thinking, forceful and moderate speech and hard work.

Against this background the United Nations came into being, and has lived through its early phase. I think that, given all the circumstances, it has maintained itself with surprising success; and that there is reason for sober optimism. This appears true, despite the various complications underlying it, the difficulty of its procedure, the famous "veto power," and one or two attempts to abuse its machinery.

The United Nations was designed to become an institution around which a world community of nations could be built. Few of us believe that world peace can be achieved by any mechanical device; but a device can grow into an institution if it becomes the symbol of a common desire and a nucleus around which can gather the implements of common purpose. Institutions are not made; they grow. Judged by these standards, the United Nations is slowly but steadily growing.

The United Nations

How much the United Nations expresses a common desire can be measured by a simple experiment. Imagine your feelings or the feelings of people everywhere, if tomorrow morning it were announced that the United Nations had dissolved. The result would be a world panic—and justifiable so.

As with growing institutions, it has painfully pounded out its methods of action—and perhaps never in history did an institution meet problems of such gravity. Yet when the great line between the East and West threatened to push forward surging Iran last May, the United Nations met the problem (as the old League of Nations did not meet a like problem when Mussolini seized Corfu and later invaded Abyssinia). World opinion did look to the United Nations; the issues were straightened out; and at least a temporary basis was found for meeting a threat to peace. The Greek crisis is before the United Nations now; but the best-informed observers believe that the indications are that crisis also will be weathered. This is growing the

hard way; not by avoiding issues but by meeting them. Even with the danger involved in intemperate debate, anyone will prefer Lake Success to Munich or Godseberg. Just as the success of the United States Supreme Court, an institution in its infancy, began when it squarely met the political cases growing out of the bitter fight between Federalists and Jeffersonian Democrats, so the United Nations has laid a foundation for future action precisely because it has dealt with the tough questions first. One result, I think, will be apparent when its Assembly meets later this Autumn. It will be found that the United Nations does more than merely express the views of foreign offices. It will begin to have a going-power of its own—a support of world public opinion flowing to it, not through other governments, but directly.

For example, no one can conceive of any sane solution of the problem of atomic bombs, except through the United Nations. Nor, for that matter, is there any real hope that this vast passive military front dividing the world can be demobilized except as a result of United Nations activity.

Most important of all, the positive problems which the world must attack, if it is to have peace—which include the problem of steady liberation of dependent peoples, and the problem of lifting the standard of living of huge masses in various countries—can only be met by United Nations machinery. We can hope that this machinery gets into action swiftly; every foreign affairs man knows the terrible frustration and interminable delays involved in international machinery. Yet the World Bank can act, and is already equipped to do so. The World Monetary Fund can open channels of trade; and the arrangements are there. The UNRRA did relieve great areas in distress; and the United Nations can pick up that burden. The Civil Aviation Organization has already assisted communications through great parts of the earth.

Some of us hope, and vigorously advocate, that the positive powers of the United Nations be pressed with greater vigor and force. The danger is that the United Nations may become merely defensive—a stop-gap against crises—and a defense against the outbreak of war. If it can do only that, it is probably doomed to eventual failure. There is latent in its organization the possibility of a dynamic peace—of action which shall give as powerful a directive to the peace-time activities of men as war could do. On that possibility hangs, I think, the real chance of converting this uneasy armistice of today into permanent peace tomorrow.

Imagine, for example, the effect which would be produced if the Economic and Social Council, backed by the World Bank, and assisted by the participating governments, formulated and announced an all-out program to raise the standards of living in the Middle East. The program would have to be large, well conceived, and adapted to the peoples of that region, growing out of their needs rather than other peoples' ideas. It would probably be attacked as well as defended. But it would, for the first time in modern history, represent a world community on the march against fear and want—instead of on the march against its fellow man. The possibilities are there, the thing can be done.

A Realistic Appraisal

In making a realistic appraisal of the United Nations, at a time when the world, yearning for peace, has looked down the gun barrel of World War III, the fact must be faced the people committed to the United Nations are really appraising themselves. Their desire, their opinion, and their firm expression of it, will

determine what the United Nations can do. The United Nations itself has already attained a position in which it can begin to develop leadership. The combination of its potential leadership with the clear desires of masses of populations too often voiceless amid diplomatic din makes it already valuable as a master instrument and potential institute of world order and of world government.

We began by pointing out the grave and terrible dangers through

which we were passing. Yet from those very dangers there arises a great hope, and a solid possibility for future peace. All dreams have not been realized; and there is disappointment and disillusionment. But there is a solid and available foundation on which bold and resolute men, backed by capable public leadership, can begin to meet the solemn obligations assumed by Governments in the Atlantic Charter.

Management's Future In Labor Relations

(Continued on page 1685)

It is large but from the standpoint of its individual units it is small. The Social Security Board records 2,000,000 employers reporting taxable wages for 36,000,000 employees in 1943. Of these 56% had less than four employees. Of the remainder 81% had less than ten, 1% had 250 or more and only .01% had 10,000 or more. Despite the great disparity between these, as to geographic location and resources, the unions try to impose industry-wide contracts, uniform in nature and in application. In this direction lies the destruction of thousands of small businesses and sources of employment.

American industry is rich, indeed, in resourcefulness but its resources are definitely not inexhaustible. It cannot sell dollar bills for ninety-eight cents and continue to exist. In 1936-1939 six out of ten of our corporations had no net income. During that period business, as a whole, earned a profit of 2.5 cents per dollar of sales. During that period, also, the average corporation tax rate was 17%. It is now 38%! In 1943, according to the government's own figures, the net profits, after taxes, of all corporations were 4.3% of gross receipts. Less than half of the net profits earned by corporations between 1940 and 1945 were paid out to stockholders. The rest was devoted to conversion to meet the needs of war, devoted to the development of new products, or added to the capital reserves imperative for reconversion to peace time production and, may I add, to create employment.

Labor Cannot Lift Itself by Its Bootstraps

Labor's share in the income dollar, according to the 20th Century Fund Study, was 62.6 cents from 1939 to 1941 and 68.4 cents from 1942 to 1944. While its share in the income dollar is ascending, its wages, in relation to the gross value of manufactures, are remarkably constant. Dr. Wilfred I. King of New York University says that it was 16% in 1909—and 16% in 1939. In other words, labor cannot lift itself by its economic bootstraps. As it pushes its wages upward it pushes up, also, the cost of its own product except as it and management together find ways of reducing the time and cost element. It would appear, therefore, that a pie is not increased in size by dividing it differently. The need today is for two pies at the cost of one.

Carl Snyder in his book, "Capitalism the Creator," tells us that in the 90 years from 1849 to 1939 investment in tools per worker increased in this country 812% and that this multiplied labor's real wages four times in terms of the goods and services it could buy and reduced labor's work week from an average of 59 to 39 hours.

Were I a union leader, having access to the minds of workers, I would study and teach them economic facts. I would teach them, also, that cooperation with management, in all legitimate ways, is a fundamental requisite to the maintenance of a sound economy

and steady, profitable employment. Thus, in the highest sense, I would serve them, myself and the democratic structure of which their union is an integral part. Everything that man needs must be produced. The doctrine of "down with everything and everything for nothing" is a philosophy born of a peasant concept of life and is on view in many parts of the world today. The American doctrine insists that the individual produce his individual share or he is a parasite. The spectacle of 184,495 people in Illinois alone drawing unemployment compensation while 139,000 jobs cry for workers is in direct contravention of that American doctrine. No nation can long support such a blood sucking and endure. This is only another of the many things that confuse and confound management and make its task more difficult.

What Is "Management"?

What is this "Management" whose future in labor relations we are discussing? It is the corner drug store, the grocery, the filling station, the butcher, the baker, the department store, the small manufacturer, the large manufacturer, in fact, any business which, by reason of its existence, employs people and produces in this country the highest standard of living in the world.

In late years it has become popular to scorn the function of employing people. The employer has been the object of infamy. He has been badgered, regulated, driven to the point of distraction and near defeat. But I say to you that he performs the noblest and most meritorious service in our society because he provides employment and without employment the morale of the nation falls, the economy of the nation falls and, if long continued, the nation itself withers and dies. What other group in our society can claim so great a responsibility so well discharged?

