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Currency Black Markets

By HERBERT M. BRATTER

Special Correspondent of the "Chronicle"

Correspondent reports black market trading in dollars is prevalent throughout Central Europe. Dollar price varies from day to day, from country to country, and within countries.

VIENNA *(by Cable)* — While black market trading in dollars may not be in great volume, there is always a little of it to be found as one travels about Europe. One hears of its existence in dinnertable and airport conversations. One such account given the writer concerns the price of dollar currency in the black market in Czechoslovakia, where the official rate is 90 korunas per dollar. A newspaperman there was advised by a friend

Herbert M. Bratter

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Industrial Relations—Frustrated and Perverted

By EMERSON P. SCHMIDT*

Director, Economic Research Department, Chamber of Commerce of USA

Dr. Schmidt diagnoses causes of our labor troubles as: (1) instability of dollar; (2) coercive collective bargaining; (3) theory that unions must raise purchasing power; and (4) communist influence in the labor movement. Holds unions do not raise "real wages," unless management installs labor saving equipment and thus keep down prices. Criticizes labor leaders as making unionism an end in itself. Attacks Federal labor intervention as failure and contends overlapping of Federal and State laws has "ended in chaos." Decries apathy of public to monopolistic labor organizations.

The physician in an extreme crisis may treat the *symptoms* but he also quickly turns to the *causes* of the malady.

Some believe that our society is so sick with disunity, disorganization and frustration that we must deal *both* with the symptoms and the causes of the systemic disturbances. But when treating symptoms we should not delude ourselves into thinking that we are effecting any cures.

Dr. E. P. Schmidt

Strikes, internecine labor squabbles, absenteeism, high labor turnover, reduced labor effort, restrictionism and feather-bedding, pay for doing nothing, boycotts, failure to enforce local laws against mass picketing and violence, demands for 50 to 100% wage increases, defiance of the United States Government — all

(Continued on page 1954)

*An address by Dr. Schmidt at Conference of Business Economists, Washington, D. C., Sept. 28, 1946.

How Stable Is The American Economy?

By SUMNER H. SLICHTER

Lamont University Professor, Harvard University

Economist ascribes present full employment to inordinate demand for non-durable goods. Contends this cannot last and a stable economy will require larger output of durable goods and more industrial capital. Holds boom may be interrupted by recession because prices and costs are too high and second round of wage increases is threatened. Concludes serious recession may be avoided by: (1) curtailing credit in durable goods; (2) price reductions; (3) equitable wage adjustment; and (4) more favorable production conditions.

I

What is the economic state of the nation 14 months after V-J Day? The past year has been one of great stresses and strains. The engineering and business problems of conversion proved to be far less formidable than most people feared. Well before the end of 1945 most plants had their equipment ready to make civilian goods and the settlement of terminated contracts went rapidly. Employment, payroll, and income held up far better than almost any one dared hope and retail sales boomed to record-breaking levels. The great snags were in human relations. Never before had the country seen so many large strikes. The time lost from them during the first half of 1946 was twice as great as the time lost in any previous year—

Prof. S. H. Slichter

(Continued on page 1956)

Significance of The Stock Split-Up

By LUCIEN O. HOOPER

Analyst adduces detailed statistics showing the extent of 1945 and 1946 split-ups, with the subsequent market performance of the split shares. He concludes that (1) the "split-up craze" became a bull market absurdity; (2) through 1946 it lost its former potency in stimulating higher equivalent prices; (3) wider distribution has been accomplished, but to a lesser extent than in 1920's; (4) thinness of markets has not been thereby alleviated; (5) we are following the British trend toward the low-priced share.

L. O. Hooper

Since Jan. 1, at least 185 companies have announced stock split-ups. This means that there has been a marked trend toward smaller shares, for a share of stock is nothing but a fraction of ownership. It also means, so far as the number of share units is concerned, an inflation of capitalization. A measure of this inflation may be had by noting that the capitalization of 185 companies on completion of all the share subdivisions announced and pending, will be increased to 226,791,418 shares compared with 86,050,139 shares outstanding Jan. 1, 1946.

Are we permanently trending away from the long-established

(Continued on page 1967)

Common Stocks For Life Insurance Companies

By B. HOLLON SMITH*

Asst. Treasurer, Bankers National Life Insurance Company,
Montclair, N. J.

Asserting because of prevailing low interest rate and declining private debts time has come to reappraise place of common stocks in life insurance portfolios, Mr. Smith decries blind faith in bonds and real estate as sound investments, and holds fluctuations in stock values make possible larger income return and greater profit possibilities. Outlines a plan for common stock buying whereby timing of purchases would be controlled by stock market averages and ratio of stocks to bonds in investment portfolio would vary in accordance with market conditions. Proposes using excess yields and profits from common stock as reserve for price fluctuations.

Like a news commentator on the radio, may I state that any remarks or opinions given in this paper are true and sound to the best of my knowledge, but do not necessarily reflect the policies of the company with which I am connected.

A friend of mine, who is considered a competent investment man, once said, "I wouldn't give a plugged nickel for the opinion of any renowned financial expert, but I would give as much as I could afford for the reasons upon which he bases his opinions." With this statement in mind, I am not going to ask you to accept my *opinions*, but to consider the reasons and facts supporting them.

B. Hollon Smith

Some of us perhaps are partial to common stocks. Frankly, I'll admit that a high grade common stock fascinates me. There is a reason for this peculiarity, of course, and it is probably to be found in the trunkfull of worthless Confederate Bonds hidden away in nearly every respectbale Dixie attic. I can remember that as a boy I used to make kites out of the fanciest-looking, gilt-edged securities you ever saw!

Seriously, though, the time has come to reappraise the place of common stocks in life insurance portfolios. Two factors of the present economic situation make this reappraisal necessary now: (1) If the present low interest rate obtaining on so-called senior securities is to continue any length of time, then we who are charged with earning a higher fixed rate than at present must explore any reasonable proposition without prejudice or preconception. (2) Suitable outlets are growing scarcer for the funds which daily become available for investment or

(Continued on page 1964)

*From an address by Mr. Smith before the Annual Meeting of the American Life Convention, Chicago, Ill., Oct. 8, 1946.

National Debts vs. Monetary Inflation

By WILLIAM CHAMBERLAIN

Reviewing a letter in which Thomas Jefferson denies right of one generation to saddle its debts upon posterity, Mr. Chamberlain asserts experience demonstrates great national debts extinguish themselves and are passed on in form only. Points out that through decaying process of monetary inflation, unavoidable accompaniment of deficit spending, payment of national debt is being exacted from the present generation which day by day is discovering truth for itself in market place. Supports Mr. Jefferson's thesis human nature being what it is, constitutional restraints alone can prevent immoderate borrowing and consequent disaster.

I

On the 6th of September, 1789, Thomas Jefferson, then American Minister to France and residing in Paris, addressed a letter to his friend, James Madison, in the United States. It was, said Mr. Jefferson, out of the ordinary run of his letters as in it he wished to discuss *a question of such consequence as to place it among the fundamental principles of government.* The question was this: Does a living generation constituting a state have a right to contract indebtedness and pass the obligation of payment on to succeeding generations? It was a question which to his knowledge had never been raised on either side of the water, said Mr. Jefferson, but seemed pertinent for discussion, since the French, now launched upon the task of writing a constitution, were giving deep consideration to the elementary principles of society. The advice of Mr. Jefferson himself had been sought respecting these principles.

William Chamberlain

That no such right existed, said the distinguished letter writer, seemed "very capable of proof." This proof he predicated upon a ground he supposed to be self-evident "that the earth belongs in usufruct to the living; that the dead have neither powers nor rights over it." Proceeding from the premise that the rights of the mass of men constituting a nation can be no greater than the sum total of the rights of its individual citizens he pointed out that no man can "by natural right" without their consent oblige his heirs or anyone succeeding him to the payment of debts left unpaid at his death, *for if he could he might during his own life eat up the labors of several succeeding generations.* The living would thus become the slaves and bonded ser-

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Modern Corporation Reports

By L. L. WATERS
Director, Bureau of Business Research
University of Kansas

Prof. Waters calls attention to multiplicity of reports now required of business corporations and confusion resulting from varieties of forms and material presented. Notes trend toward improvement in reports made to stockholders, particularly in simplification of accounting data. Sees further need for clarifications and lays down principal qualification of a good report as one understandable by simple layman. Holds better reports improve relations between corporations with their shareholders and public.

L. L. Waters

Governmental employees have often facetiously remarked that everything they write should be mimeographed. Copies have to be sent to so many affiliated agencies that a stenographer cannot make an adequate number of copies in one typing. Corporations, because they are regulated by government and report to various agencies of control, are in somewhat the same position as Federal employees. Private businesses, however, have a special handicap. Financial statements of corporations are tailor-made to meet particular obligations of different governmental agencies and to meet the needs of other interested parties. They cannot be mimeographed but must be prepared in a variety of forms. A profit and loss statement of a corporation for income tax purposes may vary as much as twilight and darkness from an income statement for the information of common stockholders. The analogy is somewhat the same as in the case of personal income tax returns. The net taxable income of an individual is quite different

(Continued on page 1960)

Television and Distribution

By ALLEN B. DU MONT*
President, Allen B. Du Mont Laboratories, Inc.

Television promoter points out advantages of telecasting as a new advertising medium. Holds it has many advantages over sound recording and is well adapted to sponsored public service programs, since it supplies the all-important element of action and has extreme flexibility. Describes intrastore use of television in attracting customers. Views medium as vital factor in distribution.

Allen B. Du Mont

The delightfully simple commercialism of our Colonial forebears is immediately appreciated when visiting Williamsburg, restored capital and metropolis of the Virginia Colony. Then and there the butcher, the baker and the candlestick maker displayed quaint signs in front of their shops. That was their advertising. Store windows displayed wares to passersby. That was their sales promotion. Townspeople came in to buy for immediate needs. And that was adequate distribution for the time and place. It was as simple and practical as all that.

But today, the butcher, the baker and the candlestick maker usually produce far more than can be sold locally. The machine age has introduced mass production which in turn calls for mass distribution. Thus the simple sign of the Colonial shop must

(Continued on page 1976)

*An address by Mr. Du Mont before the Boston Conference on Distribution, Boston, Mass., Oct. 14, 1946.

Boom and Bust—Can the Cycle Be Averted?

By BARNIE F. WINKELMAN

Holding business and stock market booms no longer are dependent on interest rate, Mr. Winkelman declares public's dreams of an enduring spiral of prices and wages will be punctured by realization of drastic reduction in real purchasing power. Asserts that unbalanced concentration of profits and savings will "cut the ground under" manufacturer, bringing on depression.

Recently many articles have been written on the question of whether the present boom in securities and industry is headed for the historic crash, or whether our prosperity can be prolonged indefinitely.

B. F. Winkelman

A hardening of interest rates, a series of declines in stock prices, sales-resistance in the flotation of new issues, have caused doubts in the minds of investors and business men. Certainly the older generation which experienced the depression of the 1890's, the panic of 1907 and the more recent heartaches of the 1920's, is shaking its head dubiously and moving cautiously.

The younger mind is not easily dismayed. It is apt to dismiss premonitions of disaster as old-fashioned stuff that has no place in the modern, streamlined, atomic age of radar and rocket. A recent headline by a financial columnist who knows his way around reads: "Hardening of Interest Rates Used to Be Good Reason for a Bear Market — Now It's Little More than a Psychological Factor for Old-School Investors."

An analysis by the stock mar-
(Continued on page 1949)

The Status of the Capital Market

By MARCUS NADLER*
Professor of Banking and Finance, New York University

Dr. Nadler analyzes influences affecting capital markets and concludes if stabilizing readjustments are successful there will be a large and active volume of new securities, both domestic and foreign. Holds institutional investors will play more important role than individuals, and that there exist economic prerequisites for prosperity. Warns, however, the wage-price spiral and unsettled international and domestic affairs may nullify our financial soundness or technical and managerial skill.

The topic assigned to me is "The Status of the Capital Market." This includes the new issues market and trading in old securities.

Dr. Marcus Nadler

The capital market is always under the influence of business activity, the outlook for business, and the economic and political situation all over the world.

Economically speaking, the United States today stands at a crossroads. We can either have a period of boom and bust, with far-reaching economic and social consequences, which, one may go farther and say, may undermine the very foundation on which the economy of the United States rests; or the business picture may be more even. Which of these two developments will take place, I don't know. But either one is bound to have a profound effect on the security markets.

(Continued on page 1952)

*An address by Dr. Nadler at the 29th Annual Convention of the National Association of Securities Administrators, New York City, Sept. 27, 1946.

BUSINESS BUZZ

"I Guess He Doesn't Think It's Gilt-Edge, Mr. Bentley."

Returning to a Buyers' Market

By A. W. ZELOMEK*
Economist, International Statistical Bureau, Inc.

Economist cites unbalance in markets, some items being scarce in face of over-supply of others. Emphasizes present increase in competition with business failures already rising. Predicts "final death knell" of sellers' markets in 1947, with renewed 3-5 year expansion beginning in 1948. Holds buyers' markets will necessitate more effective advertising.

There are opposing views about business prospects in 1947. There are even greater differences of opinion about business prospects for a three to five year period beginning in 1948. I want to make it clear that I am both pessimistic and optimistic.

A. W. Zelomek

I am pessimistic in the sense of expecting a peak in the present inventory replacement boom to be reached some time within the next several months. I am pessimistic in the sense of believing that there will then be a period of about a year during which a rather substantial business readjustment will have to take place.

I am optimistic in the sense of expecting at least a 3 to 5 year period of high level business activity after the coming temporary recession.

Securities Decline Unfounded

I am also optimistic in believing that some of the wild fears unleashed by the drastic decline in security prices are utterly unfounded. A lot of the talk that sprang up about a "boom and bust" situation was sheer nonsense.

Certainly we are in a "boom and bust" situation, just as we were after the last war. But when we say that, we must be very careful about defining "boom" and defin-
(Continued on page 1944)

*A speech by Mr. Zelomek before American Marketing Association, Boston, Mass., Oct. 15, 1946.

"Profitless Prosperity"

BY A. M. SAKOLSKI

Characterizing our prosperity as paradoxical, Dr. Sakolski points to anomalous situation in which both wages and prices are rising while business profits are declining. This profitless prosperity, he contends, is doomed to collapse and warns, unless the trend is offset by greater productivity and lower unit costs through increased man-hour output, shutdowns will occur and new capital will cease to flow into industry. Sees danger of business depression, with large unemployment and nationalization of industry.

The present economic situation is indeed paradoxical!

Operating under the greatest manpower shortage the nation has ever experienced; with the number of gainfully employed unprecedented in peace time; with productive capacity almost unlimited; with consumer demand and purchasing power running riot; and with the dollar value of national income beyond all previous forecasts, the nation is in a precarious condition.

A. M. Sakolski

This is admitted even by political guardians of our destiny. Restlessness, confusion, distortion and uncertainty abounds. No element of the population, no segment of society, no economic class even under the unprecedented high standard of living and abundance of material resources seems satisfied. Distrust, disturbances and even despair is becoming increasingly evident.

What are the reasons for this apparent chaos in the midst of plenty?

The primary cause can be put down as: "Profitless Prosperity."

It seems that every sector of the national economy is indulging in a veritable spree. Recklessness threatens to become a mania. Not alone are sound economic con-

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End of Britain's Silver Coinage

By PAUL EINZIG

Dr. Einzig sees little opposition to British move to abandon coinage of silver. Points out it signifies end in England of bimetallism controversy. Says Britain is committed to a managed currency system and will never return to a system under which the volume of currency and credit depends on changes in amount of metallic reserve. Sees benefit to government in obtaining silver used in coins, and holds Britain no longer has any interest in protecting value of India's silver hoard.

LONDON, ENGLAND.—The British Government's decision to discontinue the minting of silver token money aroused very little interest in this country. No voice of criticism was raised; in fact, most newspapers confined themselves to registering the bare fact and its official explanation, together with a sketchy background, without commenting on it in any sense. And the chances are that when Mr. Dalton will introduce his bill providing for the withdrawal of the silver coins and their replacement by copper-nickel alloy coins, the measure will pass through both Houses of Parliament with the minimum amount of discussion.

Paul Einzig

Many people will, doubtless, regret the passing of the silver coins, with their dignified worn appearance, and the newcomers that are to take their place will undoubtedly be rather unpopular for some time. But few people would go so far as to urge the government that, for the sake of sentimental considerations, it should desist from an action which enables it to repay a debt to the United States without having to use much-needed dollars.

Nor are the bimetallists in this country likely to stage a demonstration against the complete demonetization of silver. During the early and middle Thirties the movement in Britain, was if not strong, certainly vocal. Many of its adherents died, however, in the meantime of old age, or are too old to take an active share in controversies. Others have real-

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Observations . . . . .

By A. WILFRED MAY

National Planning Versus World Trade

A basic difficulty obstructing the United Nations' economic goals is inherent in the increasing domestic planning of member nations. For there is a fundamental conflict between national planning—be it in either the form of communism or socialism—and the objective quest for One-World trade.

A. Wilfred May

This is already being strikingly revealed in the behavior of two of the Big Powers—communist Russia and socialist England. In addition to Moscow's negative attitude toward the Bretton Woods and the International Trade organizations, she has again manifested her strict autarchic line by opposing such constructive measures as initiating a commission to reconstruct the European devastated areas, and freeing the navigation of the Danube. The experts of 21 nations had made exhaustive on-the-spot (not merely documentary) investigation in the Continental countries, consuming two-and-one-half months; on the basis of which they unanimously agreed on a report and earnest recommendation to establish a permanent European Economic Commission. But to their great surprise and consternation, the Soviet representative on Economic and Social Council summarily scuttled the constructive work of the group, by vetoing the carefully considered proposition and terming it a "capitalistic plot." Again, Mr. Feonov at Lake Success, following the line of Messrs. Molotov and Vishinsky at the Paris Conference, vigorously objected to joint action to effect free navigation of the Danube. And in Paris last Friday Mr. Molotov, although outvoted 11-5, during the completion of the Rumanian treaty, maintained to the bitter end his opposition to free navigation in, and international access to, the Danube and the Danubian valley markets. This all reflects Russia's continuing policy of extreme economic nationalism, modified only by special bilateral agreements, as her recent trade arrangement with Sweden. Irrespective of the domestic reasons for such autarchic policy, it surely effectively blocks the world's cooperative plans for expanding world trade on a multilateral basis: renders an effective World Trade Organization impossible; and paralyzes the International Fund and Bank workings. It is impossible to see how the Fund can possibly work, if Russia is going to remain aloof therefrom, with the entire Russian area eliminated, and with the institution tied up with relief operations with the Moscow-controlled countries.

In the recent words of Redvers Opie, "Let it be said frankly that if all countries were organized internally like Russia, none of the British-American financial and trade proposals in the international sphere would make much sense."

The basic difficulty must be realized; namely that in a communist society, all foreign trade must be in the hands of the state, which has full power to decide what to buy and sell, and to set the prices at which business is done through agencies under full state control.

* * * * *

The Incidence of British Socialism

Likewise, the earnest, if suave, protestations of Sir Hugh Dalton, during his recent visit here, that the international program aiming

(Continued on page 1948)

Cotton Exchange Booklet

Facts of interest regarding the New York Cotton Exchange, cotton, and the futures market are contained in a new booklet issued by the Exchange. Bearing the caption "The New York Cotton Exchange, Cotton Futures" the brochure sets forth the "History of Cotton," "History of the Exchange," the purpose, function, operation, etc., of the future contract system. The booklet is being distributed through Ferd P. Lordon, Assistant to the President of the Exchange.

Swiss Resume Trading with Germany

By special wireless to the "Chronicle"

Correspondent reports new Swiss Agreement with OMGUS will restore some trade with Germany, but mainly on one-way basis. Switzerland is sharing general coal famine. Trade will be financed by American dollars channeled through Swiss National Bank. Swiss in no hurry to joint Bretton Woods institutions.

BERNE, SWITZERLAND, Oct. 16.—Commenting on last week's Swiss agreement with OMGUS regarding trade procedures with the American zone, Germany, and regarding similar agreement with British Army, Professor Paul Keller, whose official Swiss position corresponds with our Secretary of Commerce, advised the "Chronicle's" representative that this at least makes possible some resumptions of Swiss trade with those parts of Germany, but unlike trade with Russian and French zones, that with Anglo American area will be largely one way for present. "Traditionally Swiss trade with Germany included two bulk commodities, coal and steel," he said, "but coal doesn't come into this agreement at all. Whereas we formerly got 150,000 metric tons of German coal monthly, now European coal organization allots us token 3,000 tons. We badly need coal. Industrial application of atomic energy is being studied here but is not foreseeable. What we expect to get from the Anglo American area is a varied list of high-labor-content articles, such as glassware, silverware, porcelain, optical, photographic and chemical goods, textiles, and hops, and maybe some Swiss exports to Anglo American area where re-exports are involved."

All trade under the OMGUS-Swiss agreement will be in terms of American dollars channeled through Swiss national bank. Swiss firms may preliminarily correspond with German firms but final conclusion of contracts will be by OMGUS in American zone and through the British Military Government in British zone. Perhaps as bizonal merger is perfected, system will be further centralized.

On paper, procedure is clear, but whether OMGUS has the staff to perform this contractual function normally pertaining to private enterprise will be watched with interest.

Examination of last week's Swiss-British agreement, which (Continued on page 1946)

The World Bank And Its Securities

By HON. J. W. BEYEN*

Executive Director for Holland and Union of South Africa, International Bank for Reconstruction and Development

Dutch financial expert, appealing for confidence of investors in the World Bank, describes its functions and prospects. Holds errors in past international lending will be avoided and right measures will be taken to secure soundness of bank's advances and guarantees. Cites large capital resources of the institution as a basis for investors' confidence in its obligations, and concludes that when private international lending is again restored, World Bank will aid it through coordination, cooperation, and constructive aid.

I think it is right to stress the special significance of this occasion. The International Bank for Reconstruction and Development—you will allow me to call it the International Bank in my further address—cannot fulfill the tremendous task for which it has been created unless it can win and justify the confidence of the investing public. This is the first time that a representative of the International Bank publicly meets the representatives of a very important section of the investors on their invitation and is given the opportunity of discussing with them the objects, structure and plans of the Bank.


J. W. Beyen

The Bank carries a great responsibility. It has been founded to foster the reconstruction of the war-stricken world and, as its Articles put it, "to encourage the development of productive facilities and resources in less developed countries." It is one of the most imaginative ventures in the field of international cooperation that the world has ever seen and great hopes are built on its achievements.

But great also is the responsibility of those who are trusted with the savings of the public. It is only with those savings that the economy of the world can be restored and developed. It is only by the restoration and development of the economy of the world that real savings can come into being and that existing savings can retain their real value. Ultimately economic development and the accumulation of savings are two aspects of the same phenomenon: the formation of capital or in the other words the creation of wealth. In the last instance the Bank and the trustees of the investing public are con- (Continued on page 1973)

*An address by Mr. Beyen before the Savings Bank Association of New York, Quebec, Can., Oct. 15, 1946.

The Free Enterprise System

By DR. H. G. MOULTON*

President, The Brookings Institution

Asserting we are in an age of confusion, Dr. Moulton traces free enterprise through the centuries, and the recent trend toward "planned economy." Holds factors responsible for change were: (1) extraordinary economic power of few enterprisers; (2) ill effects of business cycles; and (3) breakdown of international commerce and finance. Says we now have a hybrid system, under which it is difficult to attain and preserve stability. Proposes as goals of our economic system: (1) larger national income; (2) wider distribution of that income; (3) rewards based on work; (4) more economic security; (5) development of individual; and (6) opportunity of all to earn.

We continue to live in an age of confusion. The upheavals which have occurred throughout the world during recent decades have profoundly affected the economic and political organization of society. All countries have seen the emergence of new conceptions of the role which government should play in stimulating, directing, or controlling economic activities.


Col. H. G. Moulton

Whereas a generation ago Socialism and Communism were regarded as abstract theories, today they appear as concrete realities. For more than 25 years the second greatest country in the world has been building its power on communistic foundations. Many countries may properly be described as socialistic or semi-socialistic states. Even in the Anglo-Saxon world, the traditional home of free enterprise, the role of government has been enormously expanded.

In the view of many these great changes seem fraught with ominous portent. To others they offer promise of a better world tomorrow. For all of us, whatever our fears or our hopes, these great developments bring a new and challenging interest in public affairs, as well as a new responsibility of citizenship. It is in this setting and in this spirit that the Golden Anniversary program of this great association has been conceived. It is a privilege as well as a pleasure to participate in a conference of this type.

Instead of starting with definitions of Communism, Socialism, and free enterprise respectively, it seems desirable to preface the discussion with a brief summary of the evolution of the economic and political system which was the heritage of this generation. When and for what reasons did (Continued on page 1970)

*Address by Dr. Moulton before The Pennsylvania Water Works Association, Atlantic City, N. J., Oct. 16, 1946.

Unsettled Investment Banking Problems

By CHARLES S. GARLAND*
President, Investment Bankers Association
Partner, Alex. Brown & Sons, Baltimore

Mr. Garland holding there is opportunity within framework of Federal Securities Laws, to achieve great improvements in machinery and techniques of capital markets, sees need of revision of rules regarding disseminating information to investors as well as relief from the credit restrictions on securities dealings. Urges problem in adjusting employer-employee relations in securities industry be given prompt consideration and holds economic machinery has been halted by Federal wage policy. Concludes future of country depends upon resurgence of system of free enterprise and a firm acknowledgement of propriety of the profit motive.

Several weeks ago Chairman Caffrey, of the SEC, made a speech at a dinner in New York in honor of the National Association of Securities Administrators which was significant in many respects. You know of course that, since your last meeting here in May, two new Commissioners have been appointed and the Commission has elected Mr. Caffrey as its Chairman. In light of these changes in the top personnel of the Commission, I was impressed with Mr. Caffrey's closing remarks and I would like to read them to you, even

Charles S. Garland

though I realize that many in this room attended that dinner.

He said by way of conclusion, and I quote: "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 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 mak-

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*An address by Mr. Garland before the New York Group of the Investment Bankers Association of America, New York City, Oct. 15, 1946.

Current Tax Issues

By JOSEPH J. O'CONNELL, JR. *
General Counsel of the Treasury Department

Treasury tax official holds war taxation levels must be retained. Says certain features of present tax system should be continued, particularly withholding features and discusses the stockholder in the tax equation. Places strengthening of high level of income and employment as main objective of a tax policy. Analyzes proposed changes in corporate income, excise and estate levies, and concludes that changes in our tax structure will be influenced by conception that taxes should regulate fluctuations in business and employment. Cautions tax revision should be made in public interest and not in interest of any narrow group.

The first year of peace just concluded has witnessed the unwinding of the huge war machine that we developed in the course of five or six years. Many of the controls that were imposed as a matter of wartime necessity have already been eliminated. Other controls have been relaxed, but the needs of the transition require that they still remain effective for some time to come. In the field of taxation we have already taken important steps away from the wartime structure. Within less than six months after the end of hostilities, the excess-profits tax, one of the first of the war measures to be enacted by Congress, was removed. The Revenue Act of 1945, which was approved in November of last year, also repealed the capital stock tax, and that wartime phenomenon, the automobile use tax. At the same time income taxes on corporations and individuals were reduced by substantial amounts.

It would be a mistake to think that the transition from war to peace consists merely of eliminating those measures that were adopted during the war. We cannot return, at least as far as the tax structure goes, to the years before 1940. In the first place, the war, itself, has left us a heritage which will be in evidence for many years to come. Interest on the greatly increased public debt, essential outlays for national defense, aids to veterans, and other necessary items of government expenditure will result in an annual budget far above pre-war levels, and will require a tax yield much greater than that of the pre-war years. In the second place, we developed during the war certain features in our tax system which are highly desirable and should be continued as part of the permanent structure of the tax system. Our system of current individual income tax payment, involving the withholding of tax on wages and salaries and quarterly estimates and payment of tax on other income, is one im-

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*An address by Mr. O'Connell before the State Bar of California, Coronado, Cal., Sept. 28, 1946.

'Pigs is Pigs'![1]

By JO BINGHAM

Writer pictures communistic conditions under which farmer is forced to let his pigs take over and exercise proprietorship. Likens situation to Russia's Fourth Five-Year Plan in which workers' hours are lengthened and output reduced under a system of rationing and paying less than minimum wage to those not keeping up with standard output. Points out under system traditional roles of carrot and stick has been reversed.

"Mister Orwell has a farm
Eee-i-eee-i-o . . ."

And on this farm the same thing happens that is indicated in "The Economist" of Aug. 3, 1946, as happening in the labor policy of Soviet Russia under the Fourth Five-Year Plan.

Jo Bingham

George Orwell's "Animal Farm"[2] is a good natured but pointed satire on the establishment, development, and ultimate distortion of a communist community. The communist order is established when the animals of the Manor Farm rebel against Man. Comes the revolution. Mr. Jones, the owner, is chased off, and the animals take over, with the pigs in charge. It becomes clear then, that leadership involves responsibility; responsibility requires authority; authority begets power; and power takes possession. The pigs move into the farmhouse. Now, no longer part of the working class, they usurp proprietorship and wield the whip. The betrayal is complete when the pig-proprietors throw a party for neighboring man-proprietors. And the transformation is so great that when the lower animals who were watching through the window looked "from pig to man, and from man to pig, and from pig to man again; it was impossible to say which was which."

For numerous and obvious reasons it is still possible to differentiate between communist and capitalist labor policy. But in the new Soviet Five-Year Plan there is such a diminishing concern for the worker's welfare and his place in the economy, and such stress on working harder, producing more, that—were it not in an admittedly Marxian economy—the temptation to use such terms as "laissez-faire" and "exploitation" would be great.

For example, at a time when the number of hours worked in United States industry averages only a fraction over 40, when the State of New York has just put its departmental workers on a permanent five-day, 37½ hour week, the new Soviet Plan provides for a seven-day week with an eight-hour day. This is in sharp contrast to the 5-day week of seven-hour days which was the Russian working week in 1940. In view of the existing situation in this country and the current labor talk for an even shorter work week, there seems to be some reversal of position.

Another significant change in Russian attitude under the new Plan is pointed up by the following:[3]

1. With acknowledgements to Ellis Parker Butler.
2. Harcourt, Brace & Co., New York, 1946.
3. "The Economist" (London), Aug. 3, 1946, p. 167.

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Public Utility Securities

Columbia Gas vs. Niagara Hudson

Because of the fact that they are both utility holding companies and at almost the same price level, Columbia Gas (currently around 9½) and Niagara Hudson (currently 9) naturally invite comparison. Columbia's price range this year has been 14—8½; Niagara's 15—8⅛.

Columbia Gas has now virtually completed its integration program. Its two electric properties, Dayton Power & Light and Cincinnati Gas & Electric, have been sold to the public, its bond issues have been refunded and its huge natural gas distributing system remains practically intact, although some minor changes may eventually be required to complete the integration program. The company this year has paid three 10c dividends on the common stock—the last one, declared recently, was accompanied by the statement that future dividend policy had not yet been determined.

Pro forma earnings figures were presented in the recent prospectus on the new debenture 3⅛s, and indicated the following earnings per share on the common stock:

12 months ended May 31, 1946	$1.15
Calendar year 1945	0.97
1944	0.92
1943	0.93
1942	0.87
1941	0.79

It is of course difficult to forecast Columbia's dividend policy. If there was no special claim on the parent company's earnings a rate of 75c would seem a reasonable guess. However, the company has outstanding $16,500,000 notes due next September and there are also $20,000,000 serial debentures due from Sept. 1, 1947 to 1953; while in addition the debentures due 1971 carry a sinking fund, moderate in amount until 1957, when the annual requirement jumps to $2,450,000. Thus bond retirements will annually require about 20-30c a share for the next 25 years, and there may be a sizable drain on cash next year unless the 1½% notes are renewed. Also, it is customary to retain about 25% of earnings in the treasuries of the operating companies. On the other hand, earnings for the calendar year may be somewhat higher than the pro forma figures for the 12 months ended May 31, due to tax savings. Hence, it is surmised that the parent company might have about 75c available for dividends next year, but payment of such an amount might be deferred pending retirement of the short-term notes.