These are the people we are discussing when we talk about management. What is management's future in labor relations? If we continue our selfish pursuit of group security without regard for the security of the whole, management has no future. It will be destroyed and our industrial edifice with it. If, by our own hand, we tear down our industrial house we shall deserve whatever fate may be in store for us. But if, by a rebirth of good will, sympathetic understanding and cooperative action, we can lift from the back of management the burden of public suspicion and employee hatred born of incessant propaganda and governmental sharpshooting by way of restrictive and unequal laws, management has a glorious future; a future that will dazzle the eyes of all mankind with its accomplishments for a better life for us all; a future in which management and labor will walk hand in hand together toward bigger things for both.

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 98. Proceeds—Company will use \$1,025,000 of proceeds of debts for payment of an indebtedness to Bankers Trust Co., New York. Balance, will be added to working capital.

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. Temporarily postponed.

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.

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 ac-

quire 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. Offering date indefinite.

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 Limoges China Corp., New York

Sept. 25 filed 75,000 shares of common stock (par \$1). Underwriter—Riter & Co. Proceeds—Stock being sold for account of Harry Bloomberg, President. Price—By amendment.

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 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. Temporarily postponed.

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.

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.

Artcraft Hosiery Co., Philadelphia

Sept. 27 filed 53,648 shares (\$25 par) 4½% cumulative convertible preferred and 150,000 shares (\$1 par) common. It also covers shares of common reserved for issuance upon conversion of preferred. Underwriter—Newburger & Hano, Philadelphia. Price—\$25.50 a preferred share and \$12 a common share. Proceeds—Company will receive proceeds from the sale of all of the preferred and 100,000 shares of common. The remaining 50,000 shares of common are being sold by three stockholders. Estimated net proceeds of \$2,300,000 will be used by the company to pay off bank notes of about \$1,100,000 and to purchase additional machinery and equipment in the amount of \$1,200,000. Business—Production of ladies' hosiery.

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 spate and equipment, and \$350,000 for manufacturing facilities. The balance will be added to working capital. Issue postponed indefinitely.

Bastian-Morley Co., Inc., LaPorte, Ind.

Sept. 27 (letter of notification) \$150,000 5% junior debentures. Offering price, par. No underwriter. The notification stated that within the past few weeks nine directors and key employees of the company were offered the opportunity to purchase these junior debentures and they subscribed for \$97,500 in aggregate principal amount thereof. The issuer now desires to extend the opportunity to other persons to purchase the remainder of \$52,500 of the junior debentures. The offer to purchase these junior debentures shall be made to such persons as may be selected by the officers of the company, some of whom will be stockholders or district salesmen of the company. Proceeds will be used for operating capital.

Beaunit Mills, Inc., New York

Sept. 27 filed 180,000 shares (\$2.50 par) common. Underwriter—White, Weld & Co., New York. Price—By amendment. Proceeds—Of the total, 140,000 shares are being sold by St. Regis Paper Co., New York, and the remaining 40,000 shares are being sold by I. Rogosin, President of Beaunit Mills, Inc. Business—Manufacture of fabrics and garments made of rayon, cotton and wool, and combinations thereof, using also a limited quantity of nylon.

(Continued on page 1688)

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(Continued from page 1687)

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. Offering temporarily postponed.

Black, Sivals & Bryson, Inc., Kansas City, Mo.

July 29 filed 100,000 shares (\$1 par) common stock. Underwriters—F. S. Yantis & Co., Inc., and H. M. Byllesby and Co. Offering—Shares were sold to the underwriters on July 29, 1946 at \$10.70 a share. They will be offered to the public at \$12.50 a share. Offering date indefinite.

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. 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. Although it was proposed to offer the stock for subscription to stockholders at \$10 per share, company on Sept. 20 decided to withhold action at this time.

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.

Bowman Gum, Inc., Philadelphia

Sept. 27 filed 268,875 shares (\$1 par) common. Underwriter—Van Alstyne, Noel & Co., New York. Price—By amendment. Proceeds—Stock is being sold by shareholders who will receive proceeds. Business—Manufacture of chewing gum.

Boysen (Walter N.) Co., Oakland, Calif.

Sept. 26 (letter of notification) 1,000 shares of 6% preferred, \$100 par. Offering price, \$100 a share. No underwriter. For expansion of factory and purchase of factory site in Portland, Ore., together with equipment.

Braunstein (Harry), Inc., Wilmington, Del.

Sept. 25 filed 12,500 shares (\$25 par) 4½% cumulative convertible preferred stock and 50,000 shares (20¢ par) common stock. Underwriter—C. K. Pistell & Co., Inc., New York. Price—\$25 a share for preferred and \$11 a share for common. Proceeds—7,000 preferred shares are being sold by company, the remaining 5,500 preferred shares and all of the common are being sold by present stockholders. Net proceeds to the company, estimated at \$147,500, will be used to prepay to the extent possible outstanding \$149,300 mortgage liabilities.

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.

British Industries Corp., New York

Oct. 2 filed 199,000 voting trust certificates to holders of \$1 par common capital stock of the company. Voting trustees: William Carduner, Leonard Carduner, and G. Vincent Rockey will act as depositors for the stock. Voting trust certificates will be exchanged for \$1 par common capital stock. The corporation has exclusive selling rights under contracts with six British manufacturers covering the products made by such manufacturers and for various specified countries.

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. Offering temporarily postponed.

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.

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.

Burgess-Norton Mfg. Co., Geneva, Ill.

Sept. 23 filed 10,000 shares (\$50 par) 5% cumulative preferred and 120,000 shares (\$2.50 par) common. Underwriter—H. M. Byllesby and Co. (Inc.), Chicago. Offering—Of the common, 110,000 shares are being sold by stockholders. The remaining 10,000 shares are reserved for issuance upon the exercise of warrants attached to the preferred. Price by amendment. Proceeds—To reimburse treasury for purchase of machinery and equipment at a cost of \$98,386 and payment for new building being constructed at estimated cost of \$223,700; balance for purchase of additional machine tool equipment.

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.

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. Offering date indefinite.

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. Indefinitely delayed.

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.

Carter Mines, Inc., Reno, Nev.

Sept. 25 (letter of notification). A maximum of \$25,000 par 10-year income notes and 25,000 shares of common. Offering price \$500 a note and 10 cents a common share. Offering to directors of company only. No underwriting. To reimburse president, H. D. Tudor, for previous expenditures made for company.

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.

Central Soya Co., Inc., Fort Wayne, Ind.

Aug. 21 filed 90,000 shares (no par) common. Underwriters—Glore Forgan & Co., Chicago. Offering—Common shares initially will be offered for subscription to common stockholders at rate of one share for each 7½ shares held. Unsubscribed shares will be sold to underwriters. Price by amendment. Proceeds—Working capital, etc. Offering indefinitely postponed.

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NEW ISSUE CALENDAR

(Showing probable date of offering)

October 4, 1946

Lemcke (R. A.) Realty Co. Common

October 7, 1946

Chicago Indianapolis & Louisville Ry.
(12 noon EST) Conditional Sales Agreement
Continental-United Industries Inc. Common
Merchants Refrigerating Co. Class B Stock
Ohio Associated Tel. Co. Bonds and Preferred

October 8, 1946

Pacific Tel. & Tel. Co. (11:30 A.M. EST) ... Bonds

October 15, 1946

Red Rock Bottling Co. of Youngstown Common

October 21, 1946

Plastic Molded Arts, Inc. Preferred and Common

October 28, 1946

Films Inc. Class A and Common

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.

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. Offering temporarily postponed.

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 working capital. Indefinitely postponed.

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 59,585½ 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 90,414½ 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.

Commonwealth Aviation Corp., New York

June 28, 1946 filed 150,000 shares (\$10 par) 4½% cumulative convertible preferred stock and 300,000 shares (\$1 par) common stock. Underwriters—To be supplied by amendment. Price—\$12 a share of preferred and \$7 a share of common. Proceeds—Estimated net proceeds of \$3,420,000 will be used for working capital.

Commonwealth Telephone Co., Madison, Wis.

Sept. 23 filed 16,071 shares (\$100 par) \$4 cumulative preferred. Underwriters—Paine, Webber, Jackson & Curtis and Stone & Webster Securities Corp. Offering—Shares will be offered for exchange for \$5 cumulative preferred, on a share for share basis, plus cash adjustment. Shares not exchanged will be sold to underwriters. Price by amendment. Proceeds—To redeem at \$110 a share, plus divs., all unexchanged old shares.

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.; Hariman 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. Offering temporarily postponed.

Continental-United Industries Co., Inc. (10/7-11)

Aug. 2 filed 150,000 shares (\$1 par) common. Underwriters—Aronson, Hall & Co. Price \$8.25 per share. Proceeds—To repay demand loans and for general funds. (Originally company filed for 80,000 preferred shares par \$25 and 350,000 common shares.)

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. Offering date indefinite.

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. Offering date indefinite.

Copland Fabrics, Inc., Burlington, N. C.

Sept. 30 (letter of notification) 2,290 preferred shares. Offering price, \$100 a share. No underwriting. To purchase machinery for expansion program.

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. Offering date 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.

Delta Chenille Co., Inc., Jackson, Miss.

Oct. 2 filed 300,000 shares (20c par) common. Underwriters—Names by amendment. Price, \$8 a share. Proceeds—Of total, company is selling 150,000 shares and remaining 150,000 shares are being sold by Apponaug Manufacturing Co., Inc. Principal stockholder estimated net proceeds to company of \$1,007,913 will be added to general funds to be applied for corporate purpose. Company anticipates expenditures of \$300,000 in 1946 and \$300,000 in 1947 for equipping and absorbing costs of starting operations of four plants, two of which already have been contracted for. The balance will be added to working capital. Business—Chenille bedspreads, rugs and women's dressing robes.

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.

Detroit Typesetting Co., Detroit, Mich.

Sept. 25 filed 70,920 shares (\$1 par) common. Underwriter—C. G. McDonald & Co., Detroit. Price—\$5.50 a share. Proceeds—Stock is being sold by six shareholders who will receive proceeds.

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.

Dobbs Houses, Inc., Memphis, Tenn.

Sept. 27 filed 75,000 shares (\$1 par) common. Underwriter—Emanuel, Deetjen & Co., New York. Price—By amendment. Proceeds—Net proceeds will be used for expansion of business consisting of airline catering and restaurant and coffee shop operations.

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. Offering temporarily postponed.

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. Offering temporarily postponed.

Eaton & Howard Balanced Fund, Boston, Mass.

Oct. 1 filed 700,000 trust shares, (\$1 par). Underwriter—Eaton & Howard, Inc. Price—At market. Proceeds—For investment. Business—Investment house.

El Paso (Tex.) Electric Co.

Sept. 27 filed \$6,000,000 first mortgage bonds, due 1976. Underwriter—By competitive bidding. Probable bidders include Stone & Webster Securities Corp.; Halsey, Stuart & Co. Inc. Proceeds—Net proceeds together with general funds, will be applied to the redemption of its \$6,500,000 of first mortgage bonds, Series A, 3¼%, due 1970, at 108. Business—Public utility.

Electro-Sharprite, Inc., Philadelphia

Sept. 25 (letter of notification) 1,000 shares of class A capital stock and 6,000 shares of class B capital stock. Offering price, \$5 a unit. No underwriting. To rent facilities and to manufacture electric sharpeners.

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 pro-

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ceeds 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. Offering temporarily postponed.

● **Empire Petroleum Co., Denver, Colo.**

Sept. 26 (letter of notification) 100,000 shares of common and 300 investment units. Offering price, \$2.50 a common share and \$100 an investment unit. Underwriter—The Millaw Co., Denver, Colo. Proceeds—For organization and operation of business.

● **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.

● **Farquhar (A. B.) Co., York, Pa.**

Sept. 26 filed 30,000 shares (\$25 par) cumulative convertible preferred; 45,000 shares (\$5 par) common; and an unspecified number of common shares to permit conversion of the preferred. Underwriter—Stroud & Co., Inc., Philadelphia. Price—By amendment. Proceeds—Proceeds will be used to redeem \$355,350 4½% sinking fund mortgage bonds, due Aug. 1, 1957, to pay off certain contracts and chattel mortgages of \$72,000 and \$800,000 to reduce principal on outstanding bank loans. Business—Manufacture of farm machinery and industrial machinery and equipment.

● **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. Offering temporarily postponed.

● **Felt & Tarrant Manufacturing Co.**

Sept. 25 filed 251,340 shares of common stock (par \$5). Underwriters—Lee Higginson Corp. and Kidder, Peabody & Co. Offering—Shares are being sold by shareholders after consummation of proposed changes in company's capitalization and the merging into the company of Comptometer Co. Price by amendment.

● **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.

● **Fiduciary Management, Inc., Jersey City, N. J.**

Sept. 27 filed 867,420 shares (\$25 par) common. Underwriter—No underwriting. Offering—Stock will be offered for subscription to common stockholders on the basis of four additional shares for each one share held. Price—\$3 a share. Proceeds—To increase capital so company may expand operations in the field of development and reorganization financing. Business—Organizing, financing and managing new business enterprises and reorganizing and refinancing existing business enterprises.

● **Films Inc., New York (10/28-31)**

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, Wadell & Co., Inc., New York. Offering—To be offered publicly at \$8.10 a unit consisting of one share of class A stock and one share of common stock. Proceeds—\$201,000 for retirement of 2,010 shares (\$100 par) preferred stock at \$100 a share; remaining proceeds, together with other funds, will be used for production of educational films.

● **Florida Frozen Fruits, Inc., Hanes City, Fla.**

Sept. 26 (letter of notification) 75,000 shares (\$1 par) common. Offering price, \$3.75 a share. Underwriters—Willis E. Burnside & Co., New York, and Florida Securities Co., St. Petersburg, Fla. Proceeds for purchase of land, buildings, machinery and equipment, repayment of loan and other expenses.

● **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. Offering date indefinite.

● **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. Offering temporarily postponed.

● **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. Offering temporarily postponed.

● **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.

● **Fullerton (Pa.) Textiles, Inc.**

Sept. 25 (letter of notification) 2,000 shares (\$100 par) 5% cumulative preferred and 750 shares (\$100 par) common. Offering price, \$100 a unit. No underwriting. For payment of construction of new plant, purchases of new machinery, payment of notes and for additional working capital.

● **General Bronze Corp., L. I. City**

July 26 filed 115,000 shares of cumulative convertible preferred stock (\$25 par). Underwriters—W. C. Langley & Co. and Aronson, Hall & Co. Price by amendment. Proceeds—To pay cost of acquisition, construction and equipment of new plant, and for working capital. 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 (10¢ 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. Offering temporarily postponed.

● **Glencair Mining Co. Ltd., Toronto, Can.**

Oct. 2 filed 300,000 shares (\$1 par) stock. Underwriter—Mark Daniels & Co., Toronto. Price—40 cents a share (Canadian Funds). Proceeds—For mine development. Business—Mine exploration.

● **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. Offering temporarily postponed.

● **Goldring Inc., New York**

Sept. 27 filed 210,000 shares (10¢ par) common. Underwriter—Merrill Lynch, Pierce, Fenner & Beane, New York. Price—By amendment. Proceeds—Company is selling 120,000 shares and 90,000 shares are being sold by shareholders. Company will use proceeds for expansion and modernization work, establishment of new retail departments and to replenish working capital. Business—Operation of retail departments for feminine ready to wear merchandise in various cities and a specialty store in Shreveport, La.

● **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.

● **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. Offering indefinitely postponed.

● **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. Offering temporarily postponed.

● **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.

● **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. Offering date indefinite.

● **Hammond Instrument Co., Chicago**

Aug. 8 filed 80,000 shares (\$1 par) common. Underwriter—Paul H. Davies & Co., Chicago. Price by amendment. Proceeds—Net proceeds will be used to redeem its outstanding 6% cumulative preferred stock at an estimated cost of \$213,258, exclusive of accrued dividends. It also will use approximately \$402,000 toward the purchase of a manufacturing plant in Chicago; balance for working capital. Offering temporarily postponed.