Based on the present situation with respect to rates, depreciation policy, allowable "fair return," and capital set-up, there would seem to be no special bar to a more generous dividend policy than at present. Eventually some allowance for plant amortization, for a gradual writedown to original cost, might prove necessary but this would not affect cash earnings and probably would not be very burdensome. Assuming that as much as 75c could be paid at some later date, the yield

(Continued on page 1942)

Living Costs versus Stock Prices

By JACK TOPPELL

Manager, Investment Research Department, Luckhurst & Co., Inc.

Citing the net decline in stocks in the face of higher commodity prices since V-J Day, analyst holds that consequently the current buyer of shares can secure participation in the rising price level "at a discount."

Since 1940 our dollar has officially been cut in half based on Bureau of Labor statistics. This picture, as everyone from the banker down to the schoolboy knows, has been distorted in as much as OPA ceiling prices make it almost impossible to purchase items unless one resorts to the black market which in certain businesses enjoys freer trading than it does at official levels. The black market is worst of all in the three basic essentials—food, shelter, and clothing, although it runs the gamut from automobiles to World Series tickets.

Jack Toppell

The OPA is gradually being extinguished, with many manufactured lines now completely free of controls and with the President's speech giving impetus to the whole process of decontrol, most businessmen are looking forward to a complete elimination (excepting possibly rent and sugar) of government restrictions by Christmas. Only the most gullible look for food and other prices to recede to the prewar levels over the intermediate term. Our dollar is therefore going to buy less in terms of future price levels. The domestic price level is still far below that existing in World War I, yet the inflationary potential throughout the commercial world is far greater than it was 26 years ago, and the very fear of inflation, which means higher prices for goods, has tended to keep stocks at depressed levels. It would seem, therefore, that sooner or later the inflationary factors must be reflected in increased earnings and dividends, and with an ample supply of credit there is no reason why these higher operating results could not carry through to improved equity prices.

Inflated costs are the result of a rapid increase in the money supply during the war when prices were artificially held back. With the money supply 2½ times larger since the outbreak of the war and the process now reversing itself, i.e., money supply remaining fairly constant, the prices increasing set into motion the vast inflation potential mentioned earlier.

It is therefore entirely possible that we are entering into an extended period of high prices started by the successive wage-price increases going on in the country.

A few figures culled from Bureau of Labor statistics point up more than ever our contention of the current inequitable relation between stock prices and individual commodities with the favorable inferences resulting therefrom.

(1935-1939=100)	Food	Clothing	Total Cost of Living	—Dow-Jones Averages— Ind.	Rails	Utilities
August 1945 (V-J Day)	140.9	146.4	129.3	174.	57.8	33.
October 1946	171.2	159.7	143.7	163.12	45.	34.
Percentage of rise	21.5%	9%	11%	*5%	*2%	3%

*Percentage represents loss incurred.

This "inverse" ratio points up "backwardness" of stock groups in relation to our national income. Food prices since V-J Day have risen approximately 22%, official figures and unofficial figures (black market) 40%. On the other hand, stock prices as measured by the Dow-Jones Averages show a 5% drop. Backlog of orders for hundreds of items instead of being satisfied have resulted in merely an increased deferred demand.

As our living costs rise and simultaneously shrink purchasing power, it is paradoxical that the goods included in our cost-of-living indices: food, clothing, appliances, etc., all these are produced by companies in whom these same investors can secure participation at a "discount" in a sense that the rise in price of these manufacturing equities has not kept pace with the rise in the cost of living.

Dutch to Liquidate Their U. S. Securities

By J. van GALEN

Financial Editor, "Algemeen Handelsblad"

Finance Minister Leiftinck, on return to Amsreed from America, says such liquidation is necessitated by restriction of International Bank's facilities, and the need for increased imports in 1947. Amsterdam brokers go on brief strike, climaxing strained relationship between Treasury and Stock Exchange.

AMSTERDAM, Oct. 11.—The Minister of Finance, Professor Pieter Lieftinck, returned this week from a voyage to USA and Canada. In a press conference he told the journalists there was little chance to float a loan in New York for the moment. The loan facilities of the International Bank being restricted and the needed import for 1947 being larger than in 1946 the Treasury is obliged to take recourse to liquidation of Dutch investments in U. S. A. The possibility for voluntary liquidation at the New York Stock Exchange is now open, but trading in American securities on the Amsterdam Stock Exchange is still prohibited. The minister justified this action by arguing that the Dutch public would otherwise buy American securities offered for sale and by this way the Treasury would not get the dollars it needs for the payment of imports. The Dutch owner who has his American securities certified as Dutch ownership by the Netherlands Bank is obliged to sell these securities at New York a month after the certification. The proceeds are to be transferred to the Netherlands Bank. The seller gets the countervalue 60% in "free" guilders and 40% on blocked account.

The Minister added that he was of the opinion that the interests of the Amsterdam Stock Exchange and of Amsterdam as an international financial centre lagged behind the general interest.

The brokers were very excited about these words of the Minister and refused Thursday to quote any security. They went on strike and there is now an open conflict between the Minister and the Stock Exchange. For some time there has been a growing tension and this strike is the climax.

The brokers have one powerful weapon against the Treasury: if they maintain their attitude of non-cooperation and refuse to give their assistance for the registration of all securities (45 to 50 million) the Minister will not be able to effectuate this registration. This would interfere with one of the main aims of the registration: the fiscal information about ownership of the securities. Today the brokers resumed trade as the President of the Stock Exchange Committee, Carel F. Overhoff, threatened to retire if the strike went on.

SEC Proposes Broader "Red Herring" Use

Chairman Caffrey submits to interested parties specific proposals for extending practical dissemination of information between registration statements' filing date and effective date. Would broaden use of "red herring prospectus," combining it with final prospectus. Specific proposals itemized.

James J. Caffrey, Chairman of the Securities and Exchange Commission, has submitted for public discussion tentative proposals for relaxing the application of the Securities Act of 1933 to the dissemination of information in registration statements before the effective date.

James J. Caffrey

In submitting the proposals itemized herein, Chairman Caffrey emphasized that they are intended as a basis of discussion between the Commission and other interested parties. Hence, you are invited to forward your comment and suggestions regarding this impor- to Editor, Commercial & Financial Chronicle. Identity of correspondents will be withheld on request.

Address your communications to Editor, Commercial & Financial Chronicle, 25 Park Pl., New York 8, N. Y.

In a letter, dated Oct. 11, addressed to various persons interested in the problem, Mr. Caffrey asks for considered written comment, before Nov. 12, on detailed proposals which were prepared by the Commission's corporate finance division under the direction of Edward H. Cashion, chief counsel.

The double-edged long-standing problem which these proposals are designed to meet is on the one hand, to accomplish a broader practical dissemination of information contained in a registration statement, between the filing and the effective dates; and at the same time, not to have such dissemination of information used as an attempt to sell the securities during that period in a manner in violation of the Act.

Following the theme recently expressed by Mr. Caffrey before the National Association of Securities Administrators (published in full in the "Chronicle" of Oct. 3), the proposals envisage wider use of the "red herring" prospectus technique. Used before the effective date, the "red herring" would contain more complete information, and it could subsequently become part of the final prospectus.

A red herring prospectus is defined as a circular describing a security in the method in which a prospectus conforming to Section 10 describes a security, but clearly and unmistakably marked to indicate that it is informative only and is not intended to solicit

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Sees Collusion of Underwriters and Corporations To Get Investors' Dollars

J. Arthur Warner tells New York Security Dealers Association there has been abuse of registered broker-dealers' privilege to act as underwriters, and "underwriters and corporations should not be permitted to wander unbridled in our midst and they should not be permitted to pursue the public dollar like a pickpocket pursuing his prey."

In addressing the meeing of the New York Security Dealers Association at the Hotel Waldorf Astoria on Oct. 8, J. Arthur Warner, President of J. Arthur Warner & Co., Inc., New York City, stated that in his opinion the primary cause of the decline in securities values over the last few months has been the plethora of new security offerings and that the matter of "underwriting and pricing a security resolves itself in many cases into a form of conspiracy between the underwriter and corporation."

J. Arthur Warner

He stated that a reservoir of investment money was in the hands of the public, and that it would be to the considerable benefit of the economy of the country, and to the price structure of the securities markets if these funds "could be denied the dubious privilege of investing in new unproven, and in some cases, disgraceful public offerings from the standpoint of the value received for the dollar invested."

Continuing he said that, under the present Securities Acts, any firm with a broker-dealer registration may elect to act as an underwriter, regardless of his qualifications or moral responsibility to the potential buyer of the security that he may offer, insofar as that security is priced to the public.

Mr. Warner then expressed the opinion that the matter of underwriting and pricing of a security resolves itself in many cases into a form of conspiracy between the underwriter and the corporation. The corporation, its cupidity aroused by the existence of an extremely favorable capital market, has, in many cases, formed or expanded for the sole purpose of securing other people's money for the benefit of the officers and promoters of the corporation to the exclusion of the public interest, except that if the business happens to prosper, the stockholders will become the incidental beneficiaries.

"As we know," he stated, "the corporation then finds a registered broker-dealer who, as I said before, may be without the requisite qualifications that should be incumbent upon him both in his responsibility to the investing fraternity, and to the public, and then together, these two, the corporation and the underwriter, conspire to foist upon unwary buyers a security at the highest possible price consistent with the market's ability to absorb the security; and at a price, as I have said be-

(Continued on page 1936)

Objectives of AFL

By WILLIAM GREEN*
President, American Federation of Labor

Veteran AFL leader recounts wartime accomplishments of organized workers and their adherance to "no strike" pledge and wartime controls, but asserts these controls are not now wanted. Advocates abandonment of all government price and wage controls and denies labor is restricting output. Holds social security and welfare funds are required by workers and that AFL will continue fight for higher wages. Scores anti-labor legislation by Congress and says AFL will oppose "reactionary" legislators. Condemns communism and totalitarianism and pledges support to other organzations in promotion of humane spiritual and moral values and in advancement of civic and community betterment.

It would be impossible for us to assemble on this occasion without our thoughts turning toward the great war and the great emergency through which we passed. And so we find ourselves practically unconsciously reviewing the past, thinking about incidents that took place and sharing with all the freeloving people of the world in their feeling of happiness, because we were able to defeat Fascism, Nazism and totalitarianism most decisively.


William Green

But it seems quite appropriate for us to think about the service rendered by the great army of production here on the North American continent in the United States of America.

I make this assertion without fear of contradiction, that the war abroad could not have been won except for the devoted service given by that army of production here in the United States of America. I make answer without reservation to those who have indulged in criticism and complaint, those who have found fault regardless of the perfect record that has been made by the men who served in the mills, the mines, the workshops, the factories and the transportation lines of the nation.

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*An address by Mr. Green before the Sixty-fifth Convention of the American Federation of Labor, Chicago, Ill., Oct. 7, 1946.

Sound National Labor Policy Is Needed

By IRA MOSHER*
Chairman, National Association of Manufacturers

Asserting a labor dominated government prevents equality of bargaining power between management and labor, Mr. Mosher points to nationwide strikes as indication of need for a new national labor policy. Holds labor is given monopolistic advantages and privileges and calls for revision of the Clayton and the Wagner Acts. Proposes as sound labor policy: (1) equally binding collective bargaining agreements; (2) enforcement of anti-trust, anti-kickback laws against all groups; (3) orderly procedures for settling jurisdictional disputes; (4) protection of public from damaging boycotts; and (5) Federal Courts to protect against violence and intimidation. Opposes compulsory arbitration.

Shortages, you know, have become the national topic of conversation. You discuss them with the butcher, the baker, the landlady and anybody else that will talk to you. The subject of shortages has displaced the boudoir as a conversational subject in the smoker. One of the latest shortages you hear about is lead. Automobile production is threatened unless some lead turns up for storage batteries. Some folks say this particular shortage could be solved if the Washington bureaucrats would get some of the *lead* out of their desk chairs and into productive work.


Ira Mosher

I want to talk to you today about one of the main causes of these troublesome shortages. I want to talk to you about strikes —and the cure for them.

As a nation that has won the acclaim of the world as the "arsenal of democracy" by producing the guns and ships and planes needed to defeat Hitler and Hirohito, we became quite familiar with the consequences of strikes on production. In winning a war, we leveled every production barrier except strikes. Industrial strife was the weakest link in the war production assembly line; it may well be the Achillean heel of our postwar future.

Think back, a year ago, this most terrible of all wars had hardly ended. We were thankful and we were proud. We prayed for the speedy return of our men and women—the ones who lived to taste the victory that was paid for with the priceless blood of their fellow Americans.

We celebrated with a joyous victory binge. It was a well-earned

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*An address by Mr. Mosher before the San Francisco Labor Relations Conference, San Francisco, Calif., Oct. 10, 1946.

Lays Inflation to Cheap Money Policy

Claris Adams, President of American Life Convention, contends Treasury policy of keeping rates low to hold down public debt interest payments is fallacious, and calls for refunding of a portion of dangerous preponderant short-term obligations by issues on a more favorable basis to holders.

In his presidential address to the American Life Convention at Chicago, Ill., on Oct. 7, Claris Adams, President of the Ohio State Life Insurance Company, attacked the cheap money policy of the Treasury as fallacious and asserted that "we cannot whip inflation with cheap money because inflation is cheap money and cheap money is inflation." Regarding the relation of cheap money to the present inflation, Mr. Adams said:


Claris Adams

"The magnitude of war financing and the methods employed to accomplish it inevitably resulted in inflation. It is not my purpose to argue whether it was avoidable in whole or in part. It is not my intent to oversimplify the problem. There are contributing causes which temporarily aggravate inflationary effects. There may be supplementary remedies which will reduce the virulence of certain symptoms. It is beyond controversy, however, that the heart of the inflationary problem is the fiscal policy of the government. A monetary program which is soundly conceived, intelligently integrated and firmly maintained may not be the complete solution, but without such a program there can be no solution.

"Inflation strikes at life insurance policyholders and beneficiaries with double force. They are ground between the upper mill stone of high commodity prices and the nether mill stone of low investment returns. The earnings of interest on the savings of policyholders is an integral part of the life insurance process which plays an important role in determining policy costs. The cheap money program of the government, therefore, which has helped to keep prices up and interest rates down, has borne heavily upon the institution. Policyholders must pay more for their insurance. It takes more insurance to provide their beneficiaries with a given income. The same income will purchase only 65 to

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Federal Reserve Comments On Economic Outlook

In memorandum to National Outlook Conference of Department of Agriculture, Chairman Eccles stresses need of budgetary surplus and credit controls as well as for increased productivity and elimination of restrictive rules and practices on industrial front.

Marriner S. Eccles, Chairman of the Board of Governors of the Federal Reserve System, on Oct. 7, released a memorandum to the National Outlook Conference of the Department of Agriculture in which the present economic situation was described in outline form and the immediate outlook summarized. The full text of the memorandum which views conditions perspectively and prospectively follows:


Marriner S. Eccles

Perspective

1. We have not yet found the key to maintaining economic stability. The economy has been operating under forced draft for a long time. The war and postwar situations and the inflation which already has occurred have created distortions and maladjustments Sooner or later, they will have to be corrected.

2. The problem immediately ahead is still one of controlling inflation. Demands for many important products are still urgent and very large. Federal expenditures are high; foreign demand is extensive; and the volume of purchasing power in the hands of individuals and business is not only adequate but excessive. On balance inflation factors still outweigh deflation factors.

3. Yet, some of the speculative pressure is being reduced. Some pipe lines are being filled and some buying resistance to high prices is developing. This is wholesome and desirable. It will help to forestall further distortions and give us an opportunity to recover a balanced foundation for long-run prosperity without going through a drastic boom and bust. Any slowing down of inflationary pressures is cause for optimism rather than pessimism.

4. Underlying economic conditions are basically strong. Backlog demands along some major lines — construction, automobile, etc.—should prove sufficient to keep the economy going at a high level for quite some time *if* distortions in the price and wage structure are corrected and further distortions avoided.

Record Since V-J Day

1. The record since V-J Day has been satisfactory in some respects, unsatisfactory in others. On the whole, the nation has done well from the standpoint of absorbing people into peacetime production

(Continued on page 1946)

Dealer-Broker Investment Recommendations and Literature

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

Aviation Bulletin, including a forecast of airline seat miles and a monthly opinion on the stock market—John H. Lewis & Co., 14 Wall Street, New York 5, N. Y.

Basic Analyses, covering both favorable and unfavorable aspects of the companies studied. Available are analyses of **American Power & Light; American Tobacco; American Water Works; Atchison, Topeka & Sante Fe; Baldwin Locomotive; Chase National Bank; Cities Service; Commonwealth Edison; Commonwealth & Southern; Consolidated Edison of New York; Crane Company; Detroit Edison; E. I. du Pont de Nemours; Goodyear Tire & Rubber; International Harvester; Marine Midland; Paramount Pictures; Pennsylvania Railroad; Pepsi-Cola; Southern Pacific; Standard Oil of New Jersey; United Aircraft; United Air Lines; and United Corp.**—Merrill Lynch, Pierce, Fenner & Beane, 70 Pine Street, New York 5, N. Y.

Business and Financial Digest—including a discussion of **Hamilton Manufacturing Company** and the situation in the **Paper Industry**—Loewi & Co., 225 East Mason Street, Milwaukee 2, Wis.

Capital Gains and Losses for 1946—Explanation and worksheets—H. Hentz & Co., 60 Beaver Street, New York 5, N. Y.

Comparative Condensed Statements of the Dominion of Canada and Provinces—Twelfth annual edition—A. E. Ames & Co., Inc., 2 Wall Street, 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.

Public Utility Company Common Stocks—Comparison of 29 operating public utility company common stocks giving factors for quick evaluation of securities in today's markets—Stone & Webster Securities Corp., 90 Broad Street, New York 4, N. Y.

Twelve Attractive Stocks and "Why You Ought to Buy Them"—Memorandum on issues appearing interesting at present levels—Walston, Hoffman & Goodwin, 265 Montgomery Street, San Francisco 4, Calif.

Also available is a special memorandum on **Jefferson Electric Co.**

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

Also available are the following: **American Forging & Socket Co.; American Phenolic Corp.; Barcalo Manufacturing Co.; Buda Co.; Commercial Shearing & Stamping Co.; Common Sense; Consolidated Industries, Inc.; The Cross Co.; John Doe Market Letter; Doing the Impossible; Drico Industrial Corp.; Eastern Engineering Co.; Executives Tell Us That; General Industries Co.; General Machinery Corp.; General Panel Corp.; Golden Crown Mining Co.; Gruen Watch Co.; Highlights of Wall Street; Kellett Aircraft Corp.; Losses in a Bull Market; McBee Co.; Plastics Materials Corp.; Silver Creek Precision Corp.; Soya Corp. of America; Stromberg - Carlson Preferred; U. S. Sugar Corp.; Vinco Corp.; Virginia Dare Store Corp.; War.**

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.**

Buda Co.—Card memorandum—G. A. Saxton & Co., Inc., 70 Pine Street, New York 5, N. Y.

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

Chefford Master — Analytical report — Peltason, Tenenbaum Co., Landreth Building, St. Louis 2, Mo.

Columbia Gas & Electric—Study of the situation—Edward A. Purcell & Co., 50 Broadway, New York 4, N. Y.

Columbia Gas & Electric Corp.—Analysis — L. F. Rothschild & Co., 120 Broadway, New York 5, N. Y.

Connecticut Railway & Lighting Co.—Circular—Adams & Peck, 63 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.**

Doernbecher Manufacturing Co.—Detailed analysis—Kaiser & Co., Russ Building, San Francisco 4, Calif.

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

Also available are memoranda on **South Carolina Electric & Gas** and **Merchants Distilling Corp.**

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.

Indiana Steel Products Co. — Memorandum on interesting situation — Brailsford & Co., 208 South La Salle Street, Chicago 4, Ill.

Also available is a circular on **Queen Anne Candy Co.**

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.

New England Public Service Co. — Appraisal of values — Ira Haupt & Co., 111 Broadway, New York 6, N. Y.

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

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.

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., 1606 Walnut Street, Philadelphia 3, Pa.

Standard Screw—Special memorandum for investment dealers and banks—Mitchell & Co., 120 Broadway, New York 5, N. Y.

Universal Zonolite Insulation — Analysis — Caswell & Co., 120 South La Salle Street, Chicago 3, Ill.

Also available is a circular on **Chicago Hardware Foundry Co.**

Warner Co.—Revised memorandum—H. M. Byllesby & Co., Stock Exchange Building, Philadelphia 2, Pa.

Yuba Consolidated Gold Fields—Summary and analysis—Shuman, Agnew & Co., 300 Montgomery Street, San Francisco 4, Calif.

Sigesmund Opens Office

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, CALIF.—Raymond H. Sigesmund is engaging in the securities business from offices at 118 South Beverly Drive.

Regulating Canadian Security Markets

By C. P. McTAGUE, K. C.*

Chairman, Ontario Securities Commission

Asserting securities market is keystone and barometer of a capitalistic economy, Canadian official points to recent stock market break as evidence capital has become wary and less confident of future. Foresees higher wages and material costs and continuation of business concentration together with higher interest and dividend rates to attract investors. Holds trading regulations are bound to stay and price manipulations should be stamped out, but states, if exchanges and security dealers accomplish successful self-regulation, drastic control will not be necessary.

In these days a great number of people are more than interested in what goes on in the security market. Some may be said to be market-wise, most otherwise but all interested. The securities market is a keystone and a barometer in any capitalistic economy. What goes on there directly or indirectly affects the lives of all of us, the basic producer, industry, labor and the labor union.

C. P. McTague

In the later days of the war years we had a bull market both here and in the United States, clear evidence that capital was taking the view that we were going forward into a new era of prosperity. Since May last we have had a steadily declining market, evidence that capital (and included in capital is the small investor) had become anxious, worried and disturbed about whether or not we were coming into that new era, or whether if we were it would be deferred for some time to come. Rising prices, increasing costs, the release of controls, strikes and disturbances and inepitude of leadership have all tended to make capital wary and frightened and less confident of the immediate future. Politicians may express opinions about our economy with great conviction, but if anyone really wants a sound appraisal of what people are thinking, let him look to the capital security market which represents the sum total or rather cross-

(Continued on page 1979)

*An address by Mr. McTague before the Kitchener - Waterloo Rotary Club, Kitchener, Ont., Oct. 7, 1946.

NSTA Notes

NEW ORLEANS SECURITY TRADERS ASSOCIATION

At a meeting of the New Orleans Security Traders' Association on Oct. 10 Joseph P. Minetree, of Steiner, Rouse & Co. was elected President.

Other officers chosen were Jackson A. Hawley, Equitable Securities Corporation, Vice-President; Macreary B. Wheeler, Wheeler & Woolfolk, Inc., Secretary-Treasurer; and Erroll E. Buckner, National Bank of Commerce in New Orleans and J. W. Kingsbury, Kingsbury & Alvis, National Committeemen. William Perry Brown, of Newman, Brown & Co. and R. J. Glas, of Glas & Crane were appointed Alternate Committeemen.

BOND TRADERS CLUB OF SEATTLE

On Oct. 9, the Bond Traders Club of Seattle elected the following new officers:

Andrew A. Jordan, Jordan & Company, President; Robert Moore, Pacific Northwest Company, Vice-President; W. L. Stein, Bramhall & Stein, Treasurer; and F. Kenneth Easter, F. K. Easter & Co., Secretary.

Donald A. Meyer, Foster and Marshall, was elected National Committeeman with Hugh R. Schlicting, Wm. P. Harper and Son & Co., Inc., Alternate.

The new officers took office immediately and will serve until Dec. 31, 1947.

CLEVELAND SECURITY TRADERS ASSOCIATION

The Cleveland Security Traders Association on Sept. 25 elected the following new officers:

President: Jay L. Quigley, Quigley & Company.
Vice-President: Carl H. Doerge, Wm. J. Mericka & Company.
Secretary: Alan E. Lafferty, Hornblower & Weeks.
Treasurer: Clemens E. Gunn, Gunn, Carey & Company.

The following members were elected to the Board of Governors for one year terms:

Dana F. Baxter, Hayden, Miller & Co.; Robert L. Erb, Greene, Erb & Co.; Roderick A. Gillis, Wood, Gillis & Co.; and John A. Kruse, Otis & Co.

BOSTON SECURITY TRADERS ASSOCIATION

The Boston Securities Traders Association at their annual meeting held Oct. 1 elected Sumner R. Wolley of Coffin & Burr, Inc., President.

Hubert N. Bernard, Jr., Schirmer, Atherton & Co., was elected Vice-President; Arthur E. Engdahl, Goldman, Sachs & Co., Treasurer; Harold A. Madary, Geyer & Co., Inc., Recording Secretary, and T. Edmund Williams, Hooper-Kimball, Inc., Corresponding Secretary.

Named to the board of governors for a two-year term were: Dayton P. Haigney, Dayton Haigney & Co.; Anton E. Homsey, du Pont, Homsey Co., and Alex. W. Moore, J. Arthur Warner & Co.

Mr. Wolley, the new President who will also serve as a national committeeman, has appointed the following National Committeemen: Wilfred N. Day, Chas. A. Day & Co.; Dayton P. Haigney, Dayton Haigney & Co.; Joseph Gannon, May & Gannon, and Frank Lynch, Hunnewell & Co.

SECURITY TRADERS ASSOCIATION OF LOS ANGELES

The Committee of Nominations of the Security Traders Association of Los Angeles met on Oct. 7, 1946, and have submitted the following names as nominees for the offices indicated:

President—Lawrence S. Pulliam, Wedeen & Co., A. Shane McOmber, Revel Miller & Co.

Vice-President—Thomas J. Euper, Nelson, Douglass & Co., Wm. P. Bunyan, Edgerton, Wykoff & Co.;

Treasurer—Robert D. Diehl, Wm. R. Staats Co., Charles L. Holton, Holton, Hull & Co.

Secretary—John R. James, Jr., Geyer & Co., William A. Miller, Fairman & Co.

Board of Governors—Joseph L. Ryons, Pacific Co., William J. Zimmerman, Bingham, Walter & Hurry; Charles R. Livingstone, Livingstone & Co.; Nicholas P. Kirwan, Dean Witter & Co.; Donald E. Summerell, Wagenseller & Durst; Oliver B. Scott, Maxwell, Marshall & Co.

National Committeeman—Stephen C. Turner, Turner, Poindexter & Co.; James D. Cockburn, Crowell Weedon & Co.

Annual election will be held Tuesday evening, Oct. 29, 1946, at the Los Angeles Athletic Club.

The Road to Dictatorship

By C. DONALD DALLAS*

President, Revere Copper and Brass Co.

Business executive, asserting never before have restrictions and dislocations so hampered industry, points out strikes and unreasonable demands of labor, supported by one-sided collective bargaining and arbitrary control of wages and working conditions, are forerunners of dictatorship. Cites Italy's turn to Fascism and contends last 25 years show totalitarianism in Europe developed where labor unions and left wingers assumed extreme positions against public interest.

The third annual meeting of The Magnesium Association has been impressive and optimistic. But defying management, scientific brains, engineering skills, and sales ability represented at these sessions are forces at work which we must recognize and which it is the duty of industrial leadership to combat. I refer to the fact that enterprise is not free and is rapidly being brought to a standstill; that there has probably never been a time when the restrictions and dislocations hampering industry have been as great as they are today.

C. Donald Dallas

The automobile industry has been organized and restricted until it can't produce cars; the building industry until it can't construct homes; the shipping industry until the American Marchant Marine cannot compete in world trade; the electrical, steel, copper, coal, lead and zinc industries to the point where they can't supply materials to industry.

Millions of investors in the stock market have recently registered their concensus of opinion that industry can't function under these circumstances. They have warned both politicians and labor leaders that free enterprise cannot operate successfully while it is half free and half slave.

(Continued on page 1958)

*An address by Mr. Dallas before Third Annual Meeting of the Magnesium Association, New York City, Oct. 4, 1946.

UFE Threatens to Affiliate With National Labor Body to Push Unionism in Wall Street

By EDMOUR GERMAIN

In midst of negotiations for a new contract with the New York Stock Exchange, M. David Keefe, union President, says he will let nothing interfere with the unionization of the employees of Wall Street firms. Stock Exchange insists that one of the provisions of the new contract must be a promise by the union that it will engage in no work stoppage of any kind for the duration of the contract. The Exchange has offered increases in pay ranging from $3 to $5 but the union is after a 25% increase in wages across-the-board. The next meeting of the negotiators is scheduled for next Monday afternoon.

What promises to develop into a fighting issue in the attempt of the United Financial Employees, an independent union, to negotiate a new contract with the New York Stock Exchange is the insistence on the part of the Exchange that one of the provisions of the new contract must be a promise by the union that it will engage in no work stoppage of any kind for the duration of the contract.

The Exchange's demand stems out of its unwillingness to be used as a club against those of its member firms which might get into an argument with the union during the coming year. The Exchange does not want a recurrence of anything like the two-hour walkout that occurred on Aug. 14 when the union was known to be at odds with Harris, Upham & Co.

The union's dispute with Harris, Upham & Co., in fact, is still an unsettled matter. Though the union has lost a State Labor Board election among the employees of that firm, 115 to 197, it is now trying to get the State Labor Board to set the results of the election aside on the grounds of alleged unfair labor practices by the firm. At a hearing in the dispute on the election results, M. David Keefe, union President, testified that prior to the election the unionized employees of Harris, Upham & Co. gave the union authority to call a strike against the firm, if necessary to press demands for a contract.

The union takes the position that since the Stock Exchange members are lining up solidly in their position to the union's efforts to organize the brokerage industry, the union will meet fire with fire and will look upon the brokerage industry—that is, that section connected with the Exchange—as an indivisible whole. Consequently, it is inclined to look upon the Exchange's efforts to compel the union members to cross its own picket lines in the event they are thrown around the Exchange by the striking employees of some member firms as an

(Continued on page 1977)

Michigan Brevities

U. S Radiator's directors have voted to call all of firm's outstanding 5% debentures as of Nov. 1, W. J. Peoples, President and Chairman, announced. Arrangements were also made with the N. Y. Trust Co., for a five-year loan for $1,500,000 at not more than 3½% interest.

* * *

E. W. Lewis, President, announced that the Industrial National Bank of Detroit has expanded with a new branch in suburban Detroit at Melvindale, Mich. A modern building is planned soon.

* * *

Chris-Craft Corp., motorboat builders, in Algonac, Mich., has purchased a new plant at Caruthersville, Mo., J. S. Smith, President, announced.

* * *

The SEC has approved an application of American Light and Traction Co. to acquire 3,100 shares of stock for $310,000 cash from its wholly owned subsidiary, Michigan-Wisconsin Pipeline Co. The firm told the SEC it plans to use the cash to pay part of the cost of planning and designing a 1,216-mile pipeline from Texas to Michigan.

* * *

McDonald-Moore & Co. and H. V. Sattley & Co. have purchased $80,000 City of Hazel Park, Mich., street improvement bonds. The issue, the city's only obligation outstanding, matures serially, Nov. 1, 1947-1951.

* * *

First of Michigan Corp. was a member of an underwriting group which purchased an issue of $1,000,000 St. Paul, Minn., 1½% and 1.70% refunding bonds to mature from 1947 to 1966.

* * *

First of Michigan Corporation and its associates, McDonald-Moore & Co., Paine, Webber, Jackson & Curtis and Crouse & Co., have purchased an issue of $1,150,000 State Board of Education, 1¾%, 2% and 2¼% dormitory revenue bonds. The issue will be offered as serial and term bonds. Proceeds will be used for building program at Central Michigan College.

* * *

Chas. E. Bailey & Co., Detroit Stock Exchange member, has moved to new quarters at 2166 Penobscot Building, Detroit.

* * *

Detroit bank clearings last week jumped 18.4% to a total of $286,454,000.

* * *

Shareholders of Contract & Investment Co. and Mortgage Contract Co. will vote on Oct. 29, to merge into Detroit Mortgage Co. Directors of both firms have already O. K.'d the consolidation. Geo. H. Vawter, President of Contract & Investment will head the new firm and Walter Gehrke, head of Mortgage Contract will become chairman of the board. Capital and surplus will total $2,500,000, a company spokesman said.

Fruehauf Trailer Company has sold $9,000,000 of 2¾% sinking fund debentures, due August, 1966, to Equitable Life Assurance Society of United States. Proceeds will go for working capital.

Says Underwriters and Corps. Combine to Get Investors' Dollars

(Continued from page 1932)

fore, that gets the most for the corporation and the underwriter.

"This conspiracy is today, I suppose, a legal one; this irresponsibility on the part of the underwriter is as of today one that is not specifically controlled, or controlled at all by our administrative bodies," he continued.

"However," Mr. Warner concluded, "as reluctant as I am to suggest any further controls, I think that if we give this subject some earnest thought most of us will come to the conclusion that these underwriters and corporations should not be permitted to wander unbridled in our midst and they should not be permitted to pursue the public dollar like a pickpocket pursuing his prey."

The "Chronicle" invites comments on the views of Mr. Warner expressed above, or on any related phases of the subject under discussion. If published, the names of those submitting comments will be omitted where requested.

Communications should be addressed to the Editor, Commercial and Financial Chronicle, 25 Park Pl., New York 8, N. Y.

Morgan Stanley Offers Duluth, Missabe & Iron Range Bonds

Morgan Stanley & Co. headed a group of investment bankers that made a public offering Oct. 16, subject to Interstate Commerce Commission approval, of $19,200,000 Duluth, Missabe and Iron Range Railway first mortgage serial bonds, maturing $1,200,000 each Oct. 1 from 1947 to 1962 inclusive, and bearing interest as follows: 1947, 1.15%; 1948, 1.35%; 1949, 1.50%; 1950, 1.65%; 1951, 1.75%; 1952, 1.85%; 1953, 1.95%; 1954, 2.05%; 1955, 2.15%; 1956, 2.25%; 1957, 2.30%; 1958, 2.35%; 1959, 2.40%; 1960, 2.45%; 1961, 2.50%; 1962, 2.50%. The bonds were awarded to the group Oct. 15 on a bid of 99½ and are being re-offered at 100% and accrued interest for all maturities.

Proceeds from the sale will be used to provide part of the funds for payment of $19,800,000 of the company's first mortgage 3½% bonds, due Oct. 1, 1962, which have been called for redemption on Nov. 1, 1946, at 105% of the principal amount, together with accrued interest.

Duluth, Missabe and Iron Range Railway Co., all of the capital stock of which is owned by United States Steel Corp., is the largest carrier of iron ore in the United States. It operates about 542 miles of road situated in Minnesota and Wisconsin, connecting the Messabi and Vermilion iron ore ranges in northern Minnesota and with its ore docks at Duluth and Two Harbors, Minn., and through connecting carriers with ore docks at Superior, Wis.

Connecticut Brevities

The balance sheet of Colt's Patent Fire Arms Manufacturing Company on Aug. 11, 1946 showed total current assets of $8,470,911 and total current liabilities of $706,788, leaving net working capital of $7,764,123. On August 12, 1945, current assets totaled $15,315,879, current liabilities $7,063,621, and net working capital $8,252,258.

Equity per share on Aug. 11, 1946 was $55.81 compared to $60.89 on Aug. 12 last year.

The income account for the thirty-two weeks ended Aug. 11, 1946, showed a loss of $649,382 or a deficit of $3.30 a share against earnings of $485,857 or $2.47 for the corresponding period a year ago.

* * *

For the fiscal year ended July 31, 1946, Royal Typewriter Co. showed net profit of $590,347 or 30c a share on the common stock, compared with $1,467,962 or $1.12 per share for the preceding twelve months.

* * *

As of Sept. 30, 1946, deposits in commercial banks in Hartford totaled $429,607,116 against $446,727,938 a year ago. This represents a decline of 3.7% compared with a decrease of 4.4% for twenty of the leading New York banks. Loans and discounts in the Hartford group increased 24.6% compared to a 5% advance in the New York group. Hartford banks' holdings of U. S. Government obligations declined from $283,846,392 to $236,674,986 a year ago. This 16.7% decline compared with a reduction of 12.1% by New City banks.

* * *

Governor Baldwin recently approved immediate issuance by the Old Lyme-Saybrook Bridge Commission of $6,000,000 bonds to finance construction of the bridge across the Connecticut River authorized by the Legislature. The issue will probably be offered the early part of November.

* * *

M. H. Rhodes, Inc., world's largest makers of timing devices, reported sales in excess of 50,000 parking meters since V-J Day, which compares with total output of 33,000 meters in the ten-year period preceding the war.

* * *

Stockholders of United States Finishing Company recently approved a plan of recapitalization. This new set-up will create a $4 convertible preferred stock and increase the authorized common stock from the presently outstanding 200,000 shares to 500,000 shares.

Holders of the 7% preferred may voluntarily exchange their stock for the new $4 convertible preferred and common on the basis of 1¾ shares of new preferred and 1¾ shares of common for each share of 7% preferred held. The $4 convertible preferred will be convertible into three shares of common at any time.

* * *

For the eight months ended Aug. 31, 1946, United Illuminating Company showed gross operating revenue of $10,235,150 compared with $10,022,529 for the corresponding period last year. Net before taxes was $3,476,401 against $3,397,726 respectively. Income and excess profits taxes were $1,300,500 against $1,477,600, while net income was $2,175,901 against $1,920,126 respectively. Earnings per share for the eight months' period were $1.75 against $1.54 for the corresponding period last year.

The company has arranged to borrow, as needed, $5,000,000 from the National City Bank of New York. These funds will be used for construction purposes, primarily the completion of a new 30,000 k.w. unit at New Haven.

* * *

The New Haven Railroad has requested court authority to spend approximately $6,500,000 for the purchase of fifteen additional Diesel-electric locomotives. This road is already the third largest owner of Diesel-electric motive power in the country. It is their intention to use the additional locomotives in their freight service between New Haven, Conn. and Maybrook, N. Y. Judge Carroll C. Hincks, U. S. District judge, has set the hearing on this petition for Oct. 18.

* * *

The Eagle Lock Company of Terryville, Conn., and its parent company, Bowser, Inc., have formed a national consumer merchandising organization to be known as Eagle Industries, Inc. This new company will take over sales and distributing facilities of The Eagle Lock Company which covers the forty-eight states, and abroad through Bowser, International, Inc. In addition to sales of their own products, they will act as merchandising agent for other manufacturers who want an established concern with worldwide markets for distribution of their products.

U. S. Credit to Netherlands And Norway to Buy Surplus Property

The U. S. has extended a credit line of $20,000,000 to the Netherlands Government and $10,000,000 to the Royal Norwegian Government for the purchase of United States surplus property abroad, Brig. Gen. Donald H. Connolly, Acting Foreign Liquidation Commissioner, announced on Sept. 1. The announcement says:

"Both contracts stipulate that all surplus property procured under these credit agreements must be purchased prior to January 1, 1948. Payment will be made in U. S. dollars in 25 equal annual installments beginning July 1, 1952, and continuing thereafter on July 1 of each year up to and including July 1, 1976.

"Both credit agreements, which were negotiated at the FLC Paris office, provide for interest at 2⅜% per annum payable annually, beginning on July 1, 1947. Dr. G. Ridder, Treasurer General, Ministry of Finance, signed the agreement for the Netherlands Government, and Erik Brofoss, Minister of Finance, signed for the Royal Norwegian Government."

Economics of Tomorrow's Business

By ERWIN H. SCHELL*

In Charge of Business and Engineering Administration, Massachusetts Institute of Technology

Management expert, asserting despite psychological and sociological influences, "economics are in tomorrow's business," urges executives in present situation to abandon theorizing on general conditions and cease forecasting. Instead, he advocates beating the bushes for equipment, supplies and merchandise. Sees prospective need of more working capital and for markedly lower unit operating costs in production.

The manufacturer who today allows himself to indulge solely in abstract economic considerations as a basis for business policy decisions is more than wasting his time, for he is allowing his attention and thought to be diverted from the practical and necessitous problems which confront him. Human behavior and corresponding industrial policy are the products of historical, psychological and sociological influences no less than economic pressures. To design business plans chiefly on economic analysis is no less silly than to try to build automobiles with one wheel. Yet there are economics in tomorrow's business.

Dr. Erwin H. Schell

Again, the industrial administrator who permits himself to engage in inevitably vacuous speculation about the probability of another world war, is doing a disservice to his responsibilities for he is indulging in fear-thinking at a time when courage and action are vital to present-day accomplishment. If another war comes, changes in company policy will be of too radical and unpredictable a nature to justify any attempt in the direction of plans or policies at this time.

Economic information is valuable in pointing to unusual situations which may be capitalized upon. The large and unquestionable economic trends which are described in the publications of any reliable bank or trade journal are the ones of greatest practical importance to the manufacturer.

Top management in every industry should properly capitalize this breathing space between the war and returning competition to activate practical programs to assure permanent, profitable long-term growth for his establishment. During the pre-war depression, a consultant was asked to compress a two months survey into a telegram to the president of the company. He wired him:

"Hang up the malacca put the spats in mothballs and beat the bushes for business."

The advice is equally sound today if we interpret "business" broadly.

When demand exceeds supply, manufacturers beat the bushes for materials, supplies and merchandise. The well managed company is currently putting tremendous power and persuasion into the procurement function. Its management is selling company dollars where the competition is extraordinary keen, for payment is in much needed materials, supplies and equipment.

When prices are rising competent financial executives beat the bushes for working capital. Cash balances and Government bond portfolios may appear ample but they will melt away rapidly when normal peace time inventories purchased at new price levels are re-established. And when the growing necessity of unbalanced inventories becomes even more widespread, concerns may find themselves unexpectedly depleted of financial reserves.

When housing shortages exceed those of food or clothing, keen business men beat the bushes for buildings. Buildings cannot be built, but effective space in existing structures may often be multiplied when technical brains are properly whittled. We would all be surprised to see the extraordinary changes that are taking place within the walls of some progressive enterprises whose plants look just the same from the outside.

When consumer capital goods continue to wear out, without hope of immediate replacement, manufacturers beat the bushes for ways and means to safeguard customer good-will. They are searching for methods to safeguard equipment now in the hands of consumers which is no longer on its last legs but is resting on its hip-joints awaiting complete dissolution. When an automobile gives up the ghost, its dying wheeze may be pathetic but if traveling at high velocity its death-struggles may take the whole family along to a happier land with it. Consumer goods maintenance policies have something more than customer good-will as an objective when eternity lies just around the corner.

Finally when war surpluses of all sorts are lessening, executives everywhere go down the hedgerows in search of lower unit costs. Best results are being obtained where every stage in the productive process is put under suspicion of obsolescence in the light of changes in current and future postwar demand. Here the experience and imagination of old-time foremen and employees no less than top technical management is needed in the making of practical and evolutional improvements.

When customers are competing for opportunity to buy, one of the chief difficulties faced in a normal peace time business, that of marketing the product, is eliminated. It is easy to plead inability to serve and to wait for the turn of the tide.

These are deceptive times for industrialists. A seller's market always creates the illusion that our products are good, when the truth is that they are just scarce. The soundest principle of supply and demand is that where there is a demand, there will ultimately be a supply.

A consistently successful business expends the same amount of human perspiration per minute at all times although the rate may vary somewhat from one individual to another. Economic data partially points the way to changes in emphasis. Sometimes we beat the bushes on one side and sometimes on the other, but there are just as many bushes to be beaten as ever.

To paraphrase the telegrams for today's use we may say:

"Hang up the malacca of abstract theorizing on general economic conditions (stop) Put the business forecasts in mothballs and beat the bushes for equipment, supplies and merchandise, for ample working capital for effective floor space and for markedly lower unit operating costs."

*Abstract of an address by Mr. Schell before the American Gas Association, Atlantic City, N. J., Oct. 10, 1946.

Missouri Brevities

The George Muehlebach Brewing Co. on Sept. 25, filed a registration with the Securities and Exchange Commission covering 41,327 shares of $25 par value 5% cumulative participating preferred stock and 40,000 shares of $1 par value common stock, of which 20,000 common shares are to be offered to officers and key employees of the company at $4.75 per share. The remaining common stock and all of the preferred stock (including 34,827 preferred shares being sold for account of 34 selling stockholders) are to be offered to the public at $25 per share for the preferred and $5.75 per share for the common, through a group of underwriters headed by Stern Brothers & Co., Kansas City. The net proceeds to the company are to 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.

The company was incorporated on March 27, 1937. It owns in fee the brewery and plant in Kansas City. Net sales for the seven months ended June 30, 1946, amounted to $2,027,890, as compared with $3,735,518 in the fiscal year ended Nov. 30, 1945. Net profit after Federal income and excess profits taxes for the seven months' period totaled 221,139, as against $205,867 in the last fiscal year.

* * *

Crown Drug Co., Kansas City, has called for redemption as of Nov. 15, 1946, all of the 7% cumulative convertible preferred stock then outstanding. Payment will be made at the Commerce Trust Co., redemption agent, in Kansas City, at $25 per share plus accrued dividends of 43¾ cents per share. Preferred stockholders have until Nov. 10, the privilege of exercising their option to convert their preferred stock into common stock on the basis of four shares of common stock for each preferred share.

The directors have declared a dividend of 10 cents per share on the common stock, which will become payable on Dec. 16, next, to holders of record Dec. 5, 1946. This compares with 5 cents per share paid on April 25, last, and on April 25 and Dec. 15, 1945.

It was further announced that sales of the company for the month of September, 1946, amounted to $1,160,660, against $1,007,598 in the same month last year. For the year to Sept. 30, 1946, sales totaled $14,515,110, compared with $11,863,030 for the 12 months ended Sept. 30, 1945.

Tom L. Evans, Chairman of the board, announced that the company had completed "a successful year" on Sept. 30, 1946, with net earnings more than double the previous fiscal year.

* * *

On Oct. 3, Chase Candy Co. of St. Joseph paid a 100% stock dividend on the common stock to holders of record Sept. 30. Prior to this distribution, there were 150,000 shares of $1 par stock outstanding, exclusive of 20,000 warrants held by underwriters for the purchase of 20,000 shares. The authorized common stock was recently increased from 200,000 shares to 500,000 shares.

A cash dividend of 12½ cents per share has been declared on the increased common stock, which will become payable on Nov. 15, to holders of record Nov. 1. This is equivalent to 25 cents per share on the common stock outstanding prior to the 100% stock distribution, and on which payments of 15 cents each were made on Aug. 15, May 15 and Feb. 15, this year. Latter was an initial dividend.

The stockholders of Clinton Industries, Inc., St. Louis, on Sept. 26, approved the sale of that company's National Candy Company Division to the Chase Candy Co.

* * *

Hussmann-Ligonier Co., St. Louis, manufacturers and distributors of commercial refrigerators, has just reported that its net sales for the three months ended Sept. 30, 1946, amounted to $2,608,695, while net profits after taxes, etc., were $242,428, equal after preferred dividends to $1.31 per common share, of which there were 172,912½ shares outstanding. For the six months ended June 30, 1946, sales totaled $3,738,782, while net profits after taxes, etc., amounted to $304,862, which was equal after preferred dividends to $1.58 per common share.

On Nov. 1, next, there will be paid to common stockholders of record Oct. 21, 1946, a quarterly dividend of 25 cents per share, which will bring total distributions on this issue to $1 per share. In 1945, a total of 30 cents per share was paid. The usual quarterly dividend of 56¼ cents per share on the $2.25 cumulative no par preferred stock has also been declared, payable Nov. 15, 1946, to holders of record Nov. 1, 1946.

Unfilled orders as of Sept. 30, 1946, were reported to be in excess of $10,500,000, compared with $8,500,000 on June 30, last.

* * *

Edison Brothers Stores, Inc., St. Louis, reports that its sales for the month of September, 1946, totaled $5,387,638, as against $4,190,584 in the corresponding month last year, an increase of 28.6%, while for the nine months ended Sept. 30, 1946, they amounted to $47,512,706, as compared with $38,501,996 for the same period in 1945, an increase of 23.4%. Sales for the month of August, 1946, were $5,418,992.

Nat'l Municipal League Will Meet

The National Municipal League on Nov. 11, 12, and 13 will hold the 50th Anniversary of National Conference on Government at the Bellevue-Stratford Hotel, Philadelphia.

Among the five subjects to be discussed is "Maintaining Stability in Municipal Finance." Carl H. Chatters, Comptroller of the Port of New York Authority will preside at the session and the Tuesday session and speakers will include: Walter R. Darby, Director of Local Government, New Jersey, whose topic will be "In the Face of Rising Costs"; Frank W. Herring, Director of the Land and Public Service Branch, National Housing Agency, will speak on "In the Face of a Building Boom"; Arnold Frye, Chairman of the Committee on a Model Fiscal Program, and of the firm of Hawkins, Delafield & Wood, New York, will discuss "Through Good Fiscal Legislation," and Ronald E. Gregg, Executive Secreary of the Municipal League of Toledo, will have for his subject, "With New Revenue Sources."

Those attending the meeting will include: Joseph D. McGoldrick, former city comptroller for New York; Frederick L. Bird, Dun & Bradstreet; Joseph M. Cunningham, former First Deputy Comptroller, New York; John S. Linen, First Vice-President, Chase National Bank, Stephen B. Sweeney, Director, Institute of State and local government, University of Pennsylvania, and Mabel Walker, executive director of the Tax Institute.

With H. L. Robbins & Co.

(Special to THE FINANCIAL CHRONICLE)

WORCESTER, MASS.—**William H. Wolf** is with **H. L. Robbins & Co., Inc.,** 390 Main Street.

Real Estate Securities

We hear that:

80 Broad Street will make an interest distribution of 4% ($26 per $650 bond) on Nov. 1, and have $104,000 available for sinking fund purposes; $53,000 of this amount having been received from the Maritime Association of the Port of New York as an amortization payment against the first mortgage held by 80 Broad Street against the parcel leased from the Association.

Governor Clinton will distribute $20 per $1000 first mortgage bond as additional interest on Nov. 1, and have approximately $60,000 available for bond retirement.

Hotel St. George will request tenders of first mortgage 4% bonds to exhaust approximately $175,000 available in the bond retirement fund.

Chanin Building will request tenders sufficient to exhaust approximately $177,000 available for sinking purposes out of earnings for the year ended July 31, 1946. Additional sinking fund earnings amounted to $213,355 but this amount will be used in part to defray reorganization expenses.

50 Broadway Corp. will make a principal distribution of 6% on its first fixed and income 3s-6s on Oct. 21.

Arbitration Board Says Union Must Pay

An arbitration board consisting of General William E. Knudsen, former General Motors executive; General Robert E. Wood, Chairman of Sears, Roebuck, and Major Robert N. Campbell on Oct. 8 found the International Printing Pressmen's Union financially responsible for time lost during any future strikes at the R. R. Donnelley & Sons Company, printing concern, according to Chicago advices from the Associated Press, which continued:

The arbitration, agreed to in advance by both parties, resulted from a six and one-half weeks strike in the summer of 1945. The principal issue then, a company spokesman said, was the union shop. This was not submitted to arbitration, which disposed of nine other issues.

Originally, the spokesman said, there were 28 outstanding issues, eighteen of which were agreed upon prior to arbitration. Herbert P. Zimmerman, company President, said the 18 consisted of "minor points," such as time for changing clothes.

Under the award the union [an American Federation of Labor affiliate], was ordered to accept financial responsibility "for breach of the agreement."

The Board fixed "as a measure of that responsibility" payment by the union at the rate of $4.50 an hour for time lost on presses "due to refusal to work."

Joins Hanrahan & Co.

(Special to THE FINANCIAL CHRONICLE)

WORCESTER, MASS. — **Philip C. O'Connell** has become connected with **Hanrahan & Co.**, 332 Main Street.

SEC Permits Dealer-Broker Ltd. Registrat'n

Lawrence R. Leeby, whose license was revoked in 1943, will be permitted to act as broker in over-the-counter transactions, but limited in his business as dealer to investment trust shares.

On Oct. 8 the Securities and Exchange Commission restored the dealer-broker registration of Lawrence R. Leedy, doing business as Lawrence R. Leeby & Co., from Washington, D. C., on the condition that he act only as a broker in all over-the-counter transactions except in the case of investment company shares which he can handle as a dealer. Mr. Leeby stated that when acting as a broker his commissions would be comparable to those of New York Stock and Curb Exchange firms and that his mark-ups on investment company issues would be limited to the discounts set forth in the prospectuses. Mr. Leeby's registration as a dealer-broker was revoked by the Commission on June 26, 1943 on the ground that he had sold numerous oil royalties to two customers at exceedingly high mark-ups over contemporaneous wholesale costs and that he had violated the obligations of a dealer, "with the high fiduciary duties of an agent," in taking secret profits. He was expelled from the National Association of Securities Dealers, Inc. on Aug. 14, 1942 for selling securities at unfair prices, under the Association's Rules of Fair Practice.

Cotton Crop Report As of October 1

A United States cotton crop of 8,724,000 bales is forecast this year by the Crop Reporting Board of the Bureau of Agricultural Economics based on information reported by farmers and ginners as of Oct. 1. This is 447,000 bales or 4.9% less than the Sept. 1 forecast. The indicated production is less than for any year since 1921 and compares with 9,015,000 bales produced in 1945 and the 10-year average of 12,553,000 bales. Lint yield per acre, computed at 235.6 pounds is the smallest since 1941. The 1945 lint yield per acre was 251.0 pounds and the 10-year average 243.2 pounds.

Preparing for World War III

By ROGER W. BABSON

Commenting on Paris Peace Conference, Mr. Babson asserts unless a real spiritual awakening develops, groundwork for World War III is being laid. Calls big cities death traps and counsels dispersion and decontralization of industries. Says atomic war will be relatively inexpensive.

I am an optimist but I do not like the way things are going at the Paris Peace Conference. It looks to me as if the same old game of "power politics" is again being played there—and with a vengeance. Unless the nations supporting the Conferees rule out selfish motives and get behind an honest-to-goodness movement for a world government—unless a real spiritual awakening develops—the groundwork for World War III is being laid at Paris.

Roger W. Babson

Big Cities Death Traps

After talking to men who have studied the disaster of Hiroshima and Nagasaki, I believe that some of our great cities will become death traps in the next war. Unless there is a decided change for the better in the working of men's minds, young people should make plans now to move their homes and business to small communities over 25 miles from any large city. The best situations should be self-contained communities with populations under 25,000 and located away from the seacoast.

In a report of the Civilian Commission to President Truman on the results of the Bikini tests, it was clearly stated that "distance is the best defense" against attack by A-bombs. Our present setup of production concentrated in huge centers of population makes us as vulnerable as a "sitting

(Continued on page 1945)

Broker-Dealer Personnel Items

(Special to THE FINANCIAL CHRONICLE)

ASHEVILLE, N. C. — **Charles T. Rawls, Jr.** is with **McCarley & Co.**, Vanderbilt Hotel.

(Special to THE FINANCIAL CHRONICLE)

ATLANTA, GA. — **James L. Starnes** has been added to the staff of **Courts & Co.**, 11 Marietta Street, N. W.

(Special to THE FINANCIAL CHRONICLE)

BOSTON, MASS.—**Gustave H. Johnson** is now affiliated with **Clayton Securities Corp.**, 82 Devonshire Street.

(Special to THE FINANCIAL CHRONICLE)

BOSTON, MASS.—**G. Glen Potter** and **Joseph P. Walker, Jr.** have become connected with **Merrill Lynch, Pierce, Fenner & Beane**, 10 Post Office Square.

(Special to THE FINANCIAL CHRONICLE)

BOSTON, MASS.—**Rudolph F. Whitelegg** has become associated with **F. L. Putnam & Co.**, 77 Franklin Street.

(Special to THE FINANCIAL CHRONICLE)

BOSTON, MASS. — **Mario D. Bianchi** has been added to the staff of **P. de Rensis & Co.**, 10 State Street.

(Special to THE FINANCIAL CHRONICLE)

CHARLOTTE, N. C.—**Joseph H. Woodruff, Jr.** has been added to the staff of **Louis G. Rogers & Co.**, Johnson Building.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL. — **Morrell F. Trimble** is with **Paul H. Davis & Co.**, 10 South La Salle Street.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL. — **Stuart B. McGuire** and **Charles J. Spletter** have become connected with **F. S. Moseley & Co.**, 135 South La Salle Street, after serving in the U. S. Navy.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL.—**Jack C. Bergstrom** has become affiliated with **Voss, Blair & Co.**, 29 South La Salle Street.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL. — **Harry T. Scott** is now with **Mason, Moran & Co.**, 135 South La Salle Street.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL. — **John E. Crowley** has become connected with **Riter & Co.**, 134 South La Salle Street.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL. — **Ralph W. Hayden** has been added to the staff of **Paul H. Davis & Co.**, 10 South La Salle Street.

(Special to THE FINANCIAL CHRONICLE)

CINCINNATI, OHIO—**Martin S. Harman** has joined the staff of **Nelson, Browning & Co.**, Carew Tower.

(Special to THE FINANCIAL CHRONICLE)

CINCINNATI, OHIO — **Edward B. Back** is with **Slayton & Co., Inc.** He was formerly with W. E. Fox & Co.

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, OHIO—**Robert B. Wick** has joined the staff of **McDonald & Co.**, Union Commerce Building.

(Special to THE FINANCIAL CHRONICLE)

COLUMBUS, OHIO—**Robert R. Osmun** is with **Sweney, Cartwright & Co.**, Huntington Bank Building.

(Continued on page 1975)

'Pigs Is Pigs'!

(Continued from page 1931)

Payment by results—the so-called progressive piece-rate system—under which each increase in output above the standard norm is paid according to a scale of progressive rates—is to be made even more comprehensive than hitherto. An even higher proportion of the national wages bill is to consist of bonuses and an ever smaller proportion of fixed wages and salaries. The anti-egalitarian tendency of wages policy is even more marked than it was in previous Five-Year Plans.

This would certainly indicate that the national minimum guaranteed wage of the Soviet wartime worker was not considered effective as an incentive device, and was out of keeping with the present drive for efficiency and greater production. At a time when the annual wage is being groomed by U. S. laborites for candidacy as labor's next achievement, this too looks as if the left and right shoe were each on the wrong foot.

Further suggestion of a "laissez-faire" wolf in Russian caracul is the new Plan's abolition of the rationing system. Since this obviously cannot be done on the basis of adequate production and an abundance of consumer goods, the only way to interpret it is in regard to wage, rather than food or price policy. It is the corollary to the piece-rate pay system:[4]

Higher production per man-hour is to be stimulated not only by the positive promise of more premiums and bonuses for those who produce more but also by the negative threat of less than a minimum wage for those who fail to produce enough.

Comrade worker, it would seem is to be barbed as well as bribed to produce. Nationalized industry holds a bigger stick and no longer guarantees even a minimum carrot.

In contrast, there is now in this country such preferential legal protection for unionized action and such official sanction of higher and higher wage rates that, with a continuing price control policy, the traditional roles of the carrot and the stick have been reversed. The carrot, which industry had to offer, has already been squeezed almost to the point of total dehydration; and for all practical purposes, the stick has been given into the hands of labor.

Undoubtedly it has already been pointed out many times that the chase of U. S. "commies" after the tail of Soviet labor causes them to follow a past rather than the present Russian regime. For, while unionized labor here is currently at the "animals-chase-off-Mr. Jones" stage; the workers under the new Soviet plan seem almost to have come to the "watching-the-party" stage. It is indeed a curious cycle, and indicates as clearly as "Animal Farm" that the greatest impediment to the realization of any ideal is the human element. It doesn't seem to change as quickly as social theory or military science. It was after all the nature of the beast which ultimately produced the realistic amendments to the constitution of "Animal Farm," and which modified the tent, "All animals are equal," by adding, "But some are more equal than others."

However, if the lower animals at the window, watching their more equal comrades found it impossible to tell which was pig and which was man, at least—witnessing sight of their leaders walking upright on two feet—it was not hard to tell which had copied which.

4. Ibid.

Truman Ends Meat Price Controls

In radio address, he lays responsibility for shortages to "a few men in the Congress," who were determined to wreck price controls. Indicates that all controls, except on rents, will soon be removed and all efforts at wage stabilization abandoned. Cautions both industry and labor against actions opposed to public interest, and concludes "we can win a sound and lasting peacetime economy, with high production and prosperity such as this nation has never before known."

President Truman, on Oct. 14 delivered his scheduled radio address, in which he announced that all price controls on meat would end immediately. At the beginning of his address and throughout his remarks, he laid the blame for existing meat shortage to a "few men in the Congress who, in the service of selfish interests, have determined at some time to wreck price controls no matter what the costs may be to our people." He pointed out that under the present situation decontrol was the only remedy open to him to overcome the present meat shortage and concluded his address by making reference to the "constantly growing stream of goods," to "the present all-time high of national income, business profits, and farm income," and calling upon both industry and labor to "cooperate" in an orderly but accelerated process of lifting controls."

President Truman

The text of President Truman's address follows:

My fellow countrymen:

I wish to report to you this evening on a subject which I am sure has concerned you as much as it has me—the meat shortage and our general stabilization program.

I recognize the hardship that many of you have undergone because of the lack of meat. I sympathize with the millions of housewives who have been hard pressed to provide nourishing meals for their families. I sympathize particularly with our thousands of veterans and other patients in hospitals throughout the country. I know that our children, as well as those persons engaged in manual labor, need meat in their diet.

Many workers have been thrown out of work by the meat shortage. The by-products that result from the lawful slaughter of livestock are sorely needed. We depend upon these by-products for insulin and other necessary medicines. We depend upon them also for hides; and already some of our shoe factories are closing and workers are being laid off for lack of leather.

Many of us have asked the same questions: Why should there be a meat shortage when there are millions of cattle and hogs on the ranges and farms and in feed lots in this country? Who are the persons responsible for this serious condition? Why doesn't the government do something about it?

I assure you that these questions have been the concern of your government for many weeks. The real story is a simple one.

Places Responsibility

The responsibility rests squarely on a few men in the Congress who, in the service of selfish interest, have been determined for some time to wreck price controls no matter what the cost might be to our people.

The old Price Control Act was due to expire on June 30, 1946. As long ago as nine months before it expired, I urged the Congress to extend it right away in order to protect our people and prevent ruinous inflation. Four times more in the spring of 1946 I urged the Congress to act promptly. Each time the Congress failed and it continued to delay taking action until the very day the Act expired. Then, at the eleventh hour, the Congress passed a bill which I could not sign—mainly because of the Taft and Wherry profiteer-

(Continued on page 1972)

Meat and Politics

By B. CARROLL REECE*

Chairman of Republican National Committee

Republican spokesman scores President's decision to decontrol meat as a political maneuver. Points out Price Control Act was passed by Democrats in Congress, and says President followed radical advisers in vetoing original measure rather than advice of his party leaders. Asserts technique of Administration is to delude people through government spending, lending, planning and control, and concludes that there is an irreconcilable difference between the Republican Party and the present Administration represented by PAC-Democrat Party.