● **Hartfield Stores, Inc., Los Angeles**

June 27 filed 100,000 shares (\$1 par) common stock. Underwriters—Van Alstyne, Noel & Co., New York, and Johnston, Lemon & Co., Washington, D. C. Offering—To be offered to the public at \$8 a share. Proceeds—Company is selling 60,000 shares and stockholders are selling 40,000 shares. The company will use its proceeds to pay the costs of opening additional stores and to expand merchandise in its existing stores. Offering temporarily postponed.

● **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.

● **Heinz (H. J.) Co., Pittsburgh**

Sept. 18 filed 100,000 shares (\$100 par) cumulative preferred and 200,000 shares (\$25 par) common. Underwriters—Morgan Stanley & Co., New York. Price—By amendment. Proceeds—Company will apply \$5,150,000 to redemption on or prior to Jan. 1, 1947, of outstanding 4% cumulative preferred at 103 and dividends. Balance will be added to working capital.

● **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. Underwriters—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. Offering date indefinite.

● **Ilg Electric Ventilating Co., Chicago**

Sept. 23 (letter of notification) 3,000 shares of preferred. Offering price, \$100 a share. No underwriting. For working capital.

● **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. Company has asked the SEC to defer action on its financing program because of present market conditions.

● **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. Offering date indefinite.

● **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.

• **Kane County Title Co., Geneva, Ill.**

Sept. 25 (letter of notification) 4,000 shares of common. Offering—To be offered to stockholders of record Oct. 4 for subscription at \$30 a share at the rate of one share for each two shares held. Subscription rights terminate Nov. 3. Any unsubscribed shares will be purchased by Chicago Title & Trust Co., a stockholder. No underwriting. For expansion of building and plant facilities.

• **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.

• **Leader Enterprises, Inc., New York**

Sept. 26 (letter of notification) 150,000 shares of (10¢ par) common and 57,000 shares (\$5 par) 6% cumulative convertible preferred, Series A. Price—10 cents a common share and \$5 a preferred share. Underwriter—Gearhart & Co., Inc., New York. Proceeds—To replace working capital used to promote new publication called Fashion Trades and to provide additional working capital.

• **Lime Cola Co., Inc., Montgomery**

June 28, 1946 filed 225,000 shares (10 cent par) common stock. Underwriters—Newburger and Hano, Philadelphia, and Gearhart & Co., Inc., New York. Price—\$5.50 a share. Proceeds—Working capital, etc. Offering temporarily postponed.

• **Macco Corp., Clearwater, Calif.**

Sept. 25 filed 100,000 shares (\$1 par) capital stock. Underwriter—Dean Witter & Co., Los Angeles. Price—By amendment. Proceeds—To pay off outstanding bank loans.

• **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. Offering temporarily postponed.

• **Merchants Refrigerating Co., New York (10/7-15)**

Sept. 30 (letter of notification) 2,500 shares of Class B stock (no par). Underwriter—Hanson & Hanson. Price \$18.50 per share. Stock is being sold by Cleveland E. Dodge, executor estate of William Fellowes Morgan.

• **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 Hault & 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 3½% series A first mortgage bonds, due 1972, at 106.75 and interest. Net proceeds from sale of common and from shares of new preferred not issued in exchange will be used to redeem \$375,000 3½% serial debentures, due 1951, at 101.2 and interest. It also will redeem at 105 and accrued dividends all unexchanged shares of prior lien and preferred stocks.

• **Michigan Steel Casting Co., Detroit**

June 27 filed 100,000 shares (\$1 par) common stock. Underwriters—Cray, McFawn & Co., Detroit. Offering—To be offered publicly at \$8.25 a share. Proceeds—Purchase additional facilities, expansion, etc. Offering indefinitely postponed.

• **Mississippi Fire, Casualty & Surety Corp.**

August 19 (letter of notification) 14,000 shares (\$10 par) common stock, offering price \$20 a share. Underwriter—Clany M. Seay, Jackson, Miss. will undertake to obtain signatures authorizing subscriptions for the stock to create capital and surplus for operation of business. Company is to be organized in Mississippi.

• **Morrison-Knudsen Co., Inc., Boise, Idaho**

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. Offering temporarily postponed.

• **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.

• **Muehlebach (George) Brewing Co., Kansas City, Mo.**

Sept. 25 filed 41,327 shares (\$25 par) 5% cum. participating preferred and 40,000 shares (\$1 par) common. Underwriters—Headed by Stern Brothers & Co., Kansas City. Offering—Preferred and 20,000 shares of common will be offered publicly. Remaining 20,000 shares common will be offered to officers and key employees at \$4.75 each. Price—Preferred \$25 per share and common \$5.75 per share. Proceeds—Of shares offered to public, 6,500 share of preferred and 20,000 shares of common are being sold by the company. Proceeds—Proceeds together with other funds, will be used to pay off \$181,909 balance of note held by Schroder Trust Co., New York; to finance a proposed expansion program and to increase working capital.

• **Murphy (G. C.) Co., McKeesport, Pa.**

June 13 filed 250,000 shares of common stock (par \$1). Underwriter—Smith, Barney & Co. Price by amendment. Proceeds—Redemption of outstanding 4¼% 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 Aluminate Corp., Chicago**

Sept. 27 filed an unspecified number (\$2.50 par) common shares. Underwriters—First Boston Corp., New York, and Lee Higginson Corp., Chicago. Price—By amendment. Proceeds—The stock is issued and outstanding and is being sold by shareholders. Names of the selling stockholders and the number of shares to be sold by each will be supplied by amendment. Business—Manufacture of chemicals used principally for treating water.

• **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—Names by amendment. 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 amendment. Proceeds—To retire outstanding securities, aggregating \$34,988,500. 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—Crutenden & 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.

• **Northwest Airlines, Inc., St. Paul, Minn.**

Sept. 19 filed 271,935 shares (\$10 par) common. Underwriter—Auchincloss, Parker & Redpath, Washington, D. C.; The First Boston Corp., and Hornblower & Weeks, New York. Offering—Shares initially will be offered for subscription to common stockholders in ratio of one additional share for each two shares held. Unsubscribed shares will be sold to underwriters. Price—By amendment. Proceeds—To pay bank loans; purchase of additional equipment and facilities.

• **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. Offering temporarily postponed.

• **Ohio Associated Telephone Co. (10/7-11)**

Sept. 11 filed \$3,250,000 of first mortgage bonds, 2½% 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 used 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**

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.

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Olokele Sugar Co., Ltd., Honolulu, Hawaii

Sept. 27 (letter of notification) 36,000 shares (\$20 par) common. Offering price, \$20 a share. No underwriter. For partial payment of construction of new village for employees of company, and roads and utilities appurtenant thereto, or for partial payment of bank loans incurred for purpose of paying such construction costs.

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. Offering date indefinite.

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 (10/8)

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. Bids invited—Bids for purchase of the bonds will be received at room 2315, 195 Broadway, New York City up to 11:30 a.m. EST Oct. 8; the interest rate to be specified in the bids.

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. T. Mariman to all salaried employees. Indefinitely postponed.

Palmetto Fibre Corp., Washington, D. C.

August 16 filed 4,000,000 shares (10¢ par) preference stock. Underwriting—Teller & 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.

Pantasote Plastics Inc., Passaic, N. J.

Sept. 27 filed 60,000 shares (25 par) $\frac{1}{2}$ % cumulative preferred and 1,352,677 shares (\$1 par) common. Underwriter—Underwriting arrangements will be supplied by amendment, but it is contemplated that Van Alstyne, Noel & Co., New York, may be one of the underwriters. Offering—Company is making an exchange offer to stockholders of Textileather Corp., Toledo, O.; The Pantasote Co., Passaic, N. J.; and Astra Realty Co., New York, for the purpose of acquiring the controlling interests of the companies. Pantasote Plastics will offer three shares of its common, plus $\frac{1}{2}$ % of a share of preferred, for each share of Textileather common. It will offer two shares of its common for one share of Pantasote common, and 12 shares of its common for each share of Astra common. It is proposed that underwriters will offer publicly a maximum of 30,000 shares of preferred and 250,000 shares of common, of which 12,853 shares of preferred and 50,000 shares of common are to be purchased by the underwriters from the company and the balance (which are part of the shares to be received under the exchange offer) are to be purchased from selling stockholders. Proceeds—Proceeds to the company will be applied to make loans to Textileather and Pantasote for various corporate purposes. Business—A holding company with Textileather and Pantasote as its two manufacturing companies.