President Truman has finally and belatedly taken action designed to repair some of the damage which his Administration has done to the nation's food supply. Removal of controls on meats, announced by the President in his broadcast last evening, is obviously a step in the right direction. Therefore, the President deserves commendation for having taken it, but the tragedy of the situation is that he waited until very substantial damage had been done.

B. Carroll Reece

The nation's potential meat supply in large part was destroyed when the Administration insisted upon restoring meat controls early in September at a time when supplies were adequate and prices were leveling off. There was a last-minute rush of livestock to the markets during which many unfattened animals were sent to slaughter instead of being held for feeding as they would have been held except for the prospective reimposition of controls.

A recent survey conducted by the Republican Congressional Food Study Committee produced evidence showing that from 35 to 40% of the fall pig crop was destroyed because the farmers sold brood sows which under normal conditions, they would have held for breeding purposes. Similar conditions prevailed with respect to the cattle market.

Just as when the pump loses its prime, the water in the supply line goes back to the well, the Administration's action in September cut off our supply which had just commenced to flow to us. Now, we've got to fill the supply line all over again, and it will take probably thirty days for hogs and even longer for steers, and it will cost the people considerable money before there is again a normal supply in the butcher shops and on the dinner tables.

Meanwhile, the President's action is like locking the barn door after the horse has gone to the butcher shop.

Majority Democrats Enacted Law

Mr. Truman last night undertook to place the blame for this condition upon what he was pleased to call "a few men in Congress." To hear the President, you'd think that there were not 435 members in the House and 96 members in the Senate.

It still takes a majority of both branches to enact legislation in the Congress. Just to keep the records straight, I want to point out that in the Congress which passed the OPA bill Mr. Truman's own party had substantial majorities in both the Senate and the House. The bill was passed by Democrat votes. When the bill was finally passed in the Senate, 41 Democrats voted for it and only eleven Republicans; 22 Republicans voted against it and only four Democrats voted "no." In the House 119 Republicans

*A radio address made by Mr. Reece, night of Oct. 15, 1946.

Bank and Insurance Stocks

By E. A. VAN DEUSEN

This Week — Bank Stocks

Third quarter statements of New York City banks more or less fulfilled expectations. Indicated earnings for the most part were below those of the 1945 third quarter, though there are a few exceptions. The following tabulation gives the figures for a group of seventeen leading institutions, including a comparison of book values.

TABLE I

Bank—	Indicated Earnings 3rd Quarter 1945	Indicated Earnings 3rd Quarter 1946	Book Value 9-30-1945	Book Value 9-30-1946	Asked Price 10-11-1946
Bank of Manhattan	$0.64	$0.58	$29.85	$31.25	29¼
Bank of New York	9.36	6.06	431.69	444.20	395
Bankers Trust	0.74	0.64	47.28	48.57	44¼
Central Hanover	1.50	1.50	106.46	114.13	103½
Chase National	1.19	0.76	40.69	42.18	38¾
*Chemical Bank & Trust	0.93	0.78	46.66	41.24	46¾
Commercial National	1.24	1.06	54.05	56.55	41
†Continental Bank & Trust	0.54	0.40	25.42	23.56	19½
Corn Exchange	1.24	1.37	52.73	55.55	56
First National	30.06	23.50	1,320.46	1,352.74	1,675
Guaranty Trust	6.26	5.40	344.79	355.15	315
Irving Trust	0.33	0.33	22.12	22.60	17⅜
‡Manufacturers Trust	1.09	1.34	54.06	57.03	55
§National City	0.75	0.69	42.80	46.22	41¾
New York Trust	2.03	1.87	91.68	103.98	96
Public National	1.25	1.35	49.00	51.24	40¾
U. S. Trust	8.08	9.77	765.16	769.64	730

*Based on 2,000,000 shares in 1945 and 2,500,000 in 1946.
†Based on 400,000 shares in 1945 and 500,000 in 1946.
‡Reported earnings; adjusted for capital changes.
§Includes City Bank Farmers Trust.

Substantial gains in book values over a year ago have been achieved by all banks, when allowances are made for the 25% stock dividends of Chemical and Continental. Stocks of all banks except Chemical, Corn and First National are currently selling at substantial discounts from book values.

A few banks have reported nine months operating profits for 1946 compared with 1945, as shown below:

	Net Operating 1945	Net Operating 1946	Net Sec. Profits 1945	Net Sec. Profits 1946	Total Net 1945	Total Net 1946
*Chemical Bank & Trust	2.65	2.27	1.65	0.58	4.30	2.85
Guaranty Trust	14.06	15.03	Not reported		14.06	15.13
Manufacturers Trust	3.51	3.98	Not reported		3.51	3.98
†Nation City Bank	2.09	2.25	0.73	0.62	2.82	2.87
New York Trust	5.83	5.60	Not reported		5.83	5.60

*2,000,000 shares 1945; 2,500,000 shares 1946. †Includes City Bank Farmers Trust.

Since June 26, 1946 commercial and agricultural loans of New York City member banks have shown an unbroken weekly rise, increasing from $2,865,000,000 to $3,539,000,000 on Oct. 9, a new peak. On the last week of the third quarter of 1946 the total was $3,433,000,000, as against $2,301,000,000 for the comparative date in 1945.

The following table shows loans and discounts, government holdings and total earning assets of the seventeen banks as reported Sept. 30, 1946, compared with Sept. 30, 1945:

TABLE II

	Loans and Discounts 9-30-45	Loans and Discounts 9-30-46	Governments 9-30-45	Governments 9-30-46	Earning Assets 9-30-45	Earning Assets 9-30-46
Bk. of Manhattan	356,889	385,152	513,962	442,125	928,575	875,305
Bk. of New York	72,114	79,117	221,816	162,207	327,238	263,196
Bankers Trust	429,362	499,779	983,448	721,519	1,496,509	1,296,145
Central Hanover	417,876	450,106	1,011,856	810,428	1,513,227	1,318,149
Chase National	919,835	1,087,026	2,765,350	2,388,788	4,059,492	3,867,389
Chemical B. & T.	338,099	343,640	735,656	576,996	1,215,316	1,059,805
Commercial Nat.	37,018	43,842	183,405	138,385	223,637	185,116
Continen. B. & T.	65,247	54,915	67,599	74,980	152,832	149,517
Corn Exchange	45,515	62,599	543,731	557,552	621,594	644,364
First National	126,183	104,755	763,106	483,757	1,005,203	681,806
Guaranty Trust	854,414	716,219	2,006,523	1,768,219	2,992,027	2,606,637
Irving Trust	228,365	245,031	762,464	624,858	1,025,088	903,332
Manufacturers T.	395,051	521,057	1,299,070	1,225,543	1,784,384	1,827,047
National City	1,017,799	953,726	2,519,678	2,620,127	3,860,870	3,972,908
New York Trust	198,074	211,307	432,361	366,082	654,729	604,185
Public National	110,899	153,341	294,523	288,604	416,918	455,775
U. S. Trust	23,964	23,514	93,660	96,526	132,967	137,801
Totals	$5,636,704	$5,935,126	$15.198,208	$13,346,696	$22,410,606	$20,848,437

It will be observed that aggregate loans and discounts are approximately 5% higher, while holdings of government securities are 12% lower and total earning assets 7% lower. With regard to loans and discounts, it is significant that the New York City member banks show an increase in commercial and agricultural loans over the past twelve months of $1,132,000,000 equivalent to nearly 50%, and a decline in loans to brokers, etc., of $1,300,000,000 or more than 50%. Thus, it seems evident that qualitatively, from an earnings standpoint, the seventeen banks have gained more than the indicated 5% increase in "loans and discounts."

A few banks, it will be noticed, have moved against the trend. For example: Continental, First National, Guaranty Trust and National City show a drop in loans and discounts; Continental, Corn Exchange, National City and U. S. Trust report moderately higher government holdings; while Corn Exchange, Manufacturers Trust, National City, Public National and U. S. Trust show increased earning assets.

At current market prices selected bank stocks look attractive for long term investment. The above seventeen are selling at an average ratio to book values of .93 and an average dividend yield of 4.1%. Highest yield stocks are First National and U. S. Trust each at 4.8%, and the lowest yield stock is Bank of New York at 3.5%.

Equitable Securities & Union Securities Acquire Hardware Co.

E. Norman Peterson, First Vice-President of the Equitable Securities Corporation has announced that Equitable Securities and the Union Securities Corporation have entered into an agreement for the purchase of the Moore Handley Hardware Company of Birmingham, Ala. The Moore Handley Company, one of the oldest and best known industrial trading firms in the South, was established in Birmingham in 1882. It specializes in the wholesale distribution of hardware with a marketing territory covering most of the south.

While the purchase price was not disclosed, the terms it was stated, made it one of the most important financial transactions concluded in the south this year. Mr. Peterson's announcement said that no change was contemplated in the present management or personnel of the Moore Handley Company.

James E. Toomey Opens

MOORESTOWN, N. J.—James E. Toomey, Sr., is engaging in the securities business from offices at 74 East Second Street. In the past Mr. Toomey conducted his own investment business.

Russia's Attitude Toward American Business

Socony Vacuum executive charges the Nazis and Russians successively have spoilated his company's Austrian properties. Claims USSR now is illegally exercising exclusive control over production and distribution of "liberated" Austria's oil. Charges Soviet leaving bills and taxes unpaid.

VIENNA, AUSTRIA—The following short account, as related to the "Chronicle" correspondent in Vienna by Hugo P. Rudinger, Austrian manager of the Socony-Vacuum oil company, reflects the USSR's attitude toward American business in this part of the world. Mr. Rudinger has been with the company since 1924. He is about to leave for a short visit to the United States. According to Mr. Rudinger, Socony-Vacuum has three interests in Austria: (1) the Vacuum Oil Co. has a refinery and distribution organization here; (2) Socony-Vacuum has a 50% interest in a crude oil producing company, along with the Shell company; and (3) Socony-Vacuum similarly has a 50% interest in Austrian Mineral Oil, a refining company.

"We figure our investment in these three properties as totaling $100,000,000," said Mr. Rudinger. "Our crude production company has been operating since 1935. We were largely responsible for the 'dirty work' connected with exploration and development in the Austrian oil fields at and adjacent to Zistersdorf. Hitler took over just when production was starting as a result of our four years' work.

"The Austrian mining law provided that the exploration rights should remain with the company which had done the work of development. And we had covered a large area in our work. But the Nazis were bent on expropriating our interests and formulated a new law cancelling the rights the Austrian law had given us. Then the Nazis gave concessions to persons of their own choice. Now, under the London and Moscow declarations, all these rights are supposed to be returned to us. But the Russians, citing Potsdam, are claiming the Nazi-licensed companies as reparations, so we are at present holding the bag.

"When the Russians came to Austria their War Booty Command decided what equipment should be taken to the USSR and, although property of Americans and Britishers was exempt from such Russian action, the Russians nonetheless carried off 5,000,000 schillings worth of American and British oil rigs, meters, pipes and the like.

"Practically all the Austrian assets of the Socony-Vacuum company are in the Russian zone of Austria. This applies to all three companies in whcih we are interested, with the exception of the head offices, which are in District I of Vienna, the international district. There has been no Russian interference with the head offices.

"But in the old fields and at the refineries the story has been quite different. There the Russians have at our properties both control officers and guards. Our fields and refineries are run by the Russians. While our Austrian officers may visit the fields and refineries, our American officers may not. The Russians in control fix the production and distribution programs and we have no voice in these matters. The Russians tell us just how much to produce, regardless of technical or economic considerations. And they dispose of the oil as they see fit. Often we have no idea where the oil is sent.

"The crude oil from our properties is invoiced to the Russians. It is the same with the products of our refineries. The Russians determine what refined products are to be produced and where they are to be shipped. Like the crude oil, the refined products are billed to the Russians.

"Since early this year the Russians have been short of Austrian money and have not paid their invoices for oil and petroleum products deliveries from our properties. They now owe us 22,000,000 schillings, forcing us to ask the Austrian financial authorities to unblock funds which we have on deposit in the banks. That money, like deposits generally, was blocked as part of Austria's monetary switchover from reichsmarks to schillings and as part of the government's effort to avoid inflation. By the device of the Russians, that purpose tends to be circumvented in the manner just described. But even if we get all our blocked funds unblocked, only ten weeks' funds are on hand in our accounts.

"The Russians have established here a Mineral Oil Administration. Theoretically, they should pay for the crude and refined products they buy and in turn collect from those to whom they sell the products. However, while as described they are not paying their bills, their policy toward their customers is quite different. In allocating oil and oil products to the various Austrian zones the Russians demand pay in advance! Also, in fixing the price of the products so sold, they add a handsome and unearned profit of about one-sixth.

"Another thing: the Russians collect the Austrian mineral-oil tax without paying it over to the Austrian Government.

"When the Russians release oil products to the Austrian Government, they prevent the use of old-established distributing companies such as ours, in the Russian zone, and in Vienna as well. They insist, rather, that the former German—and now Soviet-controlled companies—be used, although their pump and other distribution facilities are utterly inadequate. So you see peasant carts coming into town to haul away gasoline, a few barrels at a time. Our distributors are being frozen out.

"Latterly, the Russians have set up a new distribution company which has not yet started to operate. It probably will try to get into distribution in the American, British and French zones of Austria. There is no doubt of Russia's desire to freeze us out.

"On Sept. 17, 1946, an Austrian law for the nationalization of a number of industries went into effect. The list includes all oil-producing and refining companies. However, before the law was passed, namely, on Sept. 7, the Austrian Government officially assured the Allied Council that with regard to properties of United Nations nationals the execution of the law would be suspended until compensation could be provided. This, in Austria's present circumstances, is an eventuality not visible and therefore we are not worried about nationalization.

"As compared with our $100,000,000 investment in Austria, the British estimate their oil investments in Austria to total between $100,000,000 and $150,000,000."

Cooley & Co. Adds Wm. Lyon & F. Miller

HARTFORD, CONN.—William D. Lyon, Jr. and Frank Miller have become associated with Cooley & Co., 100 Pearl Street, members of the New York Stock Exchange. Mr. Lyon in the past was with B. J. Van Ingen & Co. Mr. Miller was with R. F. Griggs & Company.

Daniel Reeves & Co. New NY Exchange Firm

BEVERLY HILLS, CALIF. — Daniel Reeves & Co., has been formed with offices at 271 South Beverly Drive. Partners of the new firm are Daniel F. Reeves, member of the New York Stock Exchange; Charles T. Jawetz, and Thomas Cerny, Jr. Mr. Cerny and Mr. Jawetz are partners in Rawson Lizars & Co. of Chicago.

John Anderson Rejoins Harold E. Wood & Co.

ST. PAUL, MINN.—John H. Anderson has rejoined Harold E. Wood & Co., First National Bank Building. Mr. Anderson has recently been in business in Mexico City and has served in the armed forces. Prior thereto he was an officer of Charles K. Morris & Co. of Chicago and of Harold E. Wood & Co.

Richard Moxley Dead

Richard I. Moxley, a member of the New York Curb Exchange for many years, died suddenly yesterday at the age of 50. Born Sept. 19, 1896, Mr. Moxley resided at 700 Ocean Avenue, Brooklyn, at the time of his death.

Mr. Moxley as a boy was an employee of a brokerage firm on the old outdoor Curb Market when the stock traders carried on their business in Broad Street. He became a member of the Curb Exchange on Feb. 26, 1919, some two years before the exchange moved indoors. He was also a member of the Downtown Athletic Club, Columbus Council of the Knights of Columbus and the B. P. O. Elks.

Mr. Moxley is survived by his brother, Nelson J. Moxley, also a member of the New York Curb Exchange, and two sisters, Mrs. S. B. Edwards and Mrs. Irene Torresson.

Railroad Securities

There has been some press comment recently, and a comment by one of the large financial statistical agencies, on the subject of the unfavorable market results to stockholders of New York, Chicago & St. Louis of their refusal to accept the merger terms offered by Chesapeake & Ohio about a year ago. The statistical agency pointed out that while Chesapeake & Ohio common had declined only 12% since the plan was abandoned on Oct. 30, 1945, the Nickel Plate preferred had dropped 36% and the Nickel Plate common 38%. What all of the commentators fail to note in their sympathy for holders of Nickel Plate securities is that Pere Marquette common stock in the same period declined 37% or about in line with the performance of the Nickel Plate securities.

Holders of the Pere Marquette common were sagacious enough to accept the terms offered them by Chesapeake & Ohio but, still, marketwise have fared no better during the last eleven and a half months than have the recalcitrant holders of the New York, Chicago & St. Louis securities. On the other extreme, it is notable that the Pere Marquette prior preference stock has been measurably more stable than even the Chesapeake & Ohio common, declining only 8% from the level of Oct. 30, 1946. Presumably applying the same reasoning as that applied to the sharp decline in Nickel Plate securities, this better action of Pere Marquette prior preference would indicate that it had been treated too liberally in the merger proposal, at the expense of the Chesapeake & Ohio stock. Actually, that is not the case just as the drop in Nickel Plate securities does not support the implied contention that the declines can be traced directly to the failure of the holders to accept a "most liberal" exchange offer.

To a large extent the poor market action of Nickel Plate securities, and particularly the preferred stock, has been due to the continuation of what most railroad analysts agree is a far too conservative dividend policy. At the same time that the management of the affiliated Pere Marquette has found it feasible to continue the prior preference stock on a regular $1.25 quarterly basis dividends on the Nickel Plate preferred have been, to put it charitably, erratic. There was a dividend of $3.00 a share paid last January and one other disbursement of $1.00 a share in mid-April. It is hardly to be wondered at that with two such divergent dividend policies the Pere Marquette prior preference stock should have acted better marketwise than the New York, Chicago & St. Louis preferred even without giving any consideration to the prospect of either being merged into the Chesapeake & Ohio.

Purely on a statistical basis, if there had been no outside considerations such as the mergers, sound managerial policies would far better have supported resumption of regular dividends on the Nickel Plate preferred than on the senior Pere Marquette stock. Nickel Plate, whose charges have never been so burdensome as those of Pere Marquette, has done by far the better job in eliminating debt and reducing charges. That the Nickel Plate credit is better is obvious from the fact that its 3¼s, 1980 sell at the same price as the higher coupon Pere Marquette bonds of the same maturity even though the latter obviously get some support from the proposed merger. On a financial basis the roads stack up pretty well the same—in each case recent net working capital was equivalent to more than five years' fixed charges. That Nickel Plate is not strapped for cash is obvious from the fact that it has asked I.C.C. permission to use more than $5,000,000 to purchase Wheeling & Lake Erie common stock from Chesapeake & Ohio.

On an earnings basis the Nickel Plate preferred is far more entitled to dividends than is the Pere Marquette prior preference. Last year's earnings on the Nickel Plate preferred amounted to $22.42 a share and this year the earnings will amount to at least $14.50. The 1935 earnings on Pere Marquette prior preference stock amounted to $19.10, which was not far below those of Nickel Plate preferred, but it is doubtful if 1946 earnings will run much more than half the Nickel Plate showing. To the unbiased eye there seems to be little question but that the divergent market action of Nickel Plate preferred and Pere Marquette prior preference (the latter has acted better than Chesapeake & Ohio common) is not due so much to the fact that the merger of Nickel Plate with Chesapeake & Ohio was dropped as to the fact that the Nickel Plate preferred has continued to be denied its dividends. As to whether or not there has been some connection between the rejection of the merger terms and the withholding of dividends is, obviously, impossible to say. Considering the financial position, current earnings, and earnings prospects of the Nickel Plate, however, it is generally considered that establishment of a regular $6.00 rate at least can not be much longer delayed.

Halsey, Stuart Offers West. Md. Trust Ctfs.

Halsey, Stuart & Co. Inc. and associates won the award Oct. 15 of $2,740,000 Western Maryland Railway 1¾% equipment trust certificates, Series K, and immediately re-offered them, subject to Interstate Commerce Commission approval, at prices to yield from 1.10% to 2.00%, according to maturity. The certificates, which mature $274.000 annually from Nov. 15, 1947 to 1956, inclusive, are being issued under the Philadelphia plan. Associated with Halsey, Stuart & Co. Inc. in the offering are: Otis & Co.; Putnam & Co.; Julien Collins & Co.; First Michigan Corp.; Alfred O'Gara & Co.; The First Cleveland Corporation, Thomas & Co. and F. S. Yantis & Co., Inc.

The certificates are being issued to provide for approximately 80% of the cost of the following new standard-guage railroad equipment to cost approximately $3,430,600: six Diesel road switchers; 200 steel sheathed box cars; and 600 coal cars.

Oran W. Morrissey Opens Own Investment Company

INDIANAPOLIS, IND.—Oran W. Morrissey has formed O. W. Morrissey & Company with offices in the Fletcher Trust Building to engage in the securities business. Mr. Morrissey was formerly a partner in Cochran, Morrissey & Co.

Public Utilities

(Continued from page 1931)

on the current price would be nearly 8%, which would seem a generous return for a stock of this caliber; but of course the possible delay in the adoption of a permanent dividend rate makes it necessary to "discount" the anticipated result marketwise.

Turning to Niagara Hudson Power, we note that while the company has made substantial progress with its system integration problems much work still remains to be done. The western half of the system, formerly controlled by Buffalo, Niagara & Eastern (a sub-holding company) has been merged into an operating unit, Buffalo Niagara Electric. But in order to effect this merger and retain its full equity interest, Niagara Hudson had to incur a substantial bank loan (now $40,000,000). The SEC wanted it to dispose of the western company ("Bennie") by November 1 this year, possibly because the overall system is considered too large and insufficiently integrated. However, the company recently applied for a petition to merge all operating units with the implication that the holding company would later be dissolved (presumably some operating company stock would be sold through rights or otherwise, to retire the bank loan and preferred stocks, including moderate arrears).

Space is not here available to make a study of future pro forma earnings. In the 12 months ended June 30, about $1 per share was earned but this did not reflect the full benefits of current tax savings, and it is after some special charges imposed by Commission regulations. One Wall Street analyst a few months ago estimated future earning power at a substantially higher figure, but it is difficult to make any forecast without knowing how much can be obtained per share for "Bennie" or for the new consolidated company when part or all of the stock is liquidated. If the company gets a reasonable market "break" the eventual share earnings might prove somewhat higher than those of Columbia Gas, and its dividend-paying ability commensurately larger. However, since it might take from one to three years, at a guess, to clear up all remaining questions with the SEC and the New York Commission, there may be a fairly long wait for dividends. Columbia is already paying at least a moderate dividend, and may decide on a "permanent" rate before Niagara has cleared up all its problems. This factor doubtless tends to explain the fact that the two stocks sell around the same level—the market is balancing Columbia's current dividend and good dividend prospects against Niagara's larger potential earnings coupled with possible integration delays.

Buckley Bros. Open Branch In Beverly Hills, Calif.

BEVERLY HILLS, CALIF. — Buckley Brothers has opened a new branch office at 321 South Beverly Drive. Managers of the new office are Austin Fox and Eugene Ellery, Jr.

See Railroad Retirement Act Taxpayers' Burden

W. C. Everett, of Winslow, Ariz., writes "Chronicle," Act is Utopian dream legislating indirect wage increase, exploiting users of railroad transportation and the general taxpayer.

Editor, Commercial and Financial Chronicle:

Since the general election of Nov. 7, 1944, I can't help but think that possibly the United States is getting set for a dose of the "South Sea Bubble."

At that election six western states submitted to the voters a Constitutional amendment providing for $60 at 60, financed by a gross income tax of 3%—and the voters turned it down by about 2 to 1. The $60 at 60 is a variation of the Townsend plan—every citizen reaching age 60 was to receive from the state $60 per month to be spent promptly.

But the Congress of the United States passed the Social Security and the Railroad Retirement Acts. (Railroad Retirement Act is financed by a 3½% payroll tax on the companies and 3½% gross income tax on the employees up to $300 per month earnings sweetened by 3% interest on the funds, paid by the Federal Government.) And Boards of Directors are busy getting approval from their stockholders for putting into effect, pension plans for the officials of their various companies.

Now let's look at the reality of the Retirement Act.

The pension plans of the railroads under the rate structure prior to 1937 was getting to be a heavy burden due to the young employees becoming old — the same thing the Fraternal Insurance Companies ran into earlier —but under the Act the railroads now pay into the fund less than half.

The employees receive a government annuity for which they pay less than half.

The general tax-payer makes up the difference through Federal taxation.

The railroads like the Act because they have ditched more than half the cost of their pensions; the employees because they are getting a lot for a little and have taken the pension out of the hands of the companies who sometimes used it as a club in the case of strikes, or stopped payment at their will; the politicians because of the jobs the administration of the Act required, thereby building up a greater political machine with its accompanying patronage.

Regardless of the propaganda around, this Act is nothing but a Utopian dream for the long view, human nature being what it is. If an injustice should be corrected why do it in this roundabout way? Why not correct instead, what is wrong?

The Act is a legislated indirect wage increase exploiting the users of railroad transportation and the general taxpayer.

If everybody came under a pension Act we ought to see that we could only get back what was put into the Fund less costs of administration. We'd actually have more if we had no pension Act then. The costs of the administration of the Act are very great both to the government and to the railroads—regardless of the statements that costs are negligible. Keeping track of the earnings of all the workers in the U.S.A. till they are 65. What a costly job!

Another point is, where is the stable government that will see that the worker isn't robbed by manipulation of his money. The present pensions have been greatly reduced in purchasing power by the 18½c per hour wage increase granted a few months ago, and the end isn't yet. Our government (politicians) receives the pension funds, issues its bonds (I O U) and uses the money currently. This gives the government enormous amounts to spend today upon its promise to replace sometime in the future. And what is the record of governments in finance on long term futures?

An example of one of the "wrong things" is for instance the Silver Purchase Act, levying tribute upon the people of the forty-eight States for the benefit of the six or seven silver States, and incidentally upsetting the economy of China and India. The Chinese farmer has to produce more wheat to get the same amount of silver. That Act has cost of the people of the U. S. A. billions so far. And hardly anybody knows about it.

The people of the United States have gone insane over what government can do. Government is our neighbor, with only our neighbor's ability, backed by a bayonet—but because we call him government we grant him omniscience—but he hasn't it. He is just another two legged man.

A long time ago man got it into his head that he was God. 2242 B.C. They lived in a pleasant valley, got tired of sweating to earn their bread and decided they might as well walk into Heaven so proceeded to build themselves a tower by which to do so. Apparently HE didn't like this type of thinking, so came confusion of tongues, building of the Tower could not be continued, and the people were scattered and driven out of their valley.

Today too many of us think we can legislate ourselves into Heaven.

Yours truly,
W. C. EVERETT.

Urge Jobs For Handicapped

On the eve of "Employ the Physically Handicapped Week," proclaimed by President Truman to start on Oct. 6, Federal agencies announced plans for a coordinated program to be worked out in collaboration with the States to bring to the notice of the American people the importance of reducing the $3,000,000,000 annual cost of maintaining the physically handicapped by finding jobs for them. James Forrestal, Secretary of the Navy, according to a dispatch to the New York "Times" from Washington, told of the Navy's employment of handicapped persons which "extends throughout the year, around the clock." He said, "In its yards, shops and offices are many physically handicapped persons, among them some of the nation's bravest fighting men, whose injuries were incurred in combat." The Labor Department's Administrator of Retraining and Employment, Maj. Gen. Graves B. Erskine, U.S.M.C., declared that "The disabled veterans who paid for our safety with their blood and flesh, and the handicapped workers who contributed materially to the success of our war efforts must not be the forgotten men and women of the postwar world."

In New York Governor Thomas E. Dewey asked the people of the State to join in the national campaign to encourage employers to find employment for the physically handicapped. Charles G. Bote, National Chairman of the American Veterans Committee, stated: "Surveys show that not only can handicapped workers perform capably in more than 90% of all jobs, but that disabled workers are more productive than normal employees."

End of Britain's Silver Coinage

(Continued from page 1929)

ized that bimetallism is dead in this country.

Britain produces no silver, and the silver output of the British Empire is negligible. No British interest is attached to the maintenance of the value of silver at a relatively high level through demand for monetary purposes. It is true, India has vast hoards of silver. But India is on the point of breaking away from the British Empire—the new government of Pandit Nehru did not send representatives to the Imperial Trade Conference that is held in London —and there is no need therefore for Britain to shape her policies with an eye on major Indian economic interests.

Nor do the economic arguments in favor of bimetallism carry any conviction in Britain. They were a matter of opinion so long as the volume of currency and credit in Britain depended on the amount of its gold reserve. Many people felt then that the inclusion of silver among the monetary metals would be a welcome change as it would make for credit expansion and would make the system more elastic. Britain managed, however, with a single metal for over a hundred years, and since 1914—apart from the brief interlude of 1925-1931—it managed entirely without a metallic basis.

If there is one thing certain in this world of economic uncertainties, it is that, having adopted a scientifically managed monetary system, this country will never return to a system under which the volume of its currency and credit depends on changes in the amount of its metallic reserve. Britain will never be either monometallist or bimetallist.

In any case, silver materially declined in importance even as a token money during the inter-war period, when the silver content of the coins was drastically reduced. Until then the nominal value of the coins was only slightly higher than their metallic value; in fact, during the short-lived silver boom that followed the first World War, for a short while the bullion value of these coins rose above their nominal value. Thus the illusion that the silver coins, though not legal tender beyond a small amount, have full intrinsic value, was maintained. Since, however, the silver content was materially reduced, and the new coins, after a few years' wear, showed only the clear evidence of their inferior quality, that illusion disappeared.

Nobody could possibly argue that it is necessary for token moneys to retain part of their metallic value. Since 1931 the intrinsic value of the pound notes has been less than that of the paper on which they are printed. In such circumstances it may well be considered absurd that some of the token moneys should still retain a fair percentage of their metallic value. Evidently coins made of cheap metals, and containing metals produced in the Empire, would do just as well.

It is difficult to foresee how much silver the government will obtain through the operation. It depends on the response of the British public. Quite possibly a large percentage of the old coins with high silver content, and a smaller percentage of the new coins with lower silver contents, will disappear in hoards. Even so, every little helps, and in any case the reform will obviate the necessity for importing fresh silver for the requirement of the token coinage. The British public is used to putting up with austerity measures, much harsher than having to grow accustomed to a new and less popular coinage.

Central Bank Proposed For Dominican Republic

It is learned from Ciudad Trujillo advices (Associated Press) Oct. 8 that President Trujillo on that day sent a message to the Congress proposing a constitutional amendment for the creation of a Central Bank and the reorganization of the present monetary system. The Associated Press account, as given in the New York "Journal of Commerce," further said:

"Under his plan the country would have national currency on the gold standard, but the change would be accomplished gradually and the Central Bank would have a 100% gold reserve.

"According to the proposed plan the Bank would be managed by an autonomous monetary commission, made up of members chosen from various economic fields.

"President Trujillo said in his message that the monetary reform would increase the yield of national resources, allowing for the refunding of the external debt, estimated to be 8,000,000 pesos by the beginning of next year."

Mutual Funds

Dumb Like A Fox

Whatever personal feelings one may have had toward the late President Roosevelt (or toward the financial policies of his Administration), even a rudimentary acquaintance with his background and "contacts" would make it obvious that in the matter of investment advisers he had access to some of the shrewdest financial brains in the country.

Mr. Roosevelt left an estate of nearly $2,000,000 and in view of the foregoing the various items comprising his temporal accumulations should be of more than passing interest to investors. Here is the list.

	Percent of Total
Real Estate	7.5%
Mtges., Notes & Cash	13.3
Bonds	10.9
Preferred Stocks	9.5
Common Stocks	58.8
Total	100.0%

Psychiatrists will probably note first the percentage invested in bonds and will likely inquire further as to what portion of this relatively minor category was represented by government bonds. Investors will be more interested in the "balance" between the various categories, and particularly in the fact that the common stock portion was diversified over 85 different issues.