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.

Pharis Tire & Rubber Co., Newark, O.

Sept. 27 filed 100,000 shares (\$20 par) cumulative convertible preferred. Underwriter—Van Alstyne, Noel & Co. and G. L. Ohrstrom & Co., New York. Price—\$20 a share. Proceeds—For payment of loans and to replace working capital expended in purchase of building from

RFC and to complete construction of a building. Business—Manufacture of tires and tubes and tire repair materials.

Phillips & Benjamin Co., Waterbury, Conn.

Sept. 23 (letter of notification) 14,164 shares of \$5 par common. Offering—To be offered for subscription to present stockholders on the basis of one share for each share held. Price not disclosed although it is stated that company wishes to have available 6,000 shares to take care of options which it proposes to give to management for past services, the options to run over a period of two years and six months and provide that the stock may be purchased at \$10 a share within 18 months and thereafter and before the expiration of the option, at \$15 a share. No underwriting. For exploitation of its business.

Plastic Molded Arts, Inc., New York (10/21-25)

Aug. 27 filed 60,000 shares of preferred stock (\$10 par) and 75,000 shares of common (par 50¢). 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.

Portis Style Industries, Inc., Chicago

Sept. 27 filed 110,000 shares (\$1 par) common. Underwriters—Brailsford & Co., and Shillinglaw, Bolger & Co., Chicago. Offering—Of the total 100,000 shares will be offered to the public and 10,000 to employees of the company. Price—Price to public \$6.50 a share. Price to employees \$5.525 a share. Proceeds—Shares are being sold by four stockholders of the company who will receive proceeds. The registration showed that the company changed its authorized capital from 4,000 shares (\$100 par) common to 400,000 shares (\$1 par). Each share of \$100 par common was changed into 100 shares of \$1 par common, which exchange was consummated. Sept. 23. Business—Manufacture of fur and wool hats and cloth caps for men and boys; wholesale distribution of leather and wool gloves and mittens for men and boys, and men's and boys' summer hats.

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. Offering temporarily postponed.

Protecto Sales & Service, Inc., Drexel Hill, Pa.

Sept. 26 (letter of notification) 150,000 shares of Class A common. Offering price, \$3 a share. No Underwriting. For purchase of land, machinery, equipment, plant, warehouses, and for other expenses.

Read (D. M.) Co., Bridgeport, Conn.

Sept. 27 filed 100,000 shares (25¢ par) common. Underwriter—Van Alstyne, Noel & Co., New York. Price—By amendment. Proceeds—Estimated net proceeds of \$476,362 will be used to pay off a loan from the Marine Midland Trust Co., New York. Business—Operation of department store.

Red Rock Bottling Co. of Youngstown, Warren, O. (10/15)

Aug. 16 (letter of notification) 199,000 shares (50¢ 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 Euler & Co., Philadelphia. For payment of plant mortgage, purchase of additional equipment and for working capital.

Regal Games, Inc., New York

Sept. 27 (letter of notification) 80,000 shares (25¢ par) common; 37,100 common stock purchase warrants and shares subject to such warrants; and 85,500 shares of common issued to organizers for cash which may be considered an integral part of this offering. Offering price, \$1.50 a share of common; one cent a warrant and the organizational shares which latter were sold privately at 25 cents each. Underwriter—W. H. Bell & Co., Inc., Boston. Proceeds—For machinery and equipment, sales offices and 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 rescission 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 (50¢ 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.

Risdon Manufacturing Co., Naugatuck, Conn.

Sept. 24 (letter of notification) 3,000 shares of common. Offering, to stockholders at \$50 a share. No underwriting. For corporate facilities.

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 date indefinite.

St. Regis Paper Co., New York

Sept. 27 filed 150,000 shares (\$100 par) first preferred. Underwriter—To be supplied by amendment. Probable underwriter, White, Weld & Co. Offering—Terms of offering and price by amendment. Proceeds—Net proceeds will be used to redeem company's 5% cumulative prior preferred stocks and an unspecified amount will be advanced to Taggart Corp., a subsidiary, for redemption of its \$2.50 cumulative preferred. Both securities are redeemable at \$52.50 a share plus accrued dividends. In addition, the company will apply \$2,675,000 of the proceeds as advances to Alabama Pulp and Paper Co., of whose common stock the company owns 25,000 shares. The balance of proceeds will be used to restore working capital. Business—Producer of multiwall kraft paper bags and other products.

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. Offering date indefinite.

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.

Saul (B. F.) Co., Washington, D. C.

Sept. 25 (letter of notification) \$40,000 4½% promissory notes of William S. and Mrs. St. Clair P. Bowling. The notes will be sold by the B. F. Saul Co. for its own account and the proceeds will be used to reimburse it for money advanced to the issuers.

Scripto, Inc., Atlanta, Ga.

Aug. 7 filed 25,000 shares (\$10 par) 5% cum. 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 reasons. Offering temporarily postponed.

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.

• **Seco Signal Corp., Baltimore, Md.**

Sept. 23 (letter of notification) 120,000 shares (\$1 par) common and \$40,000 of 6% bonds, due one year from date of issue. Offering price, \$100 a unit. The 120,000 shares of common will be given as a bonus to the purchasers of the bonds on the basis of 300 common shares for each \$100 bond. Underwriting—Light, Wofsey & Co., Baltimore. For organization of business.

• **Singer (Philip A.), Inc., Newark, N. J.**

Sept. 27 (letter of notification) \$100,000 preferred stock (none to be issued at present time) and 10,000 shares (no par) common. Price of common, \$10 per share. Of the common 4,000 shares are to be issued to Harry J. Singer for exclusive use, etc., and care of secret formula, processes and working methods.

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. Offering temporarily postponed.

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.

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.

• **Starr County of Texas Gas & Oil Development Corp., N. Y.**

Sept. 25 (letter of notification) 300,000 shares (\$1 par) common. Price—\$1 a share. No underwriting. For exploration and drilling for oil and gas.

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. Offering date indefinite.

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. Offering temporarily postponed.

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." Offering date indefinite.

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.

• **Sunrise Mining Co. Inc., Seattle, Wash.**

Sept. 24 (letter of notification) 250,000 shares (1¢ par) common. Offering price, 10 cents a share. The shares will be sold by officers of the company. For working capital, development of mine and other expenses.

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.

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. Offering temporarily postponed.

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. Offering date postponed.

• **Thompson (Marvin R.), Inc., Stamford, Conn.**

Sept. 30 (letter of notification) 20,000 shares (\$10 par) class A stock. Offering price, \$10 a share. No underwriting. For general business purposes.

• **United Insurers Service Co. of Missouri, St. Louis, Mo.**

Sept. 23 (letter of notification) 14,500 shares (\$20 par) 4% cumulative preferred and 14,500 shares (no par) common. Price—\$20.10 a unit consisting of one share of preferred and one share of common. No underwriting. For working capital of company and to increase surplus of United Insurers, a reciprocal insurance company under laws of state of Colorado, and in affiliate of the registrant.

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. Offering postponed indefinitely.

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. Offering 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 1923. 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. Offering temporarily postponed.

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.

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 ½ 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 Coast Airlines, Inc., Seattle, Wash.**

Sept. 2 filed 245,000 shares (\$1 par) common. Underwriter—Auchincloss, Parker & Redpath, Washington, D. C. Price—\$7 a share. Proceeds—Will be used for payment of various expenses, repayment of bank loans, purchase of equipment and for working capital. Business—Air transportation.

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.

• **White Earth Products Co., Caldwell, Idaho**

Sept. 23 (letter of notification) 36,000 shares of 6% preferred. Offering price, \$1 a share. Underwriter—None. For payment of outstanding indebtedness, purchase new machinery and other expenses.

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. Offering date indefinite.

(Continued on page 1694)

(Continued from page 1693)

• **Wholesale Hardware Sales Inc., Zanesville, O.** Sept. 23 (letter of notification). A maximum of \$150,000 (no par) common. Offering price, \$100 a share. No underwriting. For construction of corporate buildings and operating 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.

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 reported in previous issues. We regret the necessity for this action and will resume the usual complete tabulation as early as circumstances permit.]

• Booth (F. E.) Co., Inc.

Nov. 8 stockholders will vote on authorizing an issue of 50,000 shares of preferred stock, of which 24,339 shares of new \$4 cumulative preferred stock (par \$15) will be offered on a share for share exchange basis for the \$3 cumulative preferred, on which accumulations are \$14.75 a share. Redemption and liquidation price of the new issue will be \$65, against \$55 for the present shares.

• Botany Worsted Mills

Oct. 2 Col. Charles F. H. Johnson, President, states that negotiations and study of refinancing have been under way for some time past and the plans should be ready soon to be discussed with stockholders.

• Chicago Indianapolis & Louisville Ry. (10/7)

Company is asking for bids to be opened 12 noon CST Oct. 7 for \$3,854,625 conditional sales agreements to finance 75% of the purchase price of new equipment estimated to cost \$5,139,500.

• Federal Machine & Welder Co., Youngstown, O.

Sept. 30 directors authorize the sale of 40,000 additional

shares of common stock, to be offered to stockholders of record Oct. 8 at \$7.50 per share. Rights will expire about Oct. 31. Arrangements have been made for the sale of stock not subscribed for at offering price.

• Hudson River Power Corp., New York

Oct. 2 R. J. Cullen, Chairman of International Paper Co. stated that the Hudson corporation is working actively on plans to raise funds for the refunding of \$12,961,000 International Paper Co. first and refunding 5s, assumed by Hudson. Probable underwriters of new bonds if issued may include Halsey, Stuart & Co. Inc.; Blair & Co.

• Lemcke (R. A.) Realty Co., Indianapolis (10/4)

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).

• Republic Aviation Corp.

Oct. 7 stockholders will vote on authorized new issue of 200,000 shares (par \$50) preferred stock; increasing

common from 2,000,000 to 2,500,000 shares and eliminating 72,000 authorized but unused convertible first preferred stock. Probable underwriters include Hayden, Stone & Co. and Kidder, Peabody & Co.

• Southern Ry.

Oct. 1 company plans to sell before the end of the year \$7,500,000 equipment trust certificates. Probable bidders include Harriman, Ripley & Co.; Salomon Brothers & Hutzler; Halsey, Stuart & Co. Inc.

• Texas Gulf Producing Co.

Sept. 27 stockholders approved an issue of 50,000 shares (\$100 par) convertible preferred stock and merger of Fohs Oil Co. into the Texas Gulf Producing. The new preferred will be issued to retire \$9,757,667 of indebtedness to the Guaranty Trust Co. It is expected that Lehman Brothers, and Keibon, McCormick & Co. will underwrite the preferred.

• Tucker Corp., Chicago

Sept. 25 Preston Tucker, President, stated early registration, expected of debentures and common stock in total amount of \$20,000,000, with stock probably comprising the largest amount. The name of the underwriters have not been disclosed. Company plans to enter the automobile field, with a rear-engine passenger car.

• United States Finishing Co.

Sept. 30 stockholders approved recapitalization plan which provides for a new class of 63,000 shares (no par) \$4 convertible stock and increase in common from 200,000 shares to 500,000 shares (no par). Holders of outstanding 7% preferred will have privilege of exchanging their stock for new \$4 preferred and common on basis of 1 1/4 shares of new preferred and 1 1/4 shares of common for each share of old preferred. If plan is consummated a total of 123,142 shares of common stock will be available for subsequent issuance.

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STATE, MUNICIPAL AND
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Our Reporter's Report

The remarks of James J. Caffrey, new Securities and Exchange Commission Chairman, before the National Association of Securities Administrators last Friday night, suggest that under his guidance the securities agency may lean a bit more to the practical side in dealing with matters that come before it.

The new chief, though making it plain that protection of the investor is the prime aim of the commission and that it will continue to hew to the line of the law, nevertheless must have made

many friends in setting forth his views.

In discussing plans looking toward widening the use of the "red herring" prospectus, he left no doubt that what he had to say was entirely tentative at this stage. But those in the securities business naturally read his proposals with real satisfaction.

His treatment of the subject was that of a practical administrator determined to give investors the maximum of information on a given security, but to endeavor to do this with a minimum of delay.

Many of the conservative people in the underwriting business have been using the preliminary prospectus, but not without constant fear of being hauled over the coals. Now Mr. Caffrey proposes, where the "red herring" is considered adequate from a standpoint of information contained, to let it serve as the actual prospectus of the security involved, provided it is satisfactorily

amended and corrected in advance of the actual offering.

Some time naturally will be required to work out the program which he evidently has in mind, but people in the securities business at least are satisfied that at last an effort is being made to replace technicalities with practical operation under the law.

Duluth, Missabe & Iron Range Ry.

The investment banking fraternity is anticipating a call for bids, some time this month, by the Duluth, Missabe & Iron Range Railway Co., on a new issue of bonds.

This railway, an iron ore carrier as its name implies, is controlled by the United States Steel Corporation, and recently called for redemption the entire issue of first mortgage 3 1/2s, due to mature in 1962.

Bankers are looking for a call to bid for a new issue of around \$20,000,000 to provide funds for the retirement of the called issue. Last time a U. S. Steel railroad subsidiary sold a bond

issue, it was the Union Railroad Co.; the parent company itself purchased the refunders. But this time the amount involved is three times as large which may obviate a recurrence of that operation.

Insurance Company Funds

Most recent figures indicate that the life insurance companies are still picking up choice stocks for their investment portfolios having lifted their total holdings above the billion figure at the end of July.

At that time, it was indicated in a report by the Institute of Life Insurance, these companies held \$1,018,000,000 of equity securities, the highest on record.

The figure was only slightly above the June total of \$997,000,000, but the expansion in such holdings looms large by comparison with the end of July last year when their holdings were \$770,000,000. The rising stock investment reflects to some extent the indisposition of the companies to

absorb bonds where the yield is not up to their requirements.

Two Issues Taken

Those who have been fretting about the absorption powers of the capital market were able to ring at least a modicum of cheer from the response which greeted two issues brought to market last week.

The Tampa Electric Company's \$7,500,000 of new 2 1/2% bonds, small by comparison with some recent undertakings, proved a fast mover and went to a premium.

And the same proved true in the case of the offering by bankers of the unsubscribed portion of Scovill Manufacturing Co.'s new common which was offered first to stockholders.

Bankers who underwrote the issue marked 85,512 shares which were not taken by holders and were pleased to see the stock move to a premium of about a point over the offering price of 30.

Does Trade Recession Lie Ahead? Sterling-Continental Exch. Rate gyrations

(Continued from page 1657)

served, carried much farther per- others considerably less, such as centagewise, such as in 1929, and in 1912.

Bull Market Highs—	First Primary Low—	% Decline	Recovered to—	% of Decline Recovered
Sept. 5, 1899.....77.61	12-18-99.....58.27	24.9	2-5-00.....68.36	52.2
Apr. 24, 1902.....68.44	12-15-02.....59.57	13.0	2-16-03.....67.70	91.7
Jan. 7, 1907.....96.37	3-14-07.....76.23	20.9	5-3-07.....85.02	43.6
Nov. 19, 1909.....100.53	2-8-10.....85.03	15.4	3-8-10.....94.56	61.5
Sept. 30, 1912.....94.15	12-11-12.....85.25	9.5	1-9-13.....88.57	37.3
Nov. 21, 1916.....110.15	2-2-17.....87.01	21.0	3-20-17.....98.20	48.4
Nov. 3, 1919.....119.62	2-25-20.....89.98	24.8	4-8-20.....105.65	52.9
Mar. 20, 1923.....105.38	7-31-23.....86.91	17.5	8-29-23.....93.70	36.8
Sept. 3, 1929.....381.17	11-13-29.....198.69	47.9	4-17-30.....294.07	52.3
Mar. 10, 1937.....194.40	6-14-37.....165.51	14.9	6-14-37.....190.02	84.8
May 29, 1946.....212.50	9-19-46.....165.17	22.0		

Recoveries following major declines are more or less automatic once necessitous liquidation has been cleaned up. These retracements, as will be seen from the tabulation, have ranged all the way from about 36.8% in 1923 to 91.7% in 1902, the average being about 56%. The foregoing, if applied to the present situation, would mean a minimum recovery to around 182, a maximum recovery to around 208 and an average recovery to around 191, as contrasted with the present level of 174.