In analyzing Mr. Roosevelt's estate, **Vance, Sanders** current "Brevits" comments as follows:

"Despite broad diversification, however, the tax appraisal revealed a weakness which is fairly typical of a great many such lists of investments. Among the many individual issues, most of which represented sound, well situated companies, there were some 16 securities which had become worthless. Because investors never buy worthless securities, it follows that they become worthless while owned. This, of course, indicates a lack of adequate supervision which is often characteristic of the investment accounts of people who are busily engaged in other activities. Such supervision, however, is available at a very moderate cost; and when compared to the 'cost' in terms of losses on securities which become valueless, the amount is negligible."

Another interesting item for historians and investors alike was that the 11th largest common stock holding in the late President's personal estate was **Massachusetts Investors Trust.**

More About Balanced Funds

Reports on the performance of several balanced funds in the recent market break and on their current investment policies with respect to the use of cash reserves are coming to hand. **Wellington Fund** and **George Putnam Fund** are representative. They both had about 27% of assets in cash and cash equivalents before the break. Adding back dividends paid, they both showed a net decline of approximately 15% in net asset value per share from their 1946 peak to the recent low point. On a comparable basis, the Dow-Jones Composite Average was off about 24%. The managements of both funds report that they are now increasing their equity holdings in modest amounts.

In a refreshingly frank letter to dealers the trustees of George Putnam Fund state that while they had been following a cautious investment policy for some time, "the suddenness and the severity of the recent break was as much a surprise to us as to other people." They go on to make a point which is so obvious that it seems continually to escape a great many people.

"The one great lesson to be drawn from these past few weeks—and this applies to investors, managers and dealers—is the importance of a well balanced investment position. Once again events have shown how difficult it is to read the future. The only sane protection, as far as the investor is concerned, is to have *at all times* a well balanced position.

"Such a program will not save the investor from some capital shrinkage during a period like the past few weeks, but it will allow him to sleep nights—and this applies also to the investment dealer and the salesman."

Tradesmen's Nat. Bank Appoints Asst. Cashiers

PHILADELPHIA, PA. — The Tradesmen's National Bank and Trust Company of Philadelphia announces the appointment of Herbert Lomax and Edward D. McCarron as assistant cashiers.

Mr. Lomax has been with the bank since 1931 and is a graduate of Harvard University and the Graduate School of the American Institute of Banking. Mr. McCarron has been with the bank since 1927 and is a graduate of the Wharton School of the University of Pennsylvania. He has also completed a number of courses in the curriculum of the Philadelphia Chapter of the American Institute of Banking.

Returning to a Buyer's Market

(Continued from page 1928)

ing "bust." What I mean when I use the phrase is that this first postwar business cycle is one of high inventory demand, large money supply, and rising prices, to be followed by a sharp downward readjustment before the economy levels off for its longer term postwar period. In other words, I am using "bust" as being similar to 1920-21, although less extreme, and bearing no relation whatsoever to the great depression between 1929 and 1932.

There is not time enough to do more than give you a general indication of why I believe developments will be as outlined above.

First of all, why do I believe that a peak in business activity will come early next year?

The reason for this is keyed in with the inventory picture. This first postwar business cycle is mainly an inventory replacement boom. Production is at a high level and prices have shot upward. Inventories have already begun to gain. Retail stocks are going up, consumers are showing price resistance, and retailers' commitments are too large.

If production and prices were maintained throughout 1947 at the levels they will reach by the end of this year, inventories would be overwhelming by the end of next year. It seems to me to be simple logic that production or prices, or both, will have to decline some time in 1947. I estimate those declines at between 20 and 30%. That would be an important business readjustment, but not as drastic as in 1921 and nothing like the one that began in 1929.

Why do I believe there will be a 3 to 5 year period of high level business activity after next year's readjustment?

The reason for this belief is somewhat harder to summarize briefly. My own organization has made many studies of the business outlook. These have continued over a long period of time so that we have had a chance to check our results as much as possible by approaching our conclusions from all possible directions, and by discussing our conclusions with qualified people of all shades of opinion.

Let me just say briefly that certain forces were generated by the war, chief of which were an increase in the money supply and an accumulation of demands. In practical terms this will, at the proper time, translate itself into high level activity in two basic industries—automobiles and building. A third basic industry—textiles and apparel—will operate at a unit volume substantially above the prewar level. Finally, capital investment will bear a relation to business activity much closer to that of the twenties than to that of the thirties—an additional stimulating prospect.

Sellers' Markets Now Changing

To summarize the business outlook from your point of view, I would say this:

1. Sellers' markets are already changing. Some items are still quite scarce but over-supplies of others are beginning to appear.
2. Many manufacturers have been slow to realize this change. They have kept on producing the wrong thing and there already has been a rise in business mortality in some fields.
3. More intelligent sellers, even in areas of tight supply, have already begun to look ahead to more competitive conditions.
4. The final death knell of sellers' markets generally will come some time in 1947, when there will be a sharp recession in wholesale prices and total production.
5. Advertising has already experienced a readjustment from wartime conditions. Since early this year, big advertisers have scrutinized their budgets, in many cases reducing them at least temporarily, and quite frequently revamping their longer-term policies for the postwar period.
6. By not later than the first half of 1948, the first postwar business decline should have been completed and marketing people will begin a 3 to 5 year period during which the scope of marketing services will expand to new high volume.

Marketing People Should Begin Now to Build for the Future

The intelligent businessman knows quite well that no one can predict future developments exactly as they will occur. Even when we business forecasters succeed in being generally right, it is most difficult to decide exactly when certain developments will begin to appear. There seems to be no exception to the rule that the only way to be ready when the time comes is to get ready ahead of time.

By this I do not mean to imply that marketing people have nothing to do from now until some period that may be 12 to 18 months ahead of us. On the contrary, there is an immediate service to be performed, a most important one, one for which marketing research should provide a most valuable help. That is the problem of pricing.

What is happening at the moment is that many producers are pricing themselves out of their markets. I know the difficulties they encounter. Wage rates keep going up and the same thing is true of many raw materials. Nevertheless, an increasing number of manufacturers is finding out that the large volume of accumulated demand, even where it exists, shrinks rapidly as prices advance.

It seems most important to me, particularly during this interim period of the next 12 to 18 months, that marketing people should understand that there are two phases of demand.

The first phase is what might be called the frantic fringe and consists of a group that will come in and buy a given commodity at any price.

The second phase includes all the rest of the demand that accumulated during the war period, but consists of a group of people who cannot afford to pay unlimited prices, or who rebel against paying them, and who will wait until they can get the item they want at a reasonable price before they make their purchases.

These two phases of demand are present to a greater or lesser degree for many items. The need for homes, new automobiles and refrigerators has been widely publicized. There is also an accumulated demand for such items as men's clothing and many staple textile items.

In all of these items there is a frantic fringe and there is a good solid backlog of replacement demand. The frantic fringe has kept the current boom going, and will keep it going longer for some items than for others. But its size is being reduced by rising food costs as well as by high prices for automobiles, refrigerators, sheets and men's suits. Sooner or later it will be exhausted, manufacturers will have to get costs down, retailers will have to liquidate high-priced inventories and wholesale prices will have to adjust themselves to a saner relation with disposable income.

Not until that time comes will producers and distributors begin to tap the solid backlog of sound replacement demand that underlies the favorable prospects for a 3 to 5 year period beginning in 1948.

It seems to me that this raises an important immediate question which comes legitimately within the field of market research.

Just how great is this frantic fringe of demand for individual items at the moment? How long will it last and how soon will it be exhausted? Anything that marketing people can do to bring light on the question will be invaluable to individual manufacturers, as well as a tremendous service to the economy as a whole.

By the time you people answer this question, if you do answer it, another one will be ready.

At what price level will the solid backlog of replacement demand be made effective? To what extent will individual models have to be changed and improved?

This question is even more important, since manufacturers and distributors will have to find an answer to it during a rather serious period of business readjustment, unless some reliable estimate can be made ahead of time.

Postwar Conditions Affecting Marketing

Research my organization has done leads me to visualize a longer-term postwar period about as follows:

1. The physical volume of goods moving to consumers will be 50 to 60% above prewar.
2. The wholesale price levels will be 30 to 35% above prewar.

If I am reasonably correct in these estimates it means that conditions generally will be favorable to you marketing people, in the same sense that total sales will be high. At the same time, it will not be too easy for manufacturers to sell individual items because competition will be intense. Floor space used for selling will be at least one-third above the prewar level. New forms of distribution will be organized. The number of manufacturers and distributors in many fields has already increased sharply and there will be a high rate of business mortality. Old competitive rivalries will be revived with even greater intensity. Mail order companies, chain stores, department stores and independent specialty stores will all compete actively for the consumers' dollars.

I believe we can draw one conclusion now that will be valid for quite a few years to come. That is, that newspaper advertising will again come back into its own. Wartime shortages of newsprint, together with the scarcity of some types of goods, has limited the importance of newspaper advertising during the war years. High tax rates, however, made advertising attractive even for those manufacturers who had nothing to sell in the civilian market. Radio and magazine advertising received a big boost. Emphasis shifted from the selling of merchandise to promotion of an institutional type. You are already acquainted with the evidence that these wartime conditions are now being reversed. *Newspapers will remain, for a long time to come, the most important medium of contact between retail distributors and ultimate consumers.*

Advertising as a Marketing Factor

Marketing is sometimes thought of as the function of the advertising agency. I think personally this is an example of the tail wagging the dog. Advertising, according to my logic at least, should be a function of marketing rather than the reverse. It is the task of marketing research to determine the acceptability of the given item and to estimate the size and character of the population group that will be its chief consumer. For the greatest efficiency, I believe you should complete the job and tell the manufacturer how the item should be promoted.

Advertising is also a marketing factor in an entirely different sense. If you had taken on a marketing research job for a cotton mill producing bed sheeting 15 or 20 years ago, for example, you would have seriously under-estimated the market if you had not allowed for the power of advertising—

(a) to stimulate the consumption of longer length sheets and

(b) to stimulate the sale of twin beds as contrasted with double beds.

These factors have both been vitally important in helping determine the sheeting yardage used per household.

It seems worthwhile to emphasize the fact that the success or failure of an advertising program in a related field may greatly influence the acceptance of a commodity in which you may be interested.

Forecasting as a Marketing Factor

Possibly my viewpoint is prejudiced, but I doubt very much that you can do a wholly effective job of marketing research without engaging in the perilous task of business forecasting. When a manufacturer introduces a commodity at a given price his position is impaired if that price proves either too high or too low. I shall assume that your type of research can succeed in determining an accurate price at any given moment of time. This is important, but from the manufacturers' viewpoint it is only half the job. If the present moment is unusual, he may find himself too high or too low during a much more important long-term period, even though your work has been completely accurate as far as it has gone.

I don't believe business forecasters like myself should engage in marketing research and I know of no marketing research agencies having a staff trained to do work of the type done by my own organization. What I am suggesting is not a competition between the two professions but a joint cooperativeness in the interest of more effective results.

The Retailer as a Marketing Factor

I feel that some marketing research people have not fully realized the importance of the retailer as a marketing factor. I have two points particularly that I should like to suggest for your consideration.

1. In many cases the retail executive can be made an instrument of market research. For some types of problems his viewpoint is, in my opinion, more trustworthy than research based on interviews with potential consumers. Furthermore, the retail store can, in many cases, be made a laboratory for market research.
2. The retailer brings a practical viewpoint to certain problems that may be particularly needed. Furthermore, the fact that the retailer is human, that he has his own prejudices, that he regards individual commodities with an eye trained to discern profit possibilities, is an important factor in the distribution of any commodity, particularly a new one in its early stages. The retailer, after all, is the man who sells the goods. He can do a great deal to make your estimates right or wrong, and the least you should do is to find out what his attitude will be.

Packaging as a Marketing Factor

As in the case of advertising, I would almost go so far as to say that packaging should also be a function of marketing and of particular interest to marketing research people. The importance of packaging is generally recognized but all too seldom analyzed.

1. It may in some cases have a direct impact on the volume of demand.
2. It may in some cases have a direct influence on profit margins and the cost of distribution.
3. It may in some cases have a direct bearing on the channels of distribution through which a commodity can be sold.

As an example of the last point, which I believe is generally less recognized than the first two, I may again mention sheets. An unpackaged sheet involves problems of handling that limit its sale to mail order business or to regular line retailers. Put the same sheet in the proper package, however, and it immediately becomes possible to sell it in filling stations, drug stores, variety stores or almost any other form of outlet.

Preparing for World War III

(Continued from page 1938)

duck" to the attacks of any enemy.

Atom War Inexpensive

Let no one be fooled into thinking that other nations will not soon be well stocked with A-bombs. Russia is reported to be holding her first "tests" in April. It is my own view that the obstructionist and delaying tactics of Russia at the Paris Conference are due to her desire to hold up the final peace treaties concerning the Dardanelles, etc., until she is able to manufacture atomic weapons. Until Russia can turn out a satisfactory A-bomb, she surely is at a "trading" disadvantage.

It might take only about 1500 of the A-bombs to wipe out our capacity to carry on war! Compare that figure of 1500 bombs with the air raid efforts of World War II. Daily and nightly raids of 1000 planes were made. Each plane load ran from 3-8 tons of TNT bombs. Yet, many European cities were only partially destroyed. If A-bombs should cost one million dollars each, the total bomb cost for some enemy to wipe out most of the productive capacity of the United States would be only about a billion and a half dollars. It cost us that much to fight less than one month in the last war!

Selection Most Important

These are the plain statistics that make me so worried about the present location of our productive capacity. That is why I have advised my clients and my grandchildren to move to small interior cities and there set up their businesses. To be sure the area chosen should be self-sufficient for an extended period of time. Transportation will be cut off in the next war. That means that access to water, fuel, food, etc., should be very handy.

In answer to my pleas to decentralize I have received many letters. Most of these have been most helpful. One of the most constructive was from a good friend in Oswego, Kansas, Editor of the "Democrat." He points out the desirable features of his community for all who are sincere about protecting themselves against an A-bomb war. I am leaving here this week to call upon him.

Concrete Suggestion

If people write me about other places they should stress the ready availability of large food supplies from adjacent farms, plentiful spring water supply, stand-by electric power, easily mined nearby-coal veins, and the number of natural gas wells, all in the immediate vicinity! This is exactly the type of opportunity that I have in mind when I say "Decentralize before it is too late." There must be many such attractive spots in America that would appeal to men of vision and courage. I should like to hear from such localities.

George C. Reynard Dead

George C. Reynard, formerly in the brokerage business in New York City, died at the Hotel Sumter, Charleston, S. C., of which he was manager. Mr. Reynard after World War I was with several securities firms in New York and was a branch manager for A. M. Kidder & Co.

Canadian Securities

By WILLIAM McKAY

An exaggerated swing in either direction produces its own correction. The bull market in securities on both sides of the border having been pushed beyond a logical peak was ripe for the recent rude adjustment. This in turn induced a degree of pessimism which was not justified by the facts. It is becoming increasingly clear that only a modicum of strong capable management is required in order to set the economic machine on an upward course. If it were possible in addition to give full rein to the forces of free enterprise and to cut the mesh of strangling restrictions the transformation would be complete.

Although to large degree the Canadian controls have been capably and wisely administered, nevertheless the general effect of over-centralization and constant restraint have gone far to kill the initiative which is essential in the proper development of a young country. The scope for expansion in Canada is so enormous that no central bureaucratic management is competent to deal with the manifold opportunities now available. As in this country there are now however many bright spots on the horizon.

The political swing in this country can not fail to have its repercussions in Canada and greater confidence within the Dominion concerning economic management here should pave the way towards the breaking down of the barriers previously erected to insulate the Dominion from adverse outside influences.

Within the Dominion itself moreover there are also indications of a favorably constructive nature which should gradually dissipate the prevailing atmosphere of doubt and caution. On the political front there is now increasing confidence in the ability of the Federal Government to come to terms with the provinces on postwar tax policy, agreement on which was stalemated by the breakdown of the Dominion/Provincial Conference last June. In the field of foregin trade the last official figures show that Canadian exports have established a new peace-time record. The recent increase here in the price of newsprint will also prove highly beneficial to the Dominion paper industry and will amply compensate the exchange loss resulting from the change in the Canadian dollar parity.

As it has been long evident Canada offers foreign manufacturers unique opportunities for industrial development within the Dominion. Now the movement of industry towards Canada is in full swing and industrial firms of international repute both in this country and in Britain are taking advantage of the exceptional promise of expansion in a new industrial empire.

Canadian domestic industry in the meantime likewise continues to forge ahead. The Dominion's youthful aviation industry is making giant strides, and benefiting from experience here and in Britain, the Canadians claim they now have the finest long-range high altitude commercial aricraft in the world. This new aircraft, a hybrid developed from a Douglas commercial transport and fitted with British Rolls-Royce engines, bids fair to set a new competitive mark for this type of aircraft.

Another long-heralded development of constructive significance is the announcement of the intention of the Government of British Columbia to extend the Pacific Great Eastern Railway to Hudson Hope in the heart of the Peace River district. This vast fertile area, hitherto almost totally unexploited, has known deposits of high-grade coal and geologists also believe that the Peace River country offers many inducements to those in search of oil. Thus another stage is reached in opening up a further section of Canada's fabulous Northern empire, making way for a further influx of foreign capital and immigrants.

During the past week Canadian external bonds were again a dead market but there was fair activity in internals. Stocks under the influence of the rally in New York and the rise in newsprint recovered a part of their previous losses, and there was less evidence of the bearish sentiment which has prevailed in recent months.

In the absence of any unexpected unfavorable development it is likely that confidence will soon be sufficiently restored to permit an upward movement in stocks but the outlook for external bonds does not suggest any increase in activity or an important change in price-level.

Swiss Resume Trading With Germany

(Continued from page 1930)

includes British zone of Austria as well as Germany, reveals language strikingly similar to the sterling clearing agreements "Chronicle" has published. The fact is as pointed out by this writer from Germany; namely, that Americans there are forced to engage in zonal clearing arrangements with other zones and nearby countries. Switzerland is heavily involved in numerous bilateral trade agreements. As seen here, this is not by preference but necessity. While watching American idealsitic efforts to restore multilateral worldwide trade, Switzerland must live. Swiss officials feel they must get along with all countries. In current trade discussions in London Swiss viewpoint is not directly represented but "Chronicle" expects to present shortly an authoritative exposition thereof.

Asked to comment on Bretton Woods, Professor Keller said: "We see in it no direct profit to Switzerland, although there are indirect benefits through hoped-for trade expansion generally. We are for international solidarity but we are in no hurry to join the Fund or Bank. Smaller creditor countries may not see things like the United States. We shall watch the trend, and have to choose the right moment, but there has been no decision here yet regarding the Bretton Woods organizations. Concerning the Bank for International Settlement and the World Bank; to judge by indications from abroad it may not be possible to have both."

Federal Reserve Comments On Economic Outlook

(Continued from page 1933)

but has not done so well in maintaining a stable economy.

Favorable factors are:

(a) Nearly 11 million veterans have been demobilized and absorbed into employment at a rapid rate.

(b) A very high level of civilian employment has been reached. Civilian employment now stands at 58 million. The highest figure during the war was 56 million.

(c) The shift from war to peace production has been made rapidly, and output is close to capacity in most lines.

(d) Incomes of practically all groups in the economy are above record peacetime levels. The annual rate of income payments is now close to 170 billion dollars which is higher than any wartime quarter and more than twice the highest prewar peaks of 1929 and 1940.

(e) Federal expenditures have been cut from over 100 billion dollars to an annual rate of 40 billion; the budget is being brought into balance; and we have started on a program of debt reduction.

(f) Liquid asset holdings of individuals have continued to increase, but at a much slower rate than during the war. More savings bonds have been bought than sold by the public.

(g) Government security prices have shown great stability notwithstanding a sharp break in the stock market, and a reduction in bank holdings of such securities.

(h) The expansion of total deposits has come to a halt and has been reversed and interest rates, although no longer declining, have remained low.

Unfavorable factors are:

(a) Wartime controls of prices, wages, and production were prematurely abandoned or relaxed. The excess-profits tax was abolished at the time we needed it most to support economic stabilization.

(b) The working week was cut at a time when increased production was the basic solution to the inflation problem.

(c) The upward spiral of rising wages and prices has gone too far. An upward adjustment in basic wage rates was necessary after the war, but in many cases it came too soon and in some cases it went too far. The cost of living has gone up sharply. Real incomes for many groups have greatly declined. Since V-J Day, the price rise has amounted to more than 1/3 of that which occurred during the entire war. This advance in living costs has eaten into the buying power of fixed income groups, and others who have lagged behind in wage increases. The rising living cost has created unrest among workers and now there is again danger of a period of wide-spread industrial unrest. A second round of wage increases is threatened early next year unless there is a reduction or at least no further increase in the cost of living. Higher wages would call for higher prices in many cases and thus add to inflation. Where profits permit prices should be lowered rather than wages increased.

(d) Prices in some areas (construction in particular, but also for most farm products) have risen to a point where they are out of line with what people can or are willing to pay, even at present high levels of income.

(e) Prices of capital assets have in some cases advanced to untenable levels. This is true of prices of urban real estate, which are now in many areas over twice prewar figures. Farm real estate prices are also well ahead of what likely future farm incomes can sustain. Stock prices have also increased sharply but the recent decline in security markets provides a healthy correction to a speculative overextension.

(f) Production in vital areas has been held back by disruptions due to strikes last winter and spring. There has also been withholding of goods because of price uncertainties.

(g) These disruptions of production combined with the large shifts in jobs and the general spirit of relaxation after the war have held down productivity.

2. On balance, however, the record is fair. Most important, the returning veteran has been absorbed into a going economy. It would have been very much better had this been done without any inflation but it was better to have done it with some inflation than not at all.

Outlook

1. Now the need is to realize that we cannot sustain prosperity by keeping up the inflation process. Inflation can only end in collapse. To sustain prosperity, we must place it on a stable basis. The decline in the stock market and some levelling off in real estate prices encourages the hope that we may be able to squeeze out the speculative factors in the economy, correct the distortions that exist in some lines, and maintain production and employment at high levels.

We can succeed in the period ahead (1) if productivity per worker can be raised—this is most important, (2) if large scale industrial disputes and further genera wage increases can be avoided, and (3) if business groups are willing to refrain from further price increases, or even to lower prices and rely upon volume operations for profits.

High income and employment require demand sufficient to buy what the people can produce. During the 30's demand was woefully inadequate. This basic inadequacy may well develop again when the backlog demands have worn off, unless we have policies and programs to forestall it. But this is not our most immediate concern. We are still in a position—and will be for some time—where private demand is basically sufficient to sustain a high level of employment if maladjustments and speculative excesses are avoided. The immediate danger is that demand in most lines is in excess of supply.

What are the main favorable and unfavorable factors in this picture?

2. The basic reason for believing that employment and incomes may be maintained is that there still is an unprecedented demand for investment and consumption, domestic and foreign. To give a few illustrations:

(a) There is a huge backlog demand for housing, especially in the low-cost brackets. This demand has been accumulated because the volume of residential construction during the war and during the 1930's was exceptionally low, and because the average income and number of families has increased greatly. If building costs can be reduced from their present untenable levels, by improving the flow of materials, and by increasing the efficiency of workers, the volume of residential construction ought to continue very high for many years.

(b) Automobile production is just beginning on a large scale. The backlog demand for automobiles is huge, and at reasonable prices should permit a record level of automobile production for several years. A similar situation seems to prevail in the case of many other durable consumer goods.

(c) Demand is supported not only by high level of current income but also by the large volume of liquid assets accumulated during the war. Income payments after taxes are now nearly 150 billion dollars a year as compared with about 90 billion in 1941 or 140 billion during the wartime peak. Liquid assets held by individuals are at 180 billion dollars or almost three times the amount outstanding at the end of 1941.

(d) Replacement needs for plant and equipment, as well as expenditures for capital expansion are still large. How long this will continue will depend on the general economic outlook.

(e) Foreign demand for American goods is great, and is supported by an ample amount of funds. The net export balance is now at an annual rate of about 5 billion dollars and may be expected to continue high for some years. Dollar and gold resources of foreign countries are approximately 22 billion dollars. Still unused credit facilities of the Export-Import Bank (including unused portions of loans extended) amount to 2.5 billion dollars. In addition loans arranged over the next three years by the International Bank may amount to as much as 5 billion.

(f) The Federal budget will continue to be large for a long time—possibly 30 to 35 billion or about four times the prewar level. Government demand will thus continue to be a sustaining force.

3. While these basic sustaining forces are still very strong, they are nevertheless fickle friends. Even though you are most anxious to buy a house or to add to your equipment, you may decide not to do so if you consider the price is exorbitant and the outlook unstable. Once inflationary maladjustments become excessive, a slump will result even though people have funds and many needs remain unsatisfied.

Fortunately, it appears that inflationary pressures are lessening in some areas. Pipe lines are getting filled and supplies are coming into the market in increasing volume. Buyers, wary of rising prices, have begun to show some restraint. Those are desirable developments, but there are still acute needs for other adjustments.

(a) The stock market, after a four-year rise which increased values by 150%, has now experienced a decline bringing prices down to the level at the end of the war, or about 20% below their high points last spring. To the extent that this readjustment reflects more sober appraisal of prospects and a lessening of inflationary psychology, it contributes to balance in the economy. As the stock market has a tendency to exaggerate every movement both upward and downward, the magnitude of the price change cannot be considered alarming. In any event, credit for stock market purposes, which has been declining since early in the year following the raising of margin requirements, is at a relatively low level. Because of this prudent credit policy, forced selling has been practically non-existent.

The general level of profits, after taxes, is relatively high, although in many lines they may be kept below earlier expectations by rising costs.

(b) Inventory accumulation should be watched. Inventories have always risen sharply in any upswing and naturally did so in recent months when civilian production increased on a vast scale. When inventories rise sharply they are almost certain to become excessive. Total inventories lately have been rising at an annual rate of 5 billion dollars and are now close to a point where it is important to prevent excessive accumulation. The less we overshoot the mark, the smaller the readjustment that will later be necessary.

(c) In certain areas prices have gone too high and downward adjustments are needed. The levelling off in real estate prices is a healthy sign but construction costs also need to be reduced. Prices of farm real estate and of many farm products are also excessively high. As long as food and clothing prices are rising it is impossible to maintain stability in wages.

Credit Developments

In the field of credit, the inflationary forces that were operating earlier in the year have been moderated considerably.

(1) Budget expenditures dropped sharply and tax receipts stayed up. As a result the deficit has about disappeared.

(2) 17.5 billion dollars of public marketable securities have been retired from March 1 to Oct. 1, by drawing on the Treasury's large cash balance. This has been a wholesome influence in the credit picture. It has:

(a) Moderated the tendency of banks to increase their holdings of long-term Government securities.

(b) Reduced total (Treasury and private) deposits from $151 billion at the end of February to $143 billion at the end of September.

(c) Brought to an end the decline in long-term security yields.

(3) Notwithstanding the debt retirement program, however, there has been a large increase in commercial and real estate loans and consumer credit amounting to about 2.5 billion dollars at weekly reporting member banks since March 1. This increase has been offset in considerable part by a decline of about 2 billion in security loans, largely on Government securities.

(4) As distinct from the decline in total deposits, deposits held by others than the U. S. Government continued to rise by 7.8 billion from the end of February to the end of September. Of this, 3.3 billion was in time deposits and 4.5 billion in demand deposits. This continued expansion in privately held deposits has remained a major inflation factor. It was due largely to private credit expansion, a continued Federal deficit and retirement of U. S. securities held by nonbank investors.

(5) It should be noted, however, that the period of drastic decline in the budget and in the size of the deficit is over. This decline has operated as a powerful deflationary force, although it was more than offset in the total economy by inflationary forces.

Conclusion

Some points stand out clearly from the foregoing considerations. The situation calls for a budgetary surplus and continued debt retirement. Continued efforts should be made to reduce public expenditures. Taxes should not be further reduced under present conditions. It is desirable to increase tax revenues, without increasing tax rates, by increasing the national income as a result of greater productivity. Such an increase in the national income, together with decreased Federal expenditures, will bring about a budgetary surplus which will make possible tax reductions later on.

Speaking of the general credit situation, there is no reason under present conditions for reducing margin requirements on stock market trading or for relaxing consumer credit restraints on durable consumer goods in short supply. Credit should be provided for productive purposes, but not for speculation. Nor is there justification for increasing interest rates which would greatly complicate the government's problem of managing the public debt and increase the cost of carrying it, without the offsetting advantage of preventing inflation.

At best, government price or credit controls can only be a stopgap, and fiscal policy can deal only with the money side of the inflation problem. The overwhelmingly vital need now is for more work and more goods—for increased productivity. Whether we are to have a stable economic progress depends fundamentally now on the industrial front, on labor and management, on increasing output by increasing efficiency, eliminating bottlenecks and restrictive rules and practices, including those in the construction industry, and by avoiding strikes and shutdowns. We all know that in our interdependent economy a strike in one key industry paralyzes others — strikes even by a comparatively few workers in plants that supply others can throw many thousands out of work.

More work and more goods are the basic cures for inflation. That is the only way in which labor can keep the gains from the pay increases it has received. It is the only way to safeguard the purchasing power of all wages and savings. Further wage increases for the same amount of work and output would serve only to intensify the upward pressure on prices. Increased wages that result in increased prices are self-defeating. It will be far better to hold prices down and increase productivity — to increase real wages—than to have further wage and price increases that would finally result in public resistance. For this, in turn, would upset business calculations, and all long-term commitments, thereby precipitating a recession, the severity of which would depend mainly on how long it would take to correct the distortions and maladjustments. Only by keeping prices down and maintaining the buying power of wages and savings can we have a higher standard of living.

We have all the *tangible* elements of sustained prosperity—manpower, raw materials, money supply, coupled with a vast backlog of needs and wants. The *intangibles*, still needed, include self-restraint; enlightened self-interest, the will and wisdom to translate the tangibles into a lasting higher standard of living.

Currency Black Marts

(Continued from first page)

last week that there would shortly be a sharp rise in the black-market rate from 120 korunas per dollar to 150. This actually happened. The reason ascribed was the arrival of a large shipment of Hungarian cigarettes on Russian account. Cigarettes are at an unusual premium in Czechoslokavia. By importing cigarettes and selling them, the Russians were able to clean up pretty well the floating supply of American bills, thus temporarily depressing the price of cigarettes and raising the price of American currency.

Dollar currency finds its way into the black market through sale by American military and civilian personnel currently, as well as sale by European nationals of various countries. The black-market trader knows no international boundaries. For example, dollar bills have been in black-market circles in Hungary all through the late inflation, which, incidentally, travelers say may be starting over again, if the rising prices in Hungary are a clue.

Recently the writer was informed by American travelers from Bucharest that the American mission there does not require its employees and officers to sell their pay at the fictitious "official" rate of exchange, but that the regular practice is to sell dollar currency to dealers who come to the mission and pay in Lei. Such dollar currency, naturally, does not always remain in Roumania.

Black-market prices of dollars vary not only from day to day and country to country, but even within a given country. Thus, in Czechoslovakia a dollar bill brings more in Prague than in, say, Bratislava.

The black market is choosy about the denominations, types and condition of American paper currency it will buy. In general, travelers report, money with pinholes or otherwise marred will not be accepted at all, or if accepted, will be taken only at a great discount, for fear that it is "marked money." Dirty bills, or bills torn or with a corner missing, are esehewed.

For this and other reasons peculiar to the black market one can often buy good American currency at a substantial discount. In Hungary $100 American bills have been known to sell for $67, the writer learns here.

Gold Coin Availability Contributes to Black Market

Oruis Schmidt's impending visit to Bern is believed connected with the Swiss counterproposals of Sept. 11, dealing with procedure deblocking Swiss dollar assets. Why, meanwhile, new Swiss balances cannot come under treasury's general license ninety-four is not understood here.

Some easing of gold withdrawals is under contemplation here, from Washington's viewpoint the present gold coin availability here and consequent unlicensed export are considered contributory to currency black markets elsewhere in Europe.

Harold Glasser, Director of the Treasury Division of Monetary Research is now visiting Germany with an Army mission seeking to promote German exports.

With Goldman, Sachs Co.

CHICAGO, ILL. — Kent Maynard, formerly Lieutenant in the Army of the United States, is now associated with Goldman, Sachs & Co. as a registered representative in the sales department of their Chicago office, 208 South La Salle Street.

Draft Suspended Till '47

The Army announced on Oct. 11 that all drafting would cease Oct. 15 until 1947, and at the same time canceled its call for 15,000 men in November. Voluntary enlistments it is stated have proven heavy enough to more than meet all requirements, and, although draft machinery is to remain intact, it is recognized that permanent suspension of inductions may become possible if the present volume of enlistments continues. Draft officials have indicated that the Navy has no need of the draft. To its already 512,000 enlisted men and 60,000 officers, 15,000 volunteers are being added monthly and a substantial backlog of applicants is available.

The Army has made it clear, the "Wall Street Journal" reports, that it would renew its draft calls if recruiting fails to keep up with military needs.

Two With A. G. Edwards

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, MO.—D. James Frain and Joseph J. Warnick, Jr., have been added to the staff of A. G. Edwards & Sons, 409 North Eighth Street, members of the New York and St. Louis Stock Exchange.

Barber With Hayden, Miller

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, OHIO—Elton R. Barber has become associated with Hayden, Miller & Co., Union Commerce Building, members of the Cleveland Stock Exchange. In the past Mr. Barber was in charge of the Cleveland office of Pelz & Co.

"Our Reporter on Governments"

By JOHN T. CHIPPENDALE, JR.

Following the mild flurry that carried prices out of recent trading ranges, the government securities markets have again turned dull on light volume. . . . Prices have been stable, with fluctuations confined to narrow limits, as investors took to the sidelines evidently to await developments. . . . Despite the uncertainties that caused further declines in the equity market, there was no discernible effect on government obligations, such as have taken place in the past. . . . This was no doubt due in no small measure to the elimination of the speculative holders of government issues, who seem to have been quite fully cleaned out of the market as a result of the last sharp recession. . . .

Now that the government markets are more largely concerned with institutions and to a smaller extent with individuals, it is believed that fluctuations will be much less violent than in the past, assuming that there are no unexpected changes in economic conditions. . . .

The technical position of the market continues to improve, as securities move from weak to strong hands, with shifts in holdings at the present time seemingly more important than new money investments. . . .

AWAITING BARGAINS

Savings banks, as a whole, have not been too active, aside from switching and the elimination of partially exempt obligations. . . . Some of the portfolio managers, it is indicated, are willing to wait and watch the market, because it is their opinion that purchases will be made later at prices that will be more favorable than those presently prevailing. . . . Whether these institutions will be sellers of bank eligible taxable issues, as shiftings in portfolio by commercial banks get under way is open to considerable differences of opinion, since many of the savings banks feel that it is desirable to hold the eligible issues for marketability purposes. . . .

On the other hand, there are those savings banks that do not seem to be so much concerned with the marketability feature of eligible issues, and have been, and will continue to dispose of them, when they have an opportunity to acquire restricted bonds, that they consider attractive. . . .

Insurance companies according to reports, have been doing some buying as well as disposing of partially exempt obligations to the larger city commercial banks, with institutions in Philadelphia and Chicago indicated as the principal buyers of these bonds. . . . The buying by the insurance companies has not been vigorous and has been done largely by the smaller institutions. . . .

The big five life insurance companies seem to be largely on the sidelines looking things over, but not inclined to do much more than that for the present. . . .

However, some of these companies were buyers last week in a fairly sizable way of the bonds of one of the telephone companies that yielded them 2.74%. . . . This is a much more realistic yield basis for corporate obligations than has been prevailing; and will no doubt attract more institutional buying in the future at those levels. . . .

Nevertheless, the spread between highest grade corporate securities and government obligations is still not sufficiently large enough to detract much buying from Treasury issues. . . .

NEW BANK FAVORITE

Commercial banks continue to shift obligations, although the amount of transactions have not been large. . . . There is still a demand for the 2¼s due 1956-59 and the 2½s due Sept. 15, 1967/72, from the smaller out-of-town commercial banks. . . . The New York City banks have been quiet although purchases of the partially exempts still go on in some quarters. . . .

After acquiring some of the 2¼s due 1956/59, these institutions now seem to be more inclined toward the 2¾s due Sept. 15, 1956/59 because of the more favorable tax-free yield. . . .

The 2⅞s due 1955/60 and the 2¾s due 1960/65 were also among the issues that have been taken on by the larger city commercial institutions. . . .

There will no doubt be some clues in the not distant future as to financing policy, despite opinions that there have been no decisions reached yet by the monetary authorities. . . . What will be done, from all indications, is not going to increase debt charges or change the rate pattern. . . . The inflation psychology is not as important now as in the past, and this most likely means that for the time being there will not be long-term high coupon financing to retire bank-held securities.

SWITCHING

While it is believed that there will be considerable shifting in holdings by the commercial banks, in the future, it is interesting to note the changes that took place in the holdings of these institutions between March 31 and June 30. . . . During this period, the position of these banks in the longest bank eligible bond, the 2½s due Sept. 15, 1967/72, showed a decrease by the country banks and non-member banks, with an increase in the holdings of Central Reserve City banks, all of which were reported among the New York City member banks. . . . The 2½s due 1956/58 were sold by Reserve City and non-member institutions, with the country banks' holdings about unchanged, as the New York City member banks accounted for practically all of the increase in bank holdings in this bond. . . .

The 2s due 1952/54 were acquired by all the banks, with the country banks the largest buyers of the December 2s and the New York City institutions the most important purchasers of the June 2s. . . .

The 2s due 1951/53 were also bought by all of the commercial banks except non-member institutions as the New York City and Reserve City banks led in the amount of this issue that was taken on by these institutions. . . The 1½s due 1950 were sold by the New York City member banks and bought by the Chicago banks, Reserve City, Country and Non-Member banks. . . . The 2s due Sept. 15, 1950/52 were bought by the Chicago and New York City banks, non-member banks, but sold by the Reserve City and Country banks. . . . The 2s due March 15, 1950/52 were sold by the Country banks and bought by the Central Reserve City Banks, Reserve City Banks and non-member banks. . . . The 2s due September and December 1949/51 were sold by the New York City member banks, and Reserve City Banks, but bought by the Chicago banks, Country Banks and non-member institutions. . . . The 2s of June 1949/51 were taken on by New York City and Chicago banks, the Country Banks and non-member institutions as Reserve City banks sold. . . .

The 1¾s due 1948 were sold only by the Reserve City banks, and bought by the other institutions, whereas the 2s due March 15, 1948/50 were sold by the Chicago, Reserve City, and Country banks and acquired by the New York City and non-member institutions. . . .

ALSO . . .

Among the partially exempt issues, the largest buying was done in the 2¾s due 1956/59, as the New York City, Reserve City, Country and non-member banks acquired this security. . . . Next were the 2⅞s due 1955/60 bought heavily by the New York City member banks and sold by Country and Reserve City Banks. . . . The 2¾s due 1958/63 were bought by all of the banks with the largest commitments being made by the Country Banks and New York City institutions. . . . The next largest purchases were made in the 2s due Dec. 15, 1948/50 with the Chicago banks the most important buyer. . . . The 2¼s due Dec. 15, 1951/53 were next in importance as the New York City and Country Banks did the largest buying. . . .

The 2s due Dec. 15, 1947, and the 2¾s due March 15, 1948/51, were sold by the banks with the largest sellers being the New York City member banks. . . . Notes were disposed of by nearly all of the commercial banks with the New York City banks the largest sellers.

Observations

(Continued from page 1929)

at free and expanded world trade can progress side-by-side with Britain's local socialism, seems open to serious challenge. We wish we could share his optimism that the American-Anglo credit line would stimulate "multilateral trade throughout the world," and that Britain's currently increasing exports will continue. But Britain's great drive to balance her external trade account (with the Britisher perhaps finding abroad what he can't get at home) is being made effective only through the imposition of maximum frugality, self-denial, and all manifestations of "austerity," at home. As time goes on, with the need of stringent domestic rationing and self-sacrifice to preserve free international exchange continuing, will decisions of self-sacrifice for world benefit be chosen?

The British Chancellor of the Exchequer also significantly stated that there is no present intention of varying the relationship of sterling to the dollar—*unless there should be a chronic and persistent unemployment.* But this evidently means that if—not inconceivably—unemployment should eventuate, or at other times of stress, unilateral palliative measures will be taken.

And with her inclusively planned domestic economy, it is impossible to see how Britain can internationally subject herself to the exigencies of free trading and finance. Her Socialist government will buy and sell abroad largely through government agencies and through controlled syndicates of private firms. In endeavoring to implement her domestic economic planning, she will find it necessary to control her imports in relation to her regulated production. In keeping its imports within its ability to pay, the Labor Government will undoubtedly use direct controls—such policies being accentuated by its exclusive emphasis on using foreign trading operations as an instrument to raise the national standard of living, rather than as a means of gaining private profits. It will certainly not embark on the idealistic furtherance of international trade as an aim, feeling that any sales abroad in excess of imports will only reduce the country's standard of living below the level which is justified by its productive capacity.

* * * *

The historical experience in international trade as heretofore conducted "freely" by capitalistically acting nations, surely gives no warrant for future optimism. For the record between World War I and II unfortunately shows that even with relatively unrestricted policies, international trading could be kept going only by means of continually disguised subsidizing (with the United States repeatedly "shelling out the chips"). How much more difficult will unrestricted world trade be under our above-indicated impending autarchic controls!

Northwestern P. S. Bonds Offered by First Boston Corp.

The First Boston Corp. and Lazard Freres & Co. jointly offered to the public Oct. 16 $5,275,000 Northwestern Public Service Co. 3% first mortgage bonds, due 1973, at 101⅝. The bonds were awarded to the bankers at competitive bidding Oct. 15 on a high bid of 100.649.

Proceeds from the sale of the securities together with necessary general funds of the company will be applied to the redemption on or about Nov. 15, 1946, at 105¼ and accrued interest of $5,276,000 of 4% first mortgage bonds, series A, due Aug. 1, 1970, presently outstanding. The new bonds are redeemable on or before Sept. 30, 1947, at 104⅝ and thereafter at prices decreasing to the principal amount.

Capitalization of the company upon the completion of the present financing program will consist of $5,275,000 of funded debt; 22,023 shares of 7% cumulative preferred stock, $100 par value, 17,829 shares of $100 par 6% cumulative preferred stock and 300,000 shares of common stock, $3 par value.

Northwestern Public Service Co. supplies electric service in east central South Dakota and gas service to several cities in Nebraska and South Dakota, serving an agricultural area whose population totals approximately 122,000. The company had total operating revenues of $3,947,000 for the year ended Aug. 31, 1946, of which approximately 69% was derived from electric service and 31% from the sale of gas.

Compton V.-P. of Corn Ex.

Joseph H. Compton, manager of the Greenpoint Branch of the Corn Exchange Bank Trust Company, has been elected a vice president.

Boom and Bust—Can the Cycle Be Averted?

(Continued from page 1928)

ket technician for a leading brokerage firm assures us that prior to the Federal Reserve Act the interest rate was really prophetic. In those days the banks of the United States had never been able to finance simultaneously a business and a stock market boom. Whenever industrial production started to rise businessmen would rush the banks for loans, and soon, as the saying went, the banks would get "loaned up." Interest charges would rise. Thereupon, businessmen who owned stocks and bonds would begin selling them — to raise cash for their business operations.

The results — states this analyst—were an economic contradiction. Business would expand; more money was going into it. But the stock market would go down — money was coming out of it. That explained why the stock market was regarded as such an able forecaster of business years ago. The market started to decline long before industrial output had reached the piping hot, which is to say, the topping off stage. And so it also came to pass that at the first sign of the tension in the money market, old timers of stock speculation became uneasy, on the theory that when interest rates go up, stocks come down.

However, his conclusion in that all such fears have no proper basis today with the Federal Reserve System functioning properly and with central banking a fine and practised art. That commercial banks can, central banks being willing, support both a business and a stock market boom at the same time — as happened in the 20's.

Strangely enough, the staid London Economist, which asks a similar question about the stability of the London market and British business, arrives at a similar conclusion. Which would make it quite unanimous except for a striking fact, to-wit, that back in the late 1920's a great many eminent financiers, economists, college professors and market statisticians advanced similar arguments. To quote only from the dean of forecasters Clarence W. Barron:

"You cannot have poor business in this country with cheap money, capital accumulation and men and women fully employed at the highest wages ever known. Before you can have any setback you have got to have a shock to confidence, contraction of credits, higher money rates, loss of crops, or something in the nature of a disaster which is nowhere in sight. But what about business cycles? I have been laughing for more than two years so hard over those business cycle fellows that I cannot make an effective weight reduction."

Another prophet of that New Era wrote:

"Now you can't have any exhaustion of credit in this country under the Federal Reserve Act; you have got 100% reserve at all times . . . *under the Federal Reserve Act the United States has an absolutely unlimited supply of credit, smashing all the cycle theories.* The United States is in a *new era,* and only a student of the Federal Reserve System, the greatest the world has ever seen, will understand."

Emphasis on Money Supply

Emphasis upon the unlimited supply of money under the Federal Reserve System is really a form of wishful thinking. It says in effect that a boom should last indefinitely: prices of stocks and real estate will move upward, with profit to all who own or deal in them, commodities too will rise, wages will go up, and everybody will be happy. There seems to be no reason why the sun of prosperity should not shine forever and a day.

In fact the strongest bull argument that can be mustered is always that business is expanding, and that employment is high. And if perchance the trend of securities is downward or hesitant, one can always point to a record high for retail trade, or steel production or electrical consumption.

To puncture all these roseate dreams of an enduring spiral of prices and wages, of expanding business and full production, let us examine exactly what happens at such a time. One has only to consult his own budget and to multiply that budget by the sixty million persons who are gainfully employed. In a boom prices go up faster than wages — that is text-book doctrine — and even the newest of the apostles of a New Era would hardly assert the contrary. Further a substantial minority derives its income, in whole or part, from interest payments, from annuities, from pensions, and other sources that do not expand, or increase only slightly, in a boom.

The Decline in Purchasing Power

All this means that as the prices of essentials and luxuries go up, the actual purchasing power of the community goes down. Further as the cost of necessaries rises, no savings are available for the purchase of other items. If we have planned the purchase of an automobile, a refrigerator, a washing machine, a radio, we find that we do not have the money to buy them. We may have to give up the thought of owning one or more of them. Or the higher cost of food and shelter may make it impossible to buy any of them.

If we are lucky enough to be able to keep intact our little nest egg, and it was large enough to cover all the little gadgets we had in mind, the increase in the price of a new car, a new refrigerator, etc., may put them out of our reach.

Such is the effect of a rise in prices — a net decline in purchasing power. There is a sudden shortage of the oil that lubricates the industrial machinery — and the economic mechanism is delicately balanced and adjusted. For a time installment buying may postpone the hour of crisis — substituting one group of customers for those who will not go into debt to acquire consumers' goods.

Lack of buying power makes itself felt eventually at the very heart of the American industrial organism — in the production centres of Detroit, Toledo, Hartford . . . and when lack of orders causes a slow-down in production, everybody knows the boom is over.

However, long before this final result is arrived at, a hundred little signs have apprized banker and broker of the impending reversal. Hardening money rates is one of these; probably every trader and investor has his own little barometer. One salaried employee may find that he cannot afford the new living room suite he had confidently counted on, and deducing a similar shortage in the average pocketbook, may decide to sell the few stocks he owns.

Of course, this same lack of purchasing power makes itself felt most quickly on the Exchanges. Rising costs cause an increasing number of investors to sell their holdings, and what is equally important preclude many others from buying stocks. All this, thus far, has concerned itself only with the ability to buy. Once doubts arise as to the continuance of the boom, even those able to buy will hesitate to do so, and eventually fear freezes the spending urge.

The Rhythm of Industry

What is the remedy? Probably there is none that can do away with the rhythm of industry — that can ban the cycle entirely. But the fluctuations of the cycle can be tempered somewhat. To the extent that men and women spend wisely and save prudently, insofar as social pressures keep down wild price rises, and, what is the very essence of American prosperity and progress, to the extent that technological advances and the resourcefulness of industry — American know-how, ingenuity and daring — can produce an increasing flow of consumers' goods at lower and lower prices, to that extent, we level off the peaks and valleys of boom and bust. Our ability to produce underlies our high standard of living, and engineering skills that enable us to produce cheaply, advances in science that facilitate production, advances in medicine, that reduces sickness and disease, contribute to our prosperity. Each of these in a broad sense adds to the value and purchasing power of the American dollar.

The Production Centre

However, this is not to assert merely that the remedy for present difficulties is production, as columnists, commentators and individual manufacturers are reiterating. To do so is to adopt a current cliche, which, like most diagnoses of boom and depression — the still remembered "new era" of the twenties and "overproduction" and "technocracy" of the thirties — fall wide of the mark. To prescribe production for the ills of the inflationary spiral — soaring costs, shortage of materials, strikes, etc. — is to say nothing at all. It is to suggest robust health as a cure for a person racked with disease, or to advocate full steam ahead for a machine that has broken down.

So, too, each manufacturer, who, like the Ford Motor Company, may be producing at a net loss, feels that if only *he* were granted a price increase, all would be well. The causes of his difficulties go far deeper and affect everyone — those who supply him with parts and materials, those who work for him and those who buy his product — and the cure lies in something more fundamental than giving isolated relief.

Whether there is any other antidote for the sins and antics of boom than the pains and miseries of bust, is the formidable problem of our economy. Many factors and forces have been at work in the past decade to restrain the more rampant abuses of a bull market — and to that extent the outlook is more favorable. In addition there has been and now is a wider understanding of the currents of business and finance — and more immediate and effective corrective action—and this too would seem to forecast a cushioning of the normal shocks of a bear market.

But it should be clear that the excesses of boom that put speculative profits into the pockets of a few, that raise the cost of living and depreciate the value of the dollar, by the simple mechanical process above indicated, strike at the heart of our prosperity. They cut the ground under the manufacturer who must sell his product, because they pick the pockets of his prospective purchasers. These excesses cannot last anymore than a drunken orgy can go on indefinitely. Both must be followed by the sad morning after.

Securities Salesman's Corner

By JOHN DUTTON

Recently we had the opportunity of interviewing the chairman of the board of a very successful merchandising company—and we learned something about salesmanship from him. During the course of the conversation he talked about indirect selling. He told us how his firm had never puffed up their products, or tried to over emphasize certain new ideas which they have found to be very successful. Instead, they always let their products do the job; BUT THEY DID GIVE THEIR CUSTOMERS SUFFICIENT HINTS AS TO THE ATTRACTIVENESS OF THEIR PROPOSITION SO THAT THE MIND OF THE CUSTOMER WENT TO WORK, AND HE SOLD HIMSELF. In certain cases, this very able salesman related that their customers actually took hold of the ideas that were suggested and appropriated them, so that they eventually thought that they had originated the ideas themselves.

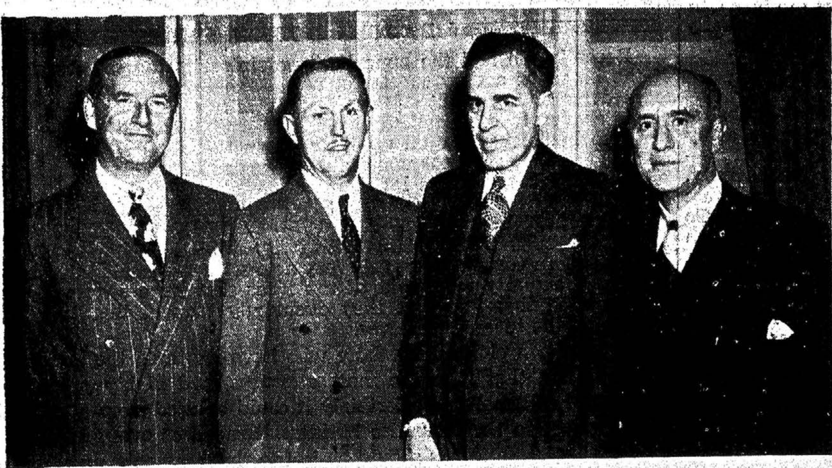
It has been claimed by those who have mastered the art of indirect selling that it is the most effortless, and highly productive medium of salesmanship. Certainly it could be used more often with telling effect in the securities business. Instead of overwriting, and overtalking, some things should be left to the mind of your prospect, so that he can go to work and figure things out. For instance, it is possible to give a hint of the future by presenting only a few facts —THEN LET YOUR CUSTOMER GO ON FROM THERE.

As an example, let us take the case of a company that is engaged in a certain line of business which is expanding rapidly. Let us assume that this year its sales are X dollars and its profits likewise. Instead of going into a long dissertation why you think earnings for next year will reach a certain figure—why not toss in one or two factors that are indicated for the coming year, AND LET YOUR CUSTOMER FIGURE IT OUT? He will do it without your help, and possibly he will estimate a figure ABOVE YOUR OWN. There is an advantage in this method that direct selling never can bring about. You are making it possible for your customer TO SELL HIMSELF. The psychology is that HIS DEFENSE IS DOWN BECAUSE HE WANTS TO SHOW YOU THAT HE CAN FIGURE TOO. You never flatter anyone by trying to tell them every little item in your story. The chances are you only bore them.

The same holds true for letters or written reports—too technical and too verbose is what top advertising men would say about the majority of written data that emanate from investment firms. In this field however, it is extremely difficult to know just how much to write and what should be eliminated. Under the Securities Acts this business is hamstrung when it comes to doing a real selling job by mail. The full disclosure bug-a-boo is a lot of nonsense when it comes down to actual cases. Nobody can disclose all the facts about a company's affairs, even its president himself. But we have such a law and it is administered by men (most of them lawyers) who wouldn't know what it takes to sell securities because they HAVE NEVER HAD ANY PRACTICAL EXPERIENCE IN THE BUSINESS. However, it is possible to eliminate a great deal of information in reports, and then follow up by personal interview; leaving this important step to be the point of full disclosure (or as much disclosure as is possible). Some firms write so much THERE IS LITTLE LEFT FOR THE SALESMAN TO TELL. In any other business this kind of mail procedure would not be tolerated BECAUSE IT IS ANTI-CLIMACTIC AND INEFFECTIVE.

Why not try out this indirect selling technique once in a while and see for yourself how it works? If you can learn to use it effectively you will agree that it is another formidable method of selling that can be very productive of results.

New York Security Dealers Association



Frank Dunne, *Dunne & Co.;* Charles H. Dowd, *Hodson & Co., Inc.;* Philip L. Carret, *Carret, Gammons & Co.;* Albert C. Hugo, *A. M. Kidder & Co.*

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Louis Lebenthal, *Lebenthal & Co.;* Allen MacDuffie, Guest Speaker; Dick Barnes, *A. M. Kidder & Co.;* Bill Summers, *Troster, Currie & Summers.*

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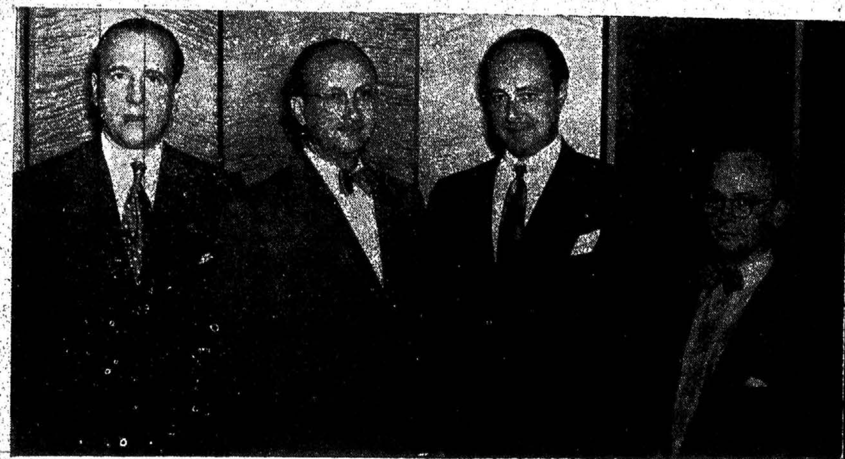
Elbridge Smith, *Stryker & Brown;* Z. Salkay, Earl Hooper and Tom Kran, all of *Gearhart & Company.*

Special Meeting Followed By Dinner

John J. O'Kane, *John J. O'Kane, Jr. & Co.*; Ed. Enright, *Dunne & Co.*; Charles Kearns, *Kearns & Williams*; James Currie, Jr., *Troster, Currie & Summers.*



John H. Stevenson, Milton Klein, Herbert Mendell and Tom Doyle, all of *Ward & Co.*

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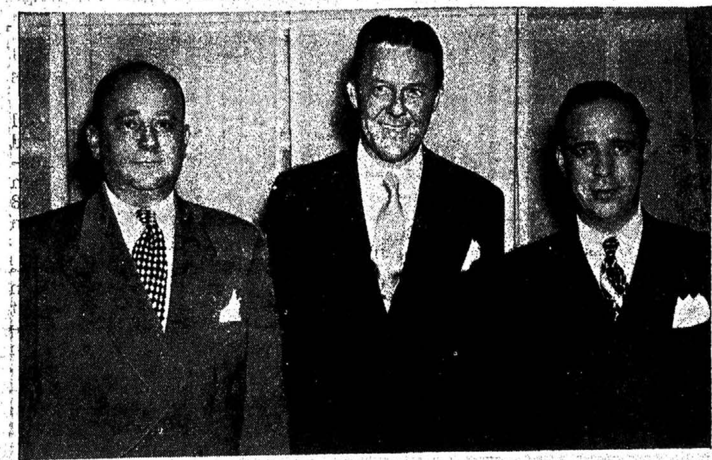
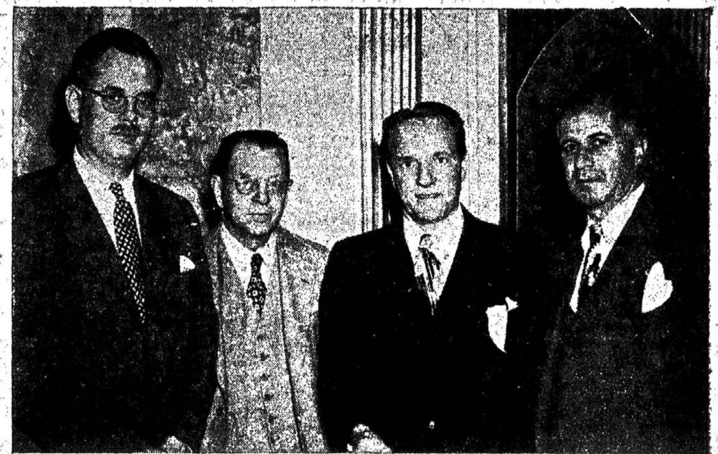
At Waldorf Astoria on October 8th



Ted Young, *Young, Aal & Golkin;* George Frings, *Fitzgerald & Company;* Saul Golkin, *Young, Aal & Golkin.*

Marguerite I. O'Keefe, Executive Secretary of the New York Security Dealers Association.



Hanns E. Kuehner, *Joyce, Kuehner & Co.;* Edwin Jefferson, Lee D. Sherman, *L. D. Sherman & Co.;* Leo Goldwater, *Goldwater, Frank & Ogden.*

The Status of the Capital Market

(Continued from page 1928)

If a spiral between wages and prices sets in; if the productivity of labor is not increased, and prices continue to rise, followed by an increase in wages, followed by an increase in prices, we will repeat the pattern of 1920, except on a much more aggravated scale and with much more serious consequences. On the other hand, if we are able to stabilize prices and wages at about their present level; if the productivity of labor increases, then I visualize the business pattern somewhat as follows: good business for the next six to nine months; a recession with difficult readjustments; but the readjustment will not last long. Then, if productivity of labor increases; if prices again come down to a level where the average individual can buy the commodities he wants, we shall have a prolonged period of good business.

The disturbed international situation also exercises a considerable influence on the capital market. In the first place, the fear psychology has an effect on the market. That, in turn, has an effect on the volume of new issues. Furthermore, so long as the international situation remains disturbed; so long as the economic and political outlook throughout the world remains uncertain, the volume of foreign loans offered in this country will be limited; the exportation of capital in the form of direct investment will be very small; and many manufacturers may not adopt the same policy of expansion as they otherwise would. All this combined has an influence on the capital market.

Capital Market Influences

By nature, I am an optimist. Being an optimist, therefore, I believe that a pattern of business will be the more steady one. We will have a recession sometime in the not distant future, but that, gradually things will work themselves out; so that we will be able to maintain our system of private enterprise and a land of free men. Under those circumstances the capital market will be under the following influences:

1. We, undoubtedly, will enter into a period of economic expansion. A large number of manufacturers will want new plants and equipment, more modern equipment; and this, in turn, will lead to the issuance of securities, be they stocks or bonds.

Furthermore, the need of working capital by corporations will be greater than before. If we are to have steady and moderately full employment in the United States, the actual physical volume of business must be greater than it was before the war. If, in the future, the national income of the United States should again amount to ninety billion dollars, the peak reached in the past in 1929, we shall be in the midst of serious unemployment. The physical volume of business, the actual quantity of units produced in the future is bound to be substantially higher than in the past.

2. We all know that commodity prices will be substantially higher that what they were in the thirties. They probably will be higher than they were in the twenties. The cost of production, the cost of doing business will be substantially higher than before. All this will make it imperative to have a larger amount of working capital. To some extent, corporations will endeavor to obtain this capital through the sales of stocks or bonds.

3. This country, in my opinion, and I am not glad to say it, is bound to see a great movement of mergers, vertically as well as horizontally. In spite of the lip service rendered by some of the agencies in Washington towards the small man; in spite of the belief that we must do something to maintain the small man, economic and social developments actually are against the small and medium-sized concern. The unions have become nation-wide in scope. The cost of production has increased tremendously. Very great efforts will be made to cut the cost of production through the introduction of new machinery and equipment, and through the reduction in the cost of distribution. All this means that bigger economic units will be in a stronger position than the smaller ones. All this indicates a tremendous movement towards horizontal as well as vertical integration.

During the period of integration, the volume of securities offered will be considerable. If this movement of integration takes place—it is in full swing at the present time in certain industries — then it is bound to have a favorable effect on the capital market and that will lead to a volume of new issues.

4. It is quite evident to me that there is a movement afoot to convert family concerns, or privately owned concerns, into public companies. Companies, which have been built up by families during one or two generations, held by a few members of a family or by a few stockholders are gradually being converted into public companies with stocks, common as well as preferred, and bonds being offered to the public. The motive behind this movement is:

(a) To become more liquid; to convert earning power into actual cash.

(b) There may be a tax purpose in it.

(c) There may be a desire to obtain additional capital, and there may be others.

This conversion of privately owned concerns into publicly owned corporations will, undoubtedly, lead to the issuance of a considerable amount of securities.

(d) Undoubtedly, efforts will be made to utilize the inventions which have been invented during the war, with the result that new industries will come along and that the public will be offered all kinds of securities.

Protection of the SEC

I am fully familiar with the protection of the Securities Exchange Commission, and I may tell you that I belong to that very small group of people who actually read prospectuses. I, for one, have come in contact with few people who read the prospectus. What is the result? I will just give you an instance:

You remember a few weeks ago how the market in New York was acting. Every day a new security was offered, and hardly was it offered in the market when it doubled in price, and some even did better than that. A friend of mine, a former student, wanted to do me a kindness. He called me up and said, "Why don't you buy fifty shares of so-and-so stock, and double your money?" I said, "Why don't you send me the prospectus?" He said, "Forget it. If you read the prospectus, you won't buy the stock." P. S. I did not buy the stock. What is the result? You gentlemen cannot rely on the fact that there is a prospectus in which the issuer has to divulge all information. The information is there, but how many people read it? Very few.