Guesses

All kinds of guesses are now being put forth as to how low the market might eventually go.

One recognized Dow Theorist says: "We repeat our prediction that the current bear market will not end until the Dow-Jones Industrial Average has dropped down near the 110 level." Another says, "On a purely technical basis, the Average could get down to the 135/155 zone." Still another predicts 150/160, and so forth.

The plain fact is that no one knows. Everything depends upon future developments, particularly in the field of politics. It can be demonstrated satisfactorily that stocks at present levels are discounting a marked contraction in both earnings and dividends. Since the outlook over the remainder of the year is fairly clear for improving earnings and numerous dividend increases (and some reductions and omissions), it is plain that the anticipated business slump can hardly materialize before the fore part of 1947. Whether or not such a slump occurs and, if so, whether it will be of long or short duration, deep or shallow in extent, will be determined by future developments.

The Difference

It is natural that widespread fears exist that a large business recession lies ahead, for the reason, as one Dow Theorist points out, that in nine out of ten cases, two-thirds of the eventual slump in business occurred after the Dow Theory sell signal was given.

We venture to point out that existing conditions are far different from those which have prevailed in the past—in at least one fundamental sense. For example, at the peak of every other business boom it was possible to buy either a buggy or an automobile; or if you were building a home, you could buy a parlor stove or plumbing fixtures or radiators or hardwood floors to complete the project, but today this is well nigh impossible.

Some people may delay the purchase of a car because of the market decline but the demand for automobiles is so large that it is fairly certain that every single automobile that can be built during the next year or so will be sold. A similar situation exists in housing. It is possible that the wiping out of paper profits in the stock market will mean that many will postpone contemplated building, but here again, the

building equipment companies will be able to sell practically everything that can be produced for at least several years. We are informed by one building supply company that even if there is no private demand for its products, its entire output can be sold to the government for years to come. This particular common stock is presently selling for about four times indicated annual per share earnings and the preferred stock is presently selling for about 1½ times currently indicated annual share earnings.

With the basic automobile and building industries in the fundamentally strong position where all of the products that can be produced can be sold, it is difficult to visualize a major business depression, with widespread unemployment, unless politics demand deliberate sabotage of the economic system—a rather fantastic premise to say the least.

What to Look at

Of course what is vastly more important than measuring the potential fluctuations in the Dow-Jones Average is measuring the risk and profit potentialities in each individual issue.

Many perfectly good equities have declined much more than the market as a whole—and for reasons which we cannot explain except on technical grounds. Such explanations, it should be recognized, have nothing to do with fundamentals—and in this connection we would reiterate that evidence still points to the conclusion that the break in the market has been chiefly technical in origin, the motivating cause being the impossibility of private funds being sufficient, in an economy functioning without credit, to absorb the deluge of new capital issues.

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(Continued from page 1653)

own currency, buy pound notes even though they cannot be repatriated. Swiss people don't do it, because they trust their own currency. In order to induce a Swiss to buy a pound note, it has to be offered at a very low price.

Discrepancy between the unofficial price of notes and the official exchange rate is not confined to the pound. Even the dollar is affected to some extent. Dollar notes are at a discount in Switzerland, for, although they can be repatriated into the United States, the proceeds cannot be reconverted into Swiss francs. The Swiss National Bank refuses to buy dollars unless they originate from Swiss exports to the United States.

When we come to the French franc, the discrepancy assumes fantastic dimensions. The smuggling of such notes into Switzerland has been the favorite method of the flight of capital from France. Vast quantities have been dumped on the Swiss market, and their price depreciated at one time to 65 Swiss centimes for 100 French francs. As a result, British and American tourists wanting to have a cheap holiday in France paid a flying visit to Basle where they cashed their Travelers' Checks in Swiss francs, and bought Bank of France notes for the proceeds. In spite of the relatively high price level in France, they were able thus to get good value for their money. This demand, together with buying by

DIVIDEND NOTICES

BRITISH-AMERICAN TOBACCO COMPANY LIMITED

NOTICE OF DIVIDENDS TO HOLDERS OF ORDINARY AND PREFERENCE STOCK WARRANTS TO BEARER.

A second interim dividend on the Ordinary Stock for the year ending 30th September 1946, of one shilling for each £1 of Ordinary Stock, free of United Kingdom Income Tax, will be payable on 30th September 1946.

Holders of Bearer Stock to obtain this dividend must deposit Coupon No. 198 with the Guaranty Trust Company of New York, 11, Birch Lane, London, E. C., for examination five clear business days (excluding Saturday) before payment is made.

Holders of Stock Warrants to bearer who have not exchanged Talon No. 3 for Talon No. 4 but have deposited Talon No. 3 with the Guaranty Trust Company of New York in New York, in accordance with the arrangement which has been announced in the Press, are notified that Coupon No. 198 will be detached from the corresponding Talon No. 4 and cancelled by the Company in London as and when the dividend to which they are entitled is paid.

The usual half-yearly dividend of 2½% on the 5% Preference Stock (less Income Tax) for the year ending 30th September next will also be payable on the 30th September 1946.

Coupon No. 86 must be deposited with the National Provincial Bank Limited, Savoy Court, Strand, London, W. C., for examination five clear business days (excluding Saturday) before payment is made.

DATED 28th August, 1946.

BY ORDER.

E. G. LANGFORD, Secretary.
Rusham House, Egham, Surrey.

THE ATCHISON, TOPEKA AND SANTA FE RAILWAY COMPANY

New York, N. Y., September 24, 1946.
The Board of Directors has this day declared a dividend of One Dollar and Fifty Cents, (\$1.50) per share, being Dividend No. 135, on the Common Capital Stock of this Company, payable December 2, 1946, to holders of said Common Capital Stock registered on the Books of the Company at close of business October 25, 1946.

Dividend checks will be mailed to holders of Common Capital Stock who have filed suitable orders therefor at this office.
D. C. WILSON, Assistant Treasurer,
120 Broadway, New York 5, N. Y.

CANCO AMERICAN CAN COMPANY

COMMON STOCK
On September 24, 1946 a quarterly dividend of seventy-five cents per share was declared on the Common Stock of this Company, payable November 15, 1946, to Stockholders of record at the close of business October 24, 1946. Transfer books will remain open. Checks will be mailed.
R. A. BURGER, Secretary.

Swiss tourists, who could not resist the temptation of spending for once their holidays in France instead of their own country, resulted in some recovery of the French notes. During the strike of French Customs officials, arbitrageurs of every nationality took advantage of the opportunity temporarily provided for them to import into France franc notes on a really large scale. In consequence the discrepancy narrowed down considerably.

Scottish travelers on the continent discovered that they could have a free holiday in Switzerland as a result of the chaotic currency conditions. They found cheap little hotels where they could live reasonably well for a fortnight, without spending more than a fraction of the £75 allotted to them by the British Government. The unspent amount

they converted into Swiss francs and used for the purchase of pound notes at a big discount. As a result many of them found on their arrival in Dover that they had more money than they did before their departure. However, if they had been caught they would have had an expensive holiday, for the penalty for offenses against the exchange restriction is heavy.

SUPPORT THE RED CROSS

DIVIDEND NOTICES



BURLINGTON MILLS CORPORATION

The Board of Directors of this Corporation has declared the following regular and extra dividends:

- 4% CUMULATIVE PREFERRED STOCK \$1 per share
- 3½% CUMULATIVE PREFERRED STOCK 87½ cents per share
- 3½% CONVERTIBLE SECOND PREFERRED STOCK 87½ cents per share
- COMMON STOCK (\$1 par value) 25 cents per share
- COMMON STOCK (extra dividend) 25 cents per share

Each regular dividend is payable December 2, 1946, to Stockholders of record at the close of business November 7, 1946. The extra dividend on the common stock is payable November 15, 1946, to Stockholders of record October 21, 1946.