There will be all kinds of issues offered to the public for the purpose of utilizing new inventions. Some will materialize, and people will make money, most of them, you know the answer better than I do. But, in this case, we have to adopt the principle of *caveat emptor*—let the buyer beware. Let him read the prospectus.

Forthcoming Foreign Loans

The volume of foreign loans offered in the United States under favorable conditions can also assume substantial amounts. Today, the Board of Directors of the International Bank for Reconstruction and Development is meeting. Without any question, in the near future, whether in the fall of this year or in the early part of next year, the International Bank for Reconstruction and Development will offer securities to the American public. Already, we have seen evidence of a revival of foreign financing.

A few weeks ago the government of Australia sold bonds in the United States at 3¼% yield. Other refunding issues will take place if economic and political conditions throughout the world stabilize themselves, if a miracle should happen, and it should be possible to establish sound and solid relations between the Western domocracies and the Slavic bloc, then, undoubtedly, you will see an increasing amount of foreign securities being offered to the American public.

I may, therefore, conclude that, unless we follow the pattern of business of boom and bust, which, in my opinion, would be a catastrophy of the first order, that we can expect in the not distant future quite an active security market.

Who will the buyers of the securities be? This question one can divide into two groups, individuals and institutional investors. In my humble opinion, the number of individual investors will increase, but the percentage of capital placement in the capital market derived from individual investors will be relatively small as compared with the volume of capital that will seek investment emanating from the so-called institutional investors. Let's analyze this for a moment.

First, I stated that a number of individual investors will increase. This conclusion is based on the following reasons: During the war, a great many Americans bought Government Bonds, Series E, F, G Bonds. Some bought marketable bonds. All of them had excellent experience with their Government's obligations. We find, therefore, quite a large number of people, who before never bought securities, are today holders of the best security that is available in the United States. Undoubtedly, some will branch out into other fields and will buy other securities, but note, most of these people are inexperienced investors. Most of these people have only one experience and, that is, with Government Bonds; and human nature, being what it is, and you know human nature better than I do, undoubtedly, there will be people who will spend sleepless nights on how to induce these new investors to invest in a new type of securities; what is worse, how to induce these people to sell or redeem their Government obligations in order to buy other securities which promise them independence and a yacht in the near future. That is something for you gentlemen to consider.

But the percentage of capital funds emanating from individual investors cannot be very great for this reason: First, we know there are the high income taxes; and if we are smart, we will not reduce the income taxes until the dangers of inflation have dispelled. The cost of living is high. A great many individuals, because of the decline in money rates, the increase in the cost of living were forced to buy more insurance. In addition, people of wealth, because of the high income taxes, preferred to enter the equity market and to try their luck at the capital gains since straight income from securities interests them little.

The supply of funds, or of capital, at the disposal of institutional investors is bound to be very great and will continue to grow for these reasons:

1. The volume of life insurance written is very great and in all probability will continue to increase.

2. We have a brand new middle class in the United States.

As I stated a moment ago, because of the high cost of living and low return on capital, the individual endeavoring to protect those dear to him will have to take out more insurance. The volume of life insurance written, therefore, is bound to be very great.

3. There has been a strong movement and a sound one all over the country to establish pension funds.

In my humble opinion, a pension fund, which will give an employe the right to retire at 64 or 65 is economically very sound; socially, highly desirable. The result is that corporation after corporation is establishing pension funds to which the corporation and employees contribute, and the funds will have to be invested in the capital market. There is, however, this question: The large insurance companies prefer to buy bonds, preferred stocks. They do not enter the equity field to any large extent as a general rule. Since the amount of funds at the disposal of the individual decreases, and he cannot invest as much as before. From what source will the capital come to provide equity capital? That is an economic problem which has to be solved somehow or other.

Capital Market and Business Activity

The capital market exercises a tremendous influence on business activity. When the volume of new securities offered is large, capital expenditures are also considerable. When this takes place the demand for raw material and labor is substantial. People are employed in the construction of factories and in the production of equipment. The projects on which they work, however, do not produce goods available to the consumer. Once, however, the capital expenditures have been made, once the factories are completed, once the machinery and equipment has been installed, then the people who worked on those projects are discharged; and if no new products emerge, then the people are unemployed just at a time when the supply of consumers' goods increases. That is one of the reasons for the periods of booms and depressions, the sharp swings in the business cycle. This is not merely theory. Look at the situation today. We know, at the present time, many corporations are endeavoring to enlarge their plant facilities, to buy new machinery and equipment. Capital outlay for private account is very great, but some day these capital outlays will have been completed; and if no new projects are available, then obviously we will enter a period of declining business activity with increasing unemployment; and unemployment is the greatest curse to the system of private enterprise.

How capital investment of corporations can be adjusted to avoid booms and depressions I don't know. Maybe if the business executives were to make better use of the new statistical data that have become available, that some sort of coordination could take place, the problem could be solved. But there is one phase in the economic field which in my opinion, can be regulated, and which you gentlemen from all over the country, can at least endeavor to influence—and that is, public works.

The accumulated demand for public works by the Federal Government, States and municipalities is very great. The question, "Wouldn't it be wiser for Federal, State and municipal governments to make now all their plans for enlargements and construction; and when the private demand for capital goods decreases, as it, undoubtedly will, then for these governmental agencies to set in motion the expenditures of huge amounts of capital, thus creating a new demand for raw materials and labor in order to counteract the decline of business activity?" This is one phase of the capital expenditures, which, in my opinion, can be coordinated to the business cycle.

Summary

To sum up then, we may avoid the business pattern of boom and bust. The present boom will come to an end, particularly in the soft goods in the not too distant future. There will be a business readjustment. It should not be very difficult. Then we should enter a period of good business activity. If this is the case, the capital market will be active, the volume of new securities, domestic as well as foreign, that will be offered in markets will increase steadily. The supply of capital seeking investment in the United States is tremendous and will continue to increase. Finally, if you look at the United States from the purely economic point of view, you must reach the conclusion that we are as sound as can be. We have a productive capacity unmatched and unrivaled in the world. We have demonstrated our technical and managerial know-how during the war. We have abundance of skilled labor. Our corporations are in as strong a position, financially speaking, as they ever were. We have all the economic prerequisites to be truly a prosperous country. But the moment you forget the hard economic facts, and you turn to the relationship of capital to labor, Government to capital and labor, then you wonder whether Americans are really as smart as they are reported to be the world over.

SEC Proposes Broader "Red Herring" USA

(Continued from page 1932)

offers to buy or make an offer to sell.

The Commission's Memorandum

The complete text of the Commission's memorandum and detailed proposals follows:

As you well know, the effectuation of "full and fair disclosure of the character of securities sold in interstate . . . commerce and through the mails," pursuant to the Securities Act of 1933, contemplates not only that adequate and accurate information be filed with the Commission in accordance with the registration requirements, but also that the information in registration statements reach prospective purchasers of the securities during the waiting or cooling period. Such dissemination must be accomplished, of course, without fostering the solicitation of offers to buy the securities during this period.

Attached hereto are certain proposals which have been designed with the idea of encouraging this dissemination. It was realized that if underwriters and dealers are to be encouraged to circulate red herring prospectuses or other forms of information they must know that the dissemination will not in itself constitute an attempt to dispose of the securities in violation of the Act, and that it is not likely to delay acceleration of the effective date of the registration statement. An attempt has been made to set forth in clear unmistakable language that certain definite things may be done which will not in themselves constitute an attempt to dispose of a security or the solicitation of an offer to buy it. Standards are set up which, if followed, will assure issuers, underwriters and their counsel that the dissemination will not prevent acceleration of the effective date of the registration statement. Further, practical considerations have been introduced which should encourage underwriters and dealers to make continual use of the procedures provided.

The proposals relate to the use of red herring prospectuses* and summaries.

Would Expand Use of "Red Herring" Prospectus

The proposal dealing with red herring prospectuses contemplates the adoption of two rules. One would declare that a red herring prospectus used before the effective date which contains reasonably accurate and complete information and bears a specific legend limiting the use of the prospectus to informative purposes only will not constitute an attempt or offer to dispose of a security nor the solicitation of an offer to buy it. We have tried to set up a standard of what would constitute reasonably accurate and complete information. We believe that in most cases 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 material inaccuracies and inadequacies mentioned in the staff's first letter of comment.

The second rule relating to red herring prospectuses would provide (a) that the final prospectus may consist of a red herring which is attached to and made part of a "document" containing such additional information as is necessary to correct inaccuracies and to supplement inadequacies in the red herring and (b) that any person to whom a red herring prospectus was sent or given prior to the effective date need be sent or given only the "document" if both are sent or given by the same person. To support, and to help further the purposes of these rules, the Commission, pursuant to its power under Section 8 (a) of the Act, would refuse acceleration of the effective date where it believed that underwriters had not tried to accomplish an adequate dissemination. Underwriters would be expected to get red herrings into the hands of dealers, particularly those who might be asked to join the selling group; and these underwriters would also be expected to have an adequate supply of red herring prospectuses available for persons interested in learning about the security.

It is contemplated that the Commisson would also continue its policy, enunciated in Securities Act Release No. 3061, of refusing acceleration where materially inaccurate or inadequate red herrings had been circulated until corrective information had been communicated to the persons receiving the red herring. However, if the procedures here suggested were adopted, this should no longer be a problem. The red herring prospectuses distributed would probably reflect the information in a corrected registration statement since it is unlikely that they would be circulated until after receipt of the staff's first letter of comment.

"Red Herring" as Part of Final Prospectus

The proposed rule, which would permit a red herring to be part of the final prospectus, is intended to encourage the printing and use of red herrings. Under this rule the red herring could be made part of the final prospectus by attaching it to the necessary one or two page "document." The prospectus requirements of Section 5 (b) of the Act would be met when a person who had been furnished a red herring would be given in addition, by the person who furnished the red herring, the "document" containing the information necessary to correct inaccuracies and to supplement inadequacies in the red herring, and incorporating the red herring by reference.

The proposal with respect to the use of summaries *is intended to supplement the one dealing with red herring prospectuses and not to be a substitute for it.* It seems probable that summaries might serve a function which red herrings may not accomplish, since it is likely that summaries would be circulated more generally among the members of the investing public. Red herrings frequently get only to dealers and large investors. In addition, some investors may prefer information in more concise and less complex form.

The Use of Summaries

This proposal regarding summaries contemplates the adoption of a rule declaring that a summary used before the effective date shall not constitute an attempt or offer to dispose of or the solicitation of an offer to buy a security, provided: (1) it contains a fair summary of the most significant information in the registration statement as amended to correct the material inadequacies and inaccuracies cited in the staff's first letter of comment, does not stress or emphasize the favorable facts or aspects as against the unfavorable, and does not contain any recommendation or opinion concerning the merits of the sceurity; (2) it bears a specific legend limiting its use to informative purposes only; and (3) copies are filed with the Commission a certain stated period of time before it is used.

We cannot say that we are entirely without misgivings about the summary proposal. We know that an unscrupulous person could slant or emphasize the information contained in a summary more easily than the information contained in a prospectus. We know, too, that the very nature of a summary makes it impossible to establish an absolute standard of what it must contain—that there must be a certain latitude of independent judgment allowed to the author. However, the proposed rule would set up a standard which scrupulous persons could follow, and the summary would have to be filed with the Commission before it is used. Since the summary would probably reach a large number of investors who would get no other information before they purchase, we felt the rule should be advanced for discussion. If it is adopted and it is subsequently found that it does not accomplish its purpose, or that it is misused, it can be rescinded.

These proposals do not represent any recession from the rigorous enforcement of the statutory policy to prevent the offering and sale of securities before the registration statement becomes effective. Properly administered, suitable methods for dissemination of information on the one hand, and strict enforcement of the prohibitions against premature sales on the other, can supplement each other. Together they should make the period before the effective date of the registration statement one in which prospective purchasers would have the opportunity the Congress intended they should have to become informed about new security issues before they may be asked to commit themselves to buy.

The Detailed Proposals

Copies of the proposed rules are set forth below:

Proposed Rule 131—Definition of "Attempt or offer to dispose of," and "solicitation of an offer to buy" in Section 2 (3), for certain transactions.

(a) A "red herring prospectus" sent or given to any person before the effective date of a registration statement shall not in itself constitute an "attempt or offer to dispose of" or a "solicitation of an offer to buy" as used in Section 2 (3) of the Act, provided that:

1. Such "red herring prospectus" is prepared on the basis of the information contained in the registration statement as amended to cure all deficiencies cited in the Commission's first letter of comment.
2. Each page of every such "red herring prospectus" contains the following statement printed in red ink in type as large as that used generally in the body thereof:
   "This is not an offer to sell or the solicitation of an offer to buy any security. No offer to sell can be made and no offer to buy can be accepted until after the effective date of the registration statement filed with the Securities and Exchange Commission on (date). You are requested not to attempt to purchase the security until such registration statement has become effective."
3. Five exact copies of such "red herring prospectus" are filed with the office of the Commission with which the registration statement was filed at least 48 hours before the registration statement becomes effective.

(b) A summary of the information contained in a registration statement, which summary is sent or given to any person before the effective date of the registration statement, shall not in itself constitute an "attempt or offer to dispose of" or a "solicitation of an offer to buy" as used in Section 2 (3) of the Act, provided that:

1. The first page of every such summary contains the following statement printed in red ink in type as large as that used generally in the body thereof:
   "This is not an offer to sell or the solicitation of an offer to buy any security. It is a summary of a registration statement filed with the Securities and Exchange Commission on (date). No offer to sell can be made and no offer to buy can be accepted until after the effective date of the registration statement. You are requested not to attempt to purchase the security until such registration statement becomes effective."
2. It contains a fair summary of the most material information in the registration statement as amended to cure all deficiencies cited in the Commission's first letter of comment, does not stress or emphasize the favorable facts or aspects as against the unfavorable, and does not contain any recommendation or opinion concerning the merits of the security.
3. Five exact copies of such summary are filed with the office of the Commission with which the registration statement was filed at least —— days before any such summary is sent or given to any person.

Proposed Rule 840—Form and content of a prospectus comprised in part of a "red herring prospectus."

(a) A prospectus may consist of a "red herring prospectus", which is attached to, incorporated in, and made part of a "document" containing such additional information as is necessary to correct inaccuracies and to supplement inadequacies in such "red herring prospectus" provided that such "red herring prospectus" and such "document" together contain all the information required by Section 10 of the Act.

(b) Any person to whom a "red herring prospectus" was sent or given prior to the effective date of the registration statement in accordance with Rule 131 need be sent or given only the "document" referred to in paragraph (a) of this Rule provided (1) that such "red herring prospectus" and such "document" together contain all of the information required by Section 10 of the Act, (2) that such "red herring prospectus" is incorporated by reference in such "document," and (3) that such "red herring prospectus" was sent or given by the person sending or giving such "document," or his principal.

(The "Chronicle" invites comments on the proposals advanced by the SEC. Letters should be addressed to Editor, Commercial and Financial Chronicle, 25 Park Place, New York 8, N. Y. Identity of the correspondent will, if requested, not be revealed.)

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*A red herring prospectus may be generally characterized as a circular describing a security in the method in which a prospectus conforming to Section 10 describes a security but clearly and unmistakably marked to indicate that it is informative only and is not intended to solicit offers to buy or to make an offer to sell.

Industrial Relations—Frustrated and Perverted

(Continued from first page)

these may be the symptoms of an almost lethal disease. In small volume these symptoms may be present in any society; when they become general the patient may die, unless the trend is reversed.

We may be on the road of other "busted" civilizations—for some old as well as new reasons.

Human Reconversion

For some people civilization is always "coming to an end." After the first World War, H. G. Wells and others wrote books predicting the downfall of western culture and civilization. Most Americans ignored these books. But these writers were correct for millions of individuals in Germany, Russia, Italy and many other countries.

Perhaps we are merely suffering reconversion pains. At any rate in diagnosing the issues and prescribing remedies we should not overlook this possibility. We may hope — but let it not be a blind, self-deluding hope.

What follows is intended to emphasize certain neglected factors in industrial relations, and does not pretend to cover other important aspects. Certainly management has made mistakes and the best personnel policies are not yet in practice in many plants. Therefore, the following analysis should not be interpreted as placing all the fault outside of management policies and practices.

I

The Instability of the Dollar

The first and greatest single cause of labor troubles probably is the instability of the dollar. Rapidly falling or rising prices not only cause sharp differential shifts in employment, but also redistribute income and wealth and set up serious tensions between persons and groups in society. Whether prices are falling or rising, the real income of some persons or groups as against others is sharply altered; this sets in motion forces and actions to counteract the worsening of positions. Individuals and their associations take a hand to make correction, each according to his or its own lights.

If the national government abolished all its labor legislation, including the National Labor Relations Act, wage and price control laws, the mediation and conciliation services, and then concentrated successfully all its effort on one Constitutional mandate to Congress to "Coin money, *regulate* the value thereof" (Art. I, Sec. 8), it would do more to restore industrial peace than anything else it could do. Instead of dealing with this fundamental issue we persist in dealing with the symptoms.

During the 1920's union membership slowly declined — the purchasing power of the dollar was virtually stabilized. By and large, the worker felt that the free market was giving him a reasonably fair deal.

The drive for higher wages even before we reach full employment is, of course, itself a factor in the instability of the dollar.

Until the value of the currency is reasonably stable from year to year, all other efforts to solve the labor problem are likely to fail; price control of goods and services as now enacted and administered is worse than useless for this purpose. It deals only with the symptoms of instability and ignores the causes.[1]

In a democracy it must become the responsibility of the citizen to prevent problems reaching the crisis stage.

II

Wage Manipulation and Industrial Unrest

In addition, the efforts of both government and of unions to change wage rates, instead of promoting peace, frequently are profound causes of unrest. This results from coercive collective bargaining, probably from minimum wage legislation and wage standards fixed under the Walsh-Healey Act (private production on government account), and the Davis-Bacon Act (private construction for government account).

One of the most sacred features of a free society, rightly or wrongly, is the established system of differential incomes and wages. These differentials grow in part out of the marginal productivity of different workers in the several labor markets in every community. In other words, the law of supply and demand establishes a certain wage pattern for file clerks, stenographers and secretaries; similarly a wage pattern becomes established for all other classes of workers in the community.

Since under coercive collective bargaining, wage rates are determined by power, labor leadership, strikes and threats of strikes, it is inevitable that these normal wage relationships become further disturbed. This stimulates envy and unrest. Mr. Whitney in justifying a national paralysis of our economy through the railroad strike in May, 1946, said that railroad labor standards were being impaired by the encroachment of wage rates in other industries. That, he said, must not be tolerated.

Craft, plant-wide and especially industry-wide collective bargaining, when based on coercion and force, inevitably upset normal differentials. If the steel workers win a pay hike in your town, this is likely to set in motion efforts on the part of other unions to pull their rates up toward the steel rate or to maintain the prior differential of their rate above the steel rate. The more of this type of collective bargaining we have the more labor unrest we will have insofar as this cause of unrest is concerned. Not a bright prospect with 15 million workers in unions, and a possible 20 millions by 1950.

Now let us look at governmental wage manipulation. Suppose the government fixes a minimum wage of 60 cents per hour. Even if it results in upward adjustments for only two or three million workers, it makes the rate of the most common or unskilled worker encroach in every community upon that of the next class of worker. A wave-like movement may be set in motion through such manipulation and there is no end of it. Possibly the next Congress will revise upward the legal minimum wage rate from 40 to 60 or 75 cents per hour, and it will be applauded as a great humanitarian move! The constant interferences with the normal operations of the free labor market both by unions and by government must, if this analysis is valid, increase strikes, unrest and make our economic system work progressively worse.

The free market in both goods and labor throughout the entire planet is in process of disintegration. We have gone much further down "the road to serfdom" than is commonly realized. Market interference in Europe for half a century and for nearly two decades in the United States furnish no evidence that any basic problems are solved by such interferences. Does history not show that there is no substitute for the discipline of the free market? If so, is our problem not one of re-selling the free or freer market to the American people?

The United States government is fostering a strong labor movement in Japan. People who ignore history are destined to repeat the mistakes of their predecessors.

III

"Purchasing Power" Enthroned

The third major cause of industrial relations chaos is an idea—the idea that unions must raise purchasing power.

It appears obvious that if "A" had more dollars he could buy more of the product of "B." If the farmer received a higher price he could buy more of the products of the urban workers and if the worker received higher wages he could buy more agricultural products. This reasoning from the particular to the general, backed by pressure group politics and economics, is the bane of our society.

"We must maintain purchasing power," is on the lips of every labor leader, of every politician seeking popularity; the literary left; intellectuals including parsons, teachers, writers and commentators have taken up the battle cry.

Even some businessmen and some business organizations give voice to this naive theory of prosperity. These frequently speak of the importance of "maintaining demand." It looks so obvious and makes such good press release stuff.

Some people who profess to be Keynesians in the United States, undoubtedly vulgarizing Keynesian economics, have done much to rationalize the purely selfish motivation of the labor leaders and the politicians in this respect. With all this intellectual backing, the aggressive labor leader who demands 30, 50 or 100% increase in wages appears like a great public benefactor and a benefactor of business, because he helps to "maintain markets." A new key to enduring prosperity has been found — the labor movement is the device for implementing it — deficit spending by government having become obsolete through the proliferation of our money supply and the hugeness of the national debt.

The Keynesians in the government privately admit that this is the new version of Keynesian economics. This is why, before as well as after V-J Day, the government bureaus put their force behind a vigorous wage lifting program. In July, 1945 the OWMR in its third report stated, "The American people are in the pleasant predicament of having to learn to live 50% better than they have ever lived before." (p. 57). The labor leaders took this as a signal to go after a 50% wage increase and this is why they regard the increases of the first postwar year as only the "first installment." They say so.

The same office at about the same time prepared the now famous "Facts Relating to Wage-Price Policy" (OWMR-502-mimeo.), which was designed to prove that wages could be lifted by 24% without price effects. The document "leaked out" and was widely quoted last autumn by labor leaders and left wing press. The document was so vulnerable and fallacious that Robert Nathan and his associates thought it necessary to suppress it. But the damage was done.

The Department of Commerce, which is paid to provide business and others with authentic facts prepared a somewhat similar document (Oct. 25, 1945) showing that wages in the motor vehicle industry could be raised by 25% in two stages without price effects! This document too was "inadvertently" released and a few days after the settlement of the General Motors strike the Secretary of Commerce admitted it to be in error and apologized for it. The several price increases granted the motor manufacturers since then and under only an 18c an hour increase prove the fallacy of the diagnosis. Again the damage was done.

These three documents are referred to simply as symptomatic of the type of thinking which dominates the Washington bureaus. So long as this type of economics, misinformation and advice proceeds from our government we cannot be too critical if the labor leader merely cashes in on it. Until a basic correction is made in Washington and in the thinking of other thought-leaders on this problem, are we likely to bring order out of industrial chaos?

Even if economists, to a man, rejected this naive purchasing power theory, it would take years to get it out of the textbooks, out of the heads of writers, politicians and other self-seeking leaders. The Employment Act of 1946, stripped of the worst features of the original bill, used the phrase "purchasing power" six times in two pages.

The pseudo-Keynesian content of the coming wage theory was admirably set forth by Walter P. Reuther in these words:

"Labor, anticipating the trend, launched a post-V-J Day offensive in the economic field calculated to offset the decline in take-home pay and purchasing power suffered with the war's end. This represented *the initial step in a long term process* of effecting a more equitable distribution of the national income, which would release to the lower-income groups *purchasing power lying dormant in corporate coffers and in the vaults of private investors*.[2] (Italics supplied).

That every one's income is a cost to others and that wages are a cost as well as purchasing power, are so obvious that we have a right to expect a more balanced analysis. But perhaps a money-exchange economy is too complicated for popular economists to understand.

The circuit flow of income, the importance of relative prices, the interrelations between supply and demand, between production, consumption and investment have always been emphasized by economists, until Keynesian "aggregate demand" analysis took over.

It was the vulgarization of Keynesian economics in America, a mistake most emphatically *not* made by Sir Wm. Beveridge in his *"Full Employment in a Free Society,"*[3] which is to a considerable, but immeasurable, degree responsible for the postwar plight of the American economy.

Even Karl Marx rejected the naive purchasing power theory of depression-prosperity cycles. Depression comes when purchasing power is at an all-time peak (say 1929) and recovery takes place when purchasing power has been squeezed to the minimum (say late in 1921 or 1933). This simple fact should give pause to every exponent of the purchasing power theory of prosperity. Economic fluctuations proceed from many complicated factors and each ebb and flow is more or less unique. The "deficiency" of purchasing power is more effect than cause in terms of mitigating these fluctuations.

Unless we can dethrone the naive purchasing power theory, it is not likely that we will make much headway in solving the industrial relations problems. Indeed, to look upon strikes and labor union demands as merely problems in industrial relations is to take unpardonably narrow view.

Can Unions Raise Wages?

Implicit in the theories criticized in the foregoing is the notion that labor unions are great engines for raising wages. Experience of unions is that they do raise wages—for their members—at least money wages, and often real wages.

So long as unionism was confined to limited sectors of the economy this experience was frequent. But the increases came chiefly at the expense of other workers except in so far as they grew out of greater productivity.

Now that unionism has invaded all sectors of the economy, labor leaders have the unhappy experience of having widespread wage increases promptly offset by closely corresponding price increases. So the union leaders are now fighting each other's wage increases—although they talk as though they are fighting price increases. Walter P. Reuther cried out that he was getting tired of having every wage increase offset by a price increase. But Mr. Reuther was up against the hard facts of economic arithmetic. In economics there are no miracles—everything has to be paid for—by somebody.

Insofar as union demands encourage management to install labor saving equipment and inventions, unions of course are partly responsible for economic progress and rising living standards.

Despite demonstrable group gains in specific spots, it is doubtful that the thesis that unions can raise wages in general is tenable either in terms of good reasoning or on the record. Every increase in group gain that is not accompanied by increased group productivity is someone else's loss. Every coercive advance of the wage rate above the free market rate means unemployment for somebody. It is only by narrowly focusing one-sided attention on particular instances where some workers have monopolistically gained unearned income, without looking at the other side of the expense to the rest of the community, that a contribution of labor monopoly to workers' well-being can even be plausibly reasoned.

As for the record, from 1840 to 1930, a period when we had little unionism, wage rates increased seven-fold while prices rose about 20%. It was the competitive bidding by employers for scarce labor which raised wages and not labor unions.

Wages constitute some 70% of all costs and labor gets about 70% of all incomes; the balance going to farmers, and the recipients of interest, pensions, dividends and the like. Clearly there is very little room for increasing the share going to labor by redistributing income, forcibly or otherwise.

IV

Unionism an End in Itself?

Do labor leaders deny the foregoing? Given the facts, probably few of them would. Why then do they act as though wage rates can rise by large proportions within very short periods without price effects? Why are they willing to tie up the entire national economy, jeopardize the safety, and even life, of the people to gain their ends? Partly because the labor movement may have lost its original authentic reason for being and has become an end in itself—for the leaders chiefly. This is the fourth reason for troubled industrial relations.

Anyone familiar with the origin of specific unions, especially back in the 1870's or 1880's, cannot help coming to the conclusion that unionism was largely an authentic movement growing out of the daily experiences of the workers themselves. Arbitrary treatment at the hands of management (especially the foremen and straw bosses), unduly long hours, dis-

1 *"Price Control or Decontrol,"* Chamber of Commerce of the USA, 1946.

2 *Fellowship*, June, 1946, p. 46.

3 See: *"Can Government Guarantee Full Employment?"* Chamber of Commerce of the USA, 1945. "If trade unions under full employment press wage claims unreasonably, maintenance of a stable price level will become impossible; wage determination will perforce become a function of the State."

criminatory treatment etc., were all too common.[4]

To a substantial degree, the original basis of unionism has disappeared — subsistence wages, long hours, seven-day week, discriminatory treatment—although this in itself does not prove that there is no present authentic reason for unionism. Unionism grows by leaps and bounds. Part of this growth is voluntary but much of it is coerced and induced by union tactics and government support and coercion.

The competition among CIO, AFL, and other unions for survival, for membership and for recognition is bitter, costly to society, and likely to get worse. One way to win and hold adherents for your union is to promise or deliver more than has been promised or delivered by some competing union.

Within many if not most unions, both locally and nationally, the officers of the union are constantly sniped at and criticized by would-be officers, waiting for the next election. Any moderation in demands preached by union officers, immediately opens them to the charge of "having sold out to the bosses."

Labor leaders have gained a unique recognition in our society. Their every word is news, their views are sought, they sit on public boards and they are invited to address public meetings. Union office-holding is a prize to be sought by any and all means, and to be coveted at all hazards. Office-holding relieves the union man from the daily grind of working at the bench, at the wharf or wrestling with a truck's steering wheel. It pays handsomely in dollars, provides an expense account and leads to travel—even foreign travel.

Because of these emoluments of office, the union leaders leave no stone unturned to keep themselves in office and to make their offices more important. They hire the best publicity experts, researchers, and they have their own legal firms which specialize in promoting the Cause. The government renders them endless free service and at times some unions have their own men on the government payrolls. The unions unionize "public" employees, so that private groups and public employees promote each others aims.

When employers provided health programs for their workers, the union leaders generally either were indifferent or hostile to them; the programs were labeled "paternalism." Today the unions are demanding "health and welfare funds" and usually insist on exclusive union administration. This opens the opportunity to make every worker beholden to the union leaders for his health facilities; it is part of the program of union entrenchment.

A regular private business thrives on acceptance of its product. Unionism thrives on what keeps the members paying their dues. The absence of trouble, grievances and "causes" is not conducive to union solidarity, although many unions are above this narrow motivation. If grievances don't exist, the union leaders can always stir them up. One of the top CIO officers, in describing the great difficulty in unionizing the workers in a small Catholic one-industry community in Pennsylvania, in the midst of his explanation said to the writer, "Of course, if there is no trouble, we stir it up." Employers frequently blame labor trouble on outside agitators, but here was a top CIO official boasting of its truth.

When the UAW-CIO made its demand for a 30% wage increase on General Motors in 1945, the union leadership observed the loss of public support, because the consumer came to believe that this meant a price increase. A top CIO official said to the writer, "We had to move fast, so we called a meeting. Someone suggested, Why not threaten to sue the OPA against raising the price of cars? We all agreed *that* was the answer." The next morning the UAW union official issued a blast through the press threatening to sue the OPA if it raised car prices.

The writer said, "But you knew you could not sue the OPA?"

The CIO official said, "Of course we knew it, but it brought the public back to our side, didn't it?"

This struggle for survival and for growth explains a great deal in the tortuous field of industrial relations. Labor leaders are always on the spot in their own unions; the competition between dual unions makes the problem much worse. Employers and the public become the innocent victims of this sparring for position and prestige, yet much of the discussion of industrial unrest is couched merely in terms of "labor-management relations," in the narrowest sense. Until we see beyond this narrow focus, we are not likely to emerge out of the fog of industrial warfare.[5]

This reliance on trouble to keep the union movement going also explains much that is in the labor press, leaflets and other union material. The labor press has never been noted for its reliability but in recent years its handling of facts, events and its enemies, (real or imagined) leaves much to be desired.

The following constitute a small sample picked almost at random from recent union literature:

Case No. 1—When A Worker Needs A Friend[6]

The CIO States — "Herbert Hoover, then still President, was still opposed to any Social Security program. The help to, what he called, 'people in honest distress,' had to come from a few charitable old ladies who had some extra moth-eaten clothes to give away and a few crumbs of bread to spare." (Page 4.)