WILLIAM S. COULTER, Secretary

ELECTRIC BOAT COMPANY

33 PINE STREET, NEW YORK, N. Y.

The Board of Directors has this day declared the initial quarterly dividend of fifty cents per share on the Cumulative No Par Convertible Preferred Stock of the Company, payable October 10, 1946, to stockholders of record at the close of business October 1, 1946.

Checks will be mailed by Bankers Trust Co., 16 Wall St., New York 15, N. Y., Transfer Agent.

H. G. SMITH, Treasurer.

September 19, 1946.

Electric Bond and Share Company

Preferred Stock Dividends

The regular quarterly dividends of \$1.05 per share on the \$8 Preferred Stock and \$0.87½ per share on the \$5 Preferred Stock of the Company (such stocks having been modified as to dividend rates and otherwise as of November 23, 1945, in connection with a \$30 per share capital distribution) have been declared for payment November 1, 1946, to the stockholders of record at the close of business October 7, 1946.

H. H. DINKINS, Jr., Secretary.

LEE RUBBER & TIRE CORPORATION

REPUBLIC RUBBER INDUSTRIAL RUBBER PRODUCTS Youngstown, Ohio

LEE TIRE & RUBBER CO. of N. Y., Inc.
TIRES, TUBES & SUPPLIES
Conshohocken, Pa.

The Board of Directors has this day declared the regular quarterly dividend of 50c per share on the outstanding capital stock of the Corporation payable October 28, 1946, to stockholders of record at the close of business October 15, 1946. Books will not be closed.

September 26, 1946 A. S. POUCHOT Treasurer

DIVIDEND NOTICES



FLEMING-HALL TOBACCO CO., INC.

Dividend No. 4 on Preferred Stock

Directors of this Corporation have declared a regular quarterly dividend, the fourth consecutive dividend paid in 1946, of fifteen cents (15c) per share on the 6% Cumulative Preferred Stock, payable October 15, 1946 to stockholders of record at the close of business October 1, 1946.

FLEMING-HALL TOBACCO CO., INC.
By S. C. Korn, President and Treasurer

Manhattan Bond Fund, Inc.

The Board of Directors of Manhattan Bond Fund, Inc. has declared Ordinary Distribution No. 33 of 9 cents per share from regular investment income and an Extraordinary Distribution of 29 cents per share from realized security profits payable October 15, 1946 to holders of record as of the close of business October 5, 1946. Stockholders have the right to reinvest all or part at asset value between October 15th and November 15th.

HUGH W. LONG and COMPANY

Incorporated
National Distributors
48 Wall Street, New York 5, N. Y.
Chicago Los Angeles

NATIONAL DISTILLERS PRODUCTS CORPORATION

The Board of Directors has declared a regular quarterly dividend of 25¢ per share and an extra dividend of 25¢ per share on the outstanding Common Stock, payable on November 1, 1946, to stockholders of record on October 11, 1946. The transfer books will not close.

THOS. A. CLARK
September 26, 1946. TREASURER

FINANCIAL NOTICE

To Holders of Norfolk and Western Railway Company

First Consolidated Mortgage Four Per Cent. Gold Bonds Due October 1, 1946.

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, 1946, 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.

Sentiment Against Permissive Incorporation Grows Among Partners of Stock Exchange Firms

The more time partners have to consider and to study matter, the more they seem to be opposed to it. Advocates of permissive incorporation there are, true, but from all indications they are hopelessly outnumbered. The Board of Governors of NYSE is scheduled to decide on Nov. 7 whether to refer question to members for a vote. To give partners of various Stock Exchange firms opportunity to consider all possible angles of proposition, both pro and con, the "Chronicle" will be glad to publish such comment on issue as partners may wish to forward to it.

Sentiment is evidently mounting among the members of the New York Stock Exchange against permissive incorporation. The more time the members have to consider and to study the matter, the more they seem to be opposed to it. Advocates of permissive incorporation there are, true, but from all indications they are hopelessly outnumbered. At least, such is the only view that can be taken on the basis of opinions on the question which the "Chronicle" has received from the partners of the Stock Exchange themselves.

The Board of Governors of the New York Stock Exchange is scheduled to decide on Nov. 7 whether to refer the question to the members for a vote. To give the partners of the various Stock Exchange firms the opportunity to consider all possible angles of the proposition both pro and con, the "Chronicle" will be glad to continue the publication of such opinions on the issue as the partners may wish to forward to it. Communications should be addressed to the Editor, the Commercial and Financial Chronicle, 25 Park Place, New York 8, N. Y. The names of those submitting comment will be withheld on request. Recent opinions received follow:

Broker No. 35

The close personal relationship which now exists between the partners of a single firm and the various partners of all Stock Exchange firms would be lost in the corporation. I think, too, that when a man goes into the brokerage business to stay he should be willing to back his firm with all his resources. Public confidence in any brokerage house is enhanced by the full liability of the partners in the firm. For these reasons, I am opposed to permissive incorporation.

Broker No. 36

From what I have been able to gather, I believe there may be a possible tax advantage to incorporation. It is likely that incor-

porations would probably help some houses to build up their capital. In the case of small firms, such as ours, however, the accumulation of capital funds from tax savings would be slow. Small houses, too, would have difficulty raising capital through the sale of stock. In a tight money market especially, investors don't go around buying up the stock of small, unknown companies. I am opposed to incorporation because, as I see it, the benefits to our firm or to any firm like ours anyhow would be negligible. I can see where a house which does an underwriting business might favor incorporation since it would limit the financial liability of the partners. Houses which have a large part of their capital tied up in new issues which become sticky, for instance, might conceivably see something very desirable in the limited liability of the corporation.

Broker No. 37

I am opposed to incorporation because it would permit outside influences to interfere with the operation of the industry. The present partners of the various firms would become employees of the corporation and so could lose control of the business. They could even be dismissed from their jobs if the directors of the company for some reason or other no longer wanted them. At the death of a large stockholder, too, an estate could take over the business or at least give orders as to how it should be run.

Broker No. 38

Though a minority group of our partners in Philadelphia favor incorporation the New York partners of the firm are against it. I myself just can't see that any tax advantage whatsoever exists to incorporation. The government isn't going to let the firms pile up a

capital fund from earnings which otherwise would go to it in taxes. I don't believe in Santa Claus.

Broker No. 39

We are opposed to permissive incorporation. We see no advantage to incorporation for our firm.

Broker No. 40

We are inclined to stand on the sidelines on this question. We are going to wait and see what the experiences of other firms are with incorporation—if it is made permissive—before we do anything ourselves. In fact, it is our own view that the Board of Governors of the New York Stock Exchange will decide not to present this question to the members for a vote. We believe that permissive incorporation is 85%, yes even 95% a tax matter. At the moment, we cannot see that there is any tax advantage to incorporation. The tax authorities are certain to look upon incorporated brokerage houses, such as would be found among the members of the Stock Exchange, as personal holding companies.

Halsey Stuart Offers Wheeling & Lake Erie Equipment Trust Cffs.

A banking group headed by Halsey, Stuart & Co. Inc., won Oct. 1 the award at competitive sale of an issue of \$1,720,000 Wheeling & Lake Erie Ry equipment trust certificates designated Series L and maturing serially from April 1, 1947, to Oct. 1, 1956.

The winning bid, highest of six, was 99.056 for interest of 1½%. Other bids ranged to 99.90 for 1¼s. and to 99.05 for 1½s. Re-offering, subject to the Interstate Commerce Commission, was made at prices to yield from 0.90 to 1.80%.

The financing is to furnish funds to pay not more than 80% of the cost of 750 fifty-ton all-steel gondola cars.

Associated with Halsey, Stuart in the offering are Otis & Co., Inc., The First Cleveland Corp., Alfred O'Gara & Co., Thomas & Co., and F. S. Yantis & Co., Inc.

Homer O'Connell Forms Investment Company

Homer J. O'Connell, formerly of O'Connell & Janarelli, announces the formation of Homer O'Connell & Co., Inc., to act as dealers in investment securities from offices at 25 Broad Street, New York City.

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