Correction — That a few old ladies were the only source of aid to people in distress is so absurd that it needs little correction. Every State, every city, every county, many townships, plus innumerable private charitable organizations, including Community Chests, provided help. This is so well known that no further argument needs to be advanced.

The CIO States — Speaking of unemployment compensation: "In most States, he (the unemployed worker) can expect anywhere from $8 to $1[illegible] a week, for a period of 16 weeks in any one year —and he can get that after waiting anywhere from one to six weeks for it." (Page 10.)

Correction — At the present time, 27 States (over 50%) pay a maximum of $20 per week or more; 11 States pay $18; 3 States pay $16 and 10 States pay $15.

Today, 33 States pay for a duration of at least 20 weeks; 1 State pays for 17 weeks; 12 States pay for 16 weeks and 2 States pay for 14 weeks. Today no State has a waiting period longer than two weeks, with a great majority of States having only one week.

The CIO States — Speaking of old age assistance: "This means that few people ever receive more than $40 a month. Very few receive even that little." (Page11.)

Correction—This program is administered on a "needs" basis. Many of the recipients have some other income; children may support parents voluntarily or otherwise. Thus the amount received is no proof of "inadequacy." Furthermore, in 1946, the average payment exceeded $40 per month in Alaska, California, Colorado, Connecticut, Massachusetts, and Washington.

The CIO States — "Under the Unemployment Compensation program, only employers who employ eight or more workers must pay the unemployment taxes." (Page 12.)

Correction—At least 28 States cover employers with fewer workers than 8.

Case No. 2—The Road To Freedom[7]

The CIO States—"According to the War Production Board, four workers can now produce the same amount of goods that required the labor of five before the war." (Page 12.)

Correction — A check by the War Production Board fails to disclose any evidence that this statement is true and, even more important, the WPB declares it never made the statement.

Day by day, week in and week out, year after year, this type of campaign literature is poured forth by the millions of copies into the homes, the schools and to the desks of writers, commentators and preachers. Little wonder that labor is restless, turns to other untried economic systems, and is willing to sell its soul for a mess of pottage. Little wonder that it gets support from neo-intellectuals and frustrated, spiritually-homeless movie actors and writers. A good case should not have to rest on falsehood and misrepresentation!

As this literature is poured forth in volume, labor leaders deliver rousing speeches to their members. After the members are properly worked up, the labor leader blandly announces, "Our members demand redress," or, "Our members demand action," etc., and the national leaders "can't control the local situation." Were this not so tragic for the survival of our freedom, our efficiency and indeed for our national survival, we could stand amused, viewing all this as so much Opera Bouffe; instead it may yet spell our Ungrand Finale.

The people of Europe and Asia in process of post-war reconstruction, taking a look at America since V-J Day, are saying "that is not for us."

If unions are assumed to be here to stay, how can management divert the attention of the union leaders away from strategy and tactics designed to "keep the pot boiling" for the purpose of membership solidarity and self-entrenchment, to problems of efficiency, cooperation and mutual aid? This is another $64 question.

The proponents of the Wagner Act argued that if only management would recognize the principle of collective bargaining and cease opposing unionism, industrial peace would come. What misguided students of industrial relations these proponents turned out to be!

V

Communists in the Labor Movement

Communist influence in the world of ideas and in the labor movement is a significant fifth disturbing element.

By widespread and irresponsible labeling of every reform and New Deal measure with the epithet "Communist" the American people have become dangerously immune to the fear of Communist infiltration. Although the Communists in the United States number only a few thousand, their fellow-travelers, "innocent" supporters and "opportunist" supporters run into many hundred thousands, including people in the highest offices of the land. They are exceedingly active in literary and artistic circles, in the government bureaus and in the labor unions. Even among businessmen they have a number of angels.[8]

The National Labor Relations Board had its policies greatly influenced, if not dictated, for a time by Communists and their sympathizers on its payroll. During this period the employers were gagged and fenced in. Communist influence in the Department of Labor is on the increase. The Communists in the U. S. Treasury engineered the plot to deliver Germany to the USSR by exceedingly devious tactics and were in process of having their goals realized when suddenly Secretary Byrnes in Sept. 1946, cried out for a unified Germany to save the Germans for freedom, if not for free enterprise. An ex-Secretary of Commerce was a devout follower of fellow traveler "fronts." Perhaps a half dozen communists or fellow travelers gained membership in Congress.

The American Communists have as their ultimate aim the delivery of the United States into the hands of the USSR and their immediate aim is the weakening of our economic machine to enable the USSR to gain its ends in Europe and Asia. Secretary Wallace's address at Madison Square Garden on Sept. 12 before one of the two "fronts"[9] on which the Communists are at present relying chiefly—"The Independent Citizens Committee of the Arts, Sciences and Professions"—was intended to promote the communist cause among us, although Wallace was probably an "innocent" or an "opportunist."

The communists control a substantial portion of the voting strength in the top layers of the PAC and about one-third of the voting strength in the top layers of the CIO. Every decision of these organizations is thus influenced by communist ideology and strategy.

Communists are not interested in better working conditions and wages. They do not want peaceable industrial relations. They thrive on dissension, chaos and industrial stagnation. They sponsor extreme union demands (a good test of communist influence) thereby putting the ordinary labor leader on the spot, they engineer and prolong strikes and use every opportunity to stir up trouble.

One who has not studied their strategy and tactics in considerable detail in the last year cannot have any comprehension of the supreme importance of their role today in the troubles in industrial relations. So long as they continue in this strong position, it is mostly folly to talk of improving industrial relations; a few amendments to the Wagner Act, however, urgent such amendment is, would do little to solve the problem. Communists carry a weight greatly out of proportion to their number.

Is There Any Limit to Labor Leaders' Demands?

Currently, the argument for higher wages is the rise in the cost of living. Yet, it should be emphasized that factory wage rates, for example, have risen over 90% since 1929, while the cost of living index is only about 17% above 1929. In the middle 1930's the Administration's supreme objective was to restore the general price levels of the 1920's, 1926 being specifically mentioned. Today when the general price level is only moderately above that figure while basic wage rates have nearly doubled since then, the labor leader still argues that the cost of living is overtaking wage rates! Can labor leaders ever be satisfied? Does the nature of the union movement and of labor leadership require that industrial relations be always stirred up?

Another question needing investigation is: Can wage increases wrung from management, under pain of striking the plant, bring any contentment to the workers?

Demands of 30, 50 and even 100% wage increases are frequent. One of the oldest "mature" unions, the Typographical union, is making the following demands in a dozen or more cities at present:

1. Three weeks' vacation at doubletime rates of pay.
2. Workweek reduced to 35 hours or five days of 7 hours each. Hourly rate increased from $1.53 to $3.00.
3. Overtime pay at the rate of $6 an hour — namely, at double pay.
4. All holiday work to be paid for at triple pay — namely, $9 an hour.
5. Weekly pay raised from $57 to $105 for day shift and from $63.22 to $115.50 for night shift.
6. Sick leave to be 30 working days with pay.
7. Contract to last for 30 days only — that is, it can be reopened as to wage rates on 30 days' notice, and if a new rate is not agreed on in 30 days, the entire agreement can be terminated by the union.

Such extreme demands have hitherto been unknown in American industrial history.[10]

The break-even point of many American businesses has already been driven to a dangerous high in terms of an inevitable recession.

Summary Prescription

Is there then no solution to the problem? Perhaps not. The decadence has gone far. The trouble arises from no single source and certainly there is no single remedy.[11]

One of the most amazing things about the post-V-J Day strife is the extreme public apathy. The people of the great city of New York have had their safety and health threatened repeatedly by an elevator strike, a tug boat strike, a threatened subway strike, a number of transit and railroad strikes, truck operators' strikes, and maritime strikes. Pittsburgh has had three electric power strikes in about half of a year. Yet few seem much concerned. Perhaps real and widespread tragedy will have to precede any genuine public movement to encourage the necessary legislative and other corrective action.

For years we have heard about the "right" to strike, and almost nothing about the public's "right" not to be struck against. No one should be made to work against his will; but if he wants to stop work, has he any right to ask that his name be kept on the payroll so he can return when he gets ready to do so? The "right" to strike should be re-examined in terms of today's typical personnel policies of typical employers, of responsibilities and of privileges.

When great industrial combines were believed to threaten the welfare of our people, we proceeded under the anti-trust laws to break them up. When the holding company movement in the public utility field showed itself to involve much financial manip-

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4 See especially, *"Industrial Relations in Urban Transportation,"* by Emerson P. Schmidt, 1937, University of Minnesota Press, Minneapolis.

5 Much of the University research and fiddling with industrial relations completely ignores this aspect of the problems of industrial relations and is the victim of the "social lag," a term so dear to these same researchers. One exception is the work being done by E. W. Bakke and his associates at the Labor and Management Center, Yale University. See especially his: *"Mutual Survival: The Goal of Unions and Management." 1946.*

6 CIO Political Action Committe Pamphlet-of-the-Month No. 10, 1946.

7 CIO publication, 1945.

8 For an examination of the scope, tactics and motivation of this infiltration see: *"Communist Infiltration in the United States,"* Chamber of Commerce of the USA, 1946, and the sources of additional information cited therein.

9 The other one being *"National Committe to Win the Peace."*

10 This demand by the 131-year old Typographical union and the behaviour of two other "mature," well-established unions, Whitney's Railway Trainmen and Johnston's Locomotive Engineers on May 23-25, 1946, did much to disabuse the public mind of the notion that our labor troubles under the New Deal and since V-J Day, were due to the unseasoned character of the union movement and immature labor leaders.

11 For some further diagnosis and suggestions, not repeated here, see *Commercial and Financial Chronicle,* March 21, 1946, *The Economics of Collective Bargaining,* by Emerson P. Schmidt, an address delivered at Harvard University Law School. March 15. 1946.

Industrial Relations— Frustrated and Perverted

(Continued from page 1955)

ulation, we passed the death sentence upon these combines.

If the modern labor movement is threatening our national security, destroying efficiency and production, and is becoming an end in itself to the detriment of individuals generally, have we the wit to apply the anti-combines treatment to it — and in time?

Our traditions against monopoly are strong, and rightly so, in business and some other groups. The State can never tolerate concentrations of private power systems more powerful than itself. Sooner or later we will be driven to some such conclusion, whether popular or not, so far as the present concentrations of labor power are concerned.[12]

Indeed, we came close to doing something of the sort (without going to the causes however) in May 1946 during the railway strike. The union movement had finally driven a thoroughly democratically-minded President into urging extreme action. His opponents cried "Fascism." If this was Fascism, Who and What was it that drove us toward Fascism? It was the same in Germany and Italy. It is later than we think.

A growing number of careful disinterested students of the problem are becoming convinced that the entrance of the national government into the field of labor legislation was a grave mistake and that only a reversal of policy will save us.

It has been proposed that in order to reduce the concentrations of power we amend the National Labor Relations Act so as to make it inoperative in any State which has on its books a law guaranteeing workmen the right to belong or not to belong to a labor union. Such law presumably would contain other features spelling out the rights and responsibilities of both management and labor.

The argument follows:

(1) Federal intervention has clearly made the problem worse. It has been a dismal failure and we should have the honesty and forthrightness to call it what it is.

(2) Much of the trouble comes from the powerful international union officers who are virtual dictators. The state and local labor leaders are becoming a little tired of being pushed around and being superseded by "outsiders." Widespread secessions are the best evidence of this, so far as the general observer is concerned.

(3) Human relations are at their best when decisions are made by the people who have to live with those decisions. The National Labor Relations Act constituted an attempt to superimpose, from the top, upon each local community, on a nation-wide basis, a way of life which had no natural and authentic roots in the life of that community.

(4) Many States have passed laws as suggested above. Under the Minnesota law, when Philip Murray waved his hand, signaling the steel workers to lay down their tools, the Minnesota steel workers did not respond but waited the required cooling off period. It is necessary to say that the Minnesota labor law grew out of the desperate anarchical situation of the middle 1930's and the law is strongly supported by nearly all groups, including many in the ranks of labor.[13]

(5) The people within a State have a close intimate concern for the welare of their workers, their business enterprise and the general well-being. This close personal interest can never exist at the national level. A labor dispute before the National Labor Relations Board is just another dispute. Whether the dispute is prolonged or whether the dispute is settled on terms which make the enterprise unprofitable can never be of as much concern to public officials sitting in Washington as it must be to officials sitting in St. Paul, Minnesota or Madison, Wisconsin, if the dispute occurs in either of these States. The competition among States to get and hold job-making industries would act as a natural disciplinary force—a force which cannot operate fully under our present system as shown in the next point below.[14]

(6) If government intervention is necessary, under the present divided authority among local government, state government and the federal government (including so many federal agencies that it is virtually impossible to count them all) none of these governments has complete feelings of responsibility for effectuating industrial peace and none of them has complete or final authority over all phases of any particular dispute.[15]

One of the most elemental propositions in any management necessary to gain any objective is the integration of responsibility. If in a publishing venture the writers, the designers, the typesetters, the proofreaders, the pressman and all other necessary groups each had their own ideas as to the purpose of the venture, as to the methods of attaining the objective and there was no effective coordination and managerial control, the venture would end in chaos and bankruptcy. Our handling of labor relations through this division of responsibility and authority has also ended in chaos and is likely to continue in chaos as long as both federal and state governments have some segment of responsibility and authority.

When a labor dispute takes place in a specific plant in a specific town and it leads to a strike, the labor leaders, management and the three layers of public officials—local, state and federal—all may stand in a state of confusion. Who will move first? What action through what layer of government should be taken? Is there a conflict between the state and federal mediation services? Does the state labor law apply or does the national labor law apply? Are the local ordinances against obstructing traffic, creating a nuisance, mass picketing, etc., etc., applicable? Should they be enforced or should the mayor wait to see what the national Department of Labor will do, or the National Labor Relations Board will do, or what the President of the United States will do?

As seen by some, we must make a choice: Turn the matter back to the states or turn everything over to Washington. Few would say that Washington has earned the right to dominate this field, although certain questions of interferences with interstate commerce would still require national corrections.

President Roosevelt some years ago said:

"Now, to bring about government by obligarchy masquerading as democracy, it is fundamentally essential that practically all authority and control be centralized in our national government. The individual sovereignty of our states must first be destroyed, except in more minor matters of legislation. We are safe from the danger of any such departure from the principles on which this country was founded just so long as the individual home rule of the states is scrupulously preserved and fought for whenever they seem in danger."

12 See: "Industrial Relations in America," Chamber of Commerce of the USA, 1946, especially section on "Monopolistic Practices."

13 The Chamber of Commerce of the USA has urged the consideration of State laws.

14 In Sweden and Great Britain, the heavy reliance on foreign trade serves as a natural discipline on labor demands because foreign markets must be penetrated.

15 The division between State and local authority raises no serious problem because the latter is a creature of the former.

How Stable Is The American Economy?

(Continued from first page)

even a bad strike year such as 1945. The disturbed conditions affected the efficiency of labor, which in manufacturing was only about 6% greater than in 1939—less than half the normal rise in efficiency.

Considering the many strikes and the unsatisfactory efficiency of labor the production record has been surprisingly good. Industrial production during the first half of 1946 was at the same rate as 1941—the highest peacetime rate on record. Few businessmen or economists would have dared predict that such a high rate of output could have been achieved in the face of the steel strike, the copper strike, the coal strike, the electrical equipment industry strike, the railroad strike, the many strikes in farm equipment, and the hundreds of strikes in the automobile industry. Equally remarkable under the circumstances has been the record of profits. Among 301 manufacturing and mining companies during the first half of 1946, profits were only 15.3% below 1945. When these companies are divided into two groups, those in industries in which there were few strikes and those in industries which were hard hit by strikes, a conspicuous difference appears. The 204 companies in industries which were relatively free from strikes increased their profits by 25.9% over 1945; 97 companies in industries in which strikes were numerous suffered a 70% drop in profits.

Today, fourteen months after V-J Day, civilian employment is at record-breaking highs and industrial production, though still suffering from strikes and from shortage of raw materials and parts largely caused by the strikes of last spring, is about 10% above 1941 and growing. And yet, as the economy was slowly emerging from the difficulties of conversion, the stock market experienced a dramatic slump. Throughout the United States and all over the world the same question has leapt to the mind of every businessman and banker, "Is there anything wrong with the American economy? Dare we go ahead on the assumption that the United States will remain prosperous?" The London "Economist" voices these doubts by suggesting that "building the structure of the world's economic and financial arrangements on the assumption of American stability" might be a "mistake."

Let us face this question which is raised by the London "Economist" and which is on the mind of every American business man and ask ourselves "How stable is the American economy?"

II

During the last year the United States has been going through a boom based on the production and buying of non-durable consumer goods. It is an unusual kind of a boom and could probably occur only after a prolonged war. The return of 10 million men and women to civilian life and the fact that the non-military population had for four years been limited to about 85% of its prewar consumption of non-durable goods has created the foundation of the boom. The unusual importance of non-durable consumer goods in the economy is indicated by the fact that in the first half of 1946 about 57.4% of the net output of private industry consisted of non-durable consumer goods as compared with only 51.1% in 1940. In 1940, individuals spent 47.1% of their incomes after taxes for non-durable goods; during the first quarter of 1946, 54.7%; and during the second quarter, 53.1%.

At the same time that the production and buying of non-durable goods has been booming, the proportion of output and expenditures going into durable consumer goods, industrial capital, and housing has been abnormally small. Output of durable consumer goods, though well above prewar in dollar amounts, was only 8.1% of the output of private industry in the first quarter of 1946 and 9.1% in the second quarter in comparison with 11.1% in 1940. The proportion of consumer incomes after taxes spent on durable goods was only 7.7% in the first quarter of 1946 and 8.5% in the second quarter in comparison with 11.0% in 1940. The proportion of the total product of private industry going into industrial construction and equipment was only 9.7% in the first half of 1946 in comparison with 15.0% in 1929 and 12.5% in 1940. The proportion of incomes after taxes spent on residential construction in the second quarter of 1946 was only 2.5% in comparison with 4.5% in 1929 and 3.3% in 1940.

III

The boom in non-durable consumer goods will not last indefinitely. In fact the boom already shows signs of subsiding, for expenditures on non-durables, when adjusted for seasonal, were slightly less in the second quarter of 1946 than in the first quarter. A few non-durable goods will be scarce until next summer or even next Fall, but many shortages will disappear by Spring. The case of foods deserves special notice. During the first quarter of 1946 people were spending about 31.4% of their incomes after taxes on food—an annual rate of about $44 billion for food at retail. In 1940, when real incomes after taxes were considerably less than in 1946, people were spending only 27.3% of their incomes after taxes on food. In 1941, the percentage was 26.1. As durable goods become available, the proportion of incomes after taxes spent on food is bound to drop. Indeed, it is likely to go down to the prewar proportions and probably below—say possibly to 25%. The actual volume of expenditures on food will depend, of course, upon the extent to which the boom in durables, industrial capital, and housing raises consumer incomes after taxes. If incomes after taxes were to rise from an annual rate of $142 billion a year (the rate of the second quarter of 1946) to $156.2 billion a year (a rise of 10%) and if the proportion spent on food were to drop to 26.1% (the proportion of 1941), total expenditures on food would drop from an annual rate of $44.0 billion to $40.8 billion. Put in another way, in order to maintain the same absolute volume of expenditures on food as prevailed during the first quarter of 1946, if the same fraction of incomes were spent on food as in 1941, incomes after taxes would have to rise to the annual rate of $168.6 billion. Food prices, for the time being, appear to have approximately reached their maximum, and a decline in the total expenditures on food during the next six months is more than likely.

IV

The buying of non-durable goods cannot be counted on to make possible the present level of employment for many months longer. The maintenance of a high level of employment must soon receive more help from the durable goods, capital goods and construction industries. What will happen when the boom in non-durables subsides?

Sooner or later there is bound to be a tremendous boom in durable consumer goods, industrial capital, and construction. The accumulated needs are enormous—far greater than is generally realized. Thus far little progress has been made in catching up with this backlog of demand. In fact, by the middle of 1946, the physical output of durable manufactured goods of all kinds (consumer goods and industrial equipment) was only up to the levels of 1941, when the purchasing power of individual incomes after taxes was 20% less. Will the boom in durables, industrial capital, and housing begin soon enough and increase fast enough to prevent an economic recession as the boom in non-durables peters out? In other words, will there be a smooth transition from the boom in non-durables to the boom in durables, industrial capital, and housing?

During the remainder of 1946 at least the transition from the boom in non-durables to the boom in durables, industrial capital, and housing is likely to proceed smoothly. There are several reasons for this belief:

1. The expansion in the output of durable goods, capital goods, and housing is well under way. Expenditures on these three categories when adjusted for seasonal changes) rose from an annual rate of $24.0 billion in the first quarter of 1946 to $29.5 billion in the second quarter, and $36.0 billion in the third quarter. Material shortages may prevent full execution of these plans, but actual expenditures will undoubtedly exceed the second quarter. Shortages of building materials have led to some decline in the number of new residences started, but output of many critical materials, such as nails, soil pipe, bath tubs, sinks, and furnaces, was much larger in August than in July or June. Hence the actual production of housing will continue to rise. The greatest gains are in the production and buying of durable consumer goods. Shipments of radios in August were 31% above July; of electric ranges, 16%; electric irons, 17%; vacuum cleaners, 11%; washing machines, 13%. Automobile production was up 10% above July and moderate further improvement is likely. Purchases of durable consumer goods rose from $12.0 billion in the second quarter to $15.0 billion in the third quarter.

2. There is still a large accumulated demand for non-durable goods which has not been satisfied. Furthermore, expansion of employment and payrolls in the manufacture of durable goods and in construction will tend to sustain the demand for non-durable goods and may actually bring about an increase in that demand. In fact, it is usually characteristic of business expansions that the rising output of durable goods and capital goods induces an expansion in the production of non-durables.

3. The prices of most durable goods are lower in relation to

prewar and in relation to consumer incomes than the price of most non-durable goods, especially food products and apparel.

4. A large part of the demand for durable goods, industrial capital, and housing is very urgent and will express itself in the face of formidable obstacles.

5. The demand for durable goods, industrial capital, and housing is financed to a large extent by credit—to a much larger extent than is the demand for non-durables. The use of credit adds, of course, to the ultimate instability of a boom based upon the production and buying of durable goods, industrial capital, and housing, but it facilitates the transition from a boom in non-durables to a boom based on the output of these other goods.

V

What about 1947? One must concede that there is a good chance that some time between spring and fall, the boom in durables, industrial equipment, and housing, even though well advanced, will be interrupted by a recession. The economy has already developed several weak spots and some of these will be more serious by spring. Let us examine several of them.

1. Apparel prices and food prices are too high in relation to incomes and people's long-run buying habits. This has already been indicated. This point of weakness will gradually become more serious as the urgent pent-up demand for apparel (and even some types of food) is met.

2. Agricultural prices are far above the level which is justified by long-run supply and demand. At the end of July, 1946, when wholesale prices in general were 24.1% above 1926 and 65.5% above August, 1939, the prices of farm products were 57.3% above 1926 and 158.8% above August, 1939. Sooner or later the prices of agricultural products will drop substantially. This decline will occur when agricultural output in the various war-torn countries approaches pre-war levels.

3. Construction costs are high and, even worse, uncertain. There is no satisfactory measure of the increase in the cost of construction over pre-war, but the rise on the average in the neighborhood of 60%. Material shortages make the duration of any construction job quite unpredictable. This introduces a major uncertainty into costs. The demand for housing and industrial construction is enormous, but the demand which will pay present prices or which will accept present uncertainties is only a small fraction of the total.

4. A second round of wage increases is about to begin. The two unions in the meat-packing industry are ready to press wage demands as soon as hogs and cattle begin flowing into market and the United Automobile Workers have re-opened the Chrysler contract. Contracts in steel will be re-opened during the winter. No one knows how much the wage increases in the second round will be, but they may be as high as 10 cents an hour.

Some business men and economists think that a second round of wage increases will be inflationary; some think that it will be deflationary; some think that it will be first inflationary and then deflationary. Before examining these divergent views let us note briefly several facts about the first round of wage increases. One important fact is that business succeeded remarkably well in preventing the first round of wage increases from raising average hourly earnings. Between July, 1945 and June, 1946, average hourly earnings in manufacturing rose 4.5%. This small increase was made possible in large measure by the elimination of penalty overtime work and to a small extent by the reduction in second and third shifts. The elimination of penalty overtime is reflected in the drop in average weekly hours in manufacturing from 44.0 in July, 1945 to 40.0 in July, 1946. Most of the overtime was in the durable goods industry. Hence average hourly earnings in these industries rose only 2.8% between July, 1945 and June, 1946, in contrast to the rise of 11.2% in the manufacture of non-durable goods.

A second fact about the first round of wage increases is that it came at a time when employers were hindered in keeping down labor costs by the necessity of absorbing large numbers of new workers and large numbers of old workers who had been away from their jobs for several years. The large movements in the labor markets during the last twelve months are not generally appreciated. About 5 million people withdrew from the labor market, but civilian employment increased by 4.8 million. This increase occurred despite great drops in employment in shipbuilding, airplane and automobile industries. In view of the great shifts of employment, the record of industry in maintaining labor efficiency at the same levels as December, 1945, must be regarded as good.

A third important fact about the first round of wage increases is that business was remarkably successful in raising prices to offset rising wages. Between July, 1945 and June, 1946, wholesale prices of manufactured goods rose 5.4%, or slightly more than the rise in hourly earnings. Between June, 1946 and July 27, 1946, there was a further substantial rise in prices. Manufactured goods, for example, rose 11.2%. This increase, however, was very unevenly distributed. It was greatest in the case of food products. Metal and metal products rose 3.5%, building materials 3.8%, miscellaneous products 4.0%. In textiles, most of the increase occurred in August rather than July. On August 31 the wholesale price for textile products was 6.5% above June 1. Today the prices of finished manufactured goods, by and large, are higher relative to average hourly earnings than they were before the beginning of the first round of wage increases.

A fourth fact about the first round of wage increases is that it was very uneven and did not include every one. A survey of 6,600 manufacturing and non-manufacturing enterprises by the U. S. Bureau of Labor Statistics shows that between V-J Day and May 1, 1946, in manufacturing 21.3% of the workers received no general increases in wage rates at all, 15.2% received increases of less than 10 cents an hour, and 25.5% received increases of 18½ cents or more per hour; in non-manufacturing 59.2% received no general increase, 25.2% received increases of less than 10 cents an hour, and only 1.4% received 18½ cents or more. The figures of the Bureau of Labor Statistics are seriously defective in that they fail to reflect several important influences on earnings. They indicate, for example, little change of *rates* in retailing, an industry in which the rise in hourly *earnings* greatly exceeded the rise in manufacturing. Nevertheless, there can be no doubt that millions of workers failed to participate in the first round of wage increases and that the variation in the increases was considerable.

This analysis of the effects of the first round of wage increases points to the conclusion that the price increases required by a second round of wage advances would be considerably less than the rise in wages. One reason for this conclusion is that most prices are higher relative to labor costs than a year ago. Another reason is that output per man-hour is likely to improve substantially—unless strikes again produce pervasive material shortages. At any rate new employees are gaining in experience, labor turnover is dropping, new equipment is being installed, shortages of materials are slowly becoming less bothersome, and the will-to-work (never as bad on the whole as the complaints of a few employers seemed to indicate) is returning to normal.

The analysis of the first round of wage increases points to the additional conclusion that a second round is likely eventually to be deflationary. The first round was based upon bargaining power rather than upon changes in the long-run relationship between the demand for and the supply of different types of labor. A second round of wage increases is likely to go in the main to the people who participated in the first round, and the largest advances will go as a rule to the people who received the largest raises in the first round. Hence a second round of wage increases will help to magnify the maladjustments in the wage structure created by the first round, and thus to create a structure of costs and prices which will hinder trade between the recipients of the wage raises (or their employers) and the rest of the community. These maladjustments in the cost and price structures will do little harm so long as the boom is strong, but they will show up as a serious weakness in the economy when demand begins to slacken.

5. Industrial relations are better than they were last spring but they are still bad and may become worse. A new round of large strikes in the steel industry, automobile industry, or electrical equipment industry would have far more serious effects upon the economy after the boom in non-durable goods has begun to subside than did the strikes of last winter and last spring when the boom in non-durables was in full swing.

6. The fear of strikes may cause many business enterprises to curtail or postpone plans for expansion. Although the record of the past year shows that the companies which escaped strikes are able to make reasonably satisfactory profits, it also shows that no enterprise can be sure of a satisfactory outlook for profits. This pervasive uncertainty could be a serious impediment to the execution of many business plans.

Suppose that next spring or next summer *more or less simultaneously*, business enterprises cease increasing inventories, consumers revolt against high prices of apparel and food, and a large slide occurs in the prices of farm products. Suppose that this happens when employment and payrolls in the durable goods industries and in construction are low as the result of strikes in steel, automotive arts, and other industries. Such a conjunction of unfavorable events would produce a sharp recession which would undoubtedly continue for some months.

VI

The country would be unwise, however, to accept a recession next year as inevitable. With an unprecedented demand for durable goods, industrial capital, and housing still to be satisfied and with far greater purchasing power in the hands of far more people than ever before, the country ought to be able to go through the inevitable readjustment in the prices of agricultural products and of some finished goods without a general recession—particularly if the drop in the prices of farm commodities comes about next spring or summer after the boom in durables, industrial capital, and housing has had time to develop and before the urgent demand has been met. But the country should not trust to luck. It should *plan* to pass through the drop in the prices of farm products without a recession. What can it do?

1. Discourage the use of credit now in the purchase of durable consumer goods. This would help divert current income from the purchase of food and apparel to the purchase of durables and put the prices of apparel and food under early pressure. It is especially important promptly to force down food prices before a precipitous drop occurs.

2. Let manufacturers and retailers reduce the prices of apparel before consumer resistence starts—say by January 1947. This is a difficult policy to get executed because no enterprise is greatly interested in the effect of its price policies upon the economy as a whole. Both manufacturers and retailers, however, have an interest in not getting caught with high-cost inventories.

3. Confine wage increases during the next year in the main to workers who received no wage increases during the first round or who received only small advances. A few exceptions will need to be made to this general rule in order to attract workers into occupations or industries where they are needed, but in general it is a sound rule. This also is a difficult policy to get executed because the unions which will be pressing for wage advances will not be interested in the general effects of their demands. The unions, however, do have an interest (of which some of them are well aware and which others do not realize) in the long-run competitive position of their employers and industries. Fortunately pressure for higher wages from the rank and file is considerably less than a year ago. Unfortunately however, inter-union rivalries rather than the long-run economic interest of union members still is the dominant influence in shaping the wage policies of some unions, and inter-union rivalry is growing.

4. Most important of all, maintain favorable conditions for high-level production of durable consumer goods, capital equipment, and housing. The demand is there—far greater than ever in the country's history. If conditions of production enable the automobile industry to make 5 million cars next year and other makers of durable consumer goods and capital goods to produce in proportion and if the housing industry can absorb 4% of individuals' incomes after taxes (compared with 4.5% in 1929 and 2.5% in the second quarter of 1946), the country should be able to weather a substantial drop in the prices of farm products without serious trouble. High production of durable consumer goods, industrial capital, and housing would sustain a high demand for non-durables and food. It would be particularly effective in preserving good prices for meat and dairy products.

High output of automobiles, other consumer durables, industrial capital, and housing requires abundant and well-balanced supplies of materials and parts. No single course of action will assure that this requirement is met. One necessary condition, however, is industrial peace. The unions and employers may not know it, but in the durable goods industries they will be bargaining, not merely over the terms of their own labor contracts, *but over the prosperity of the country.* Another two-million automobile year, or even a three-million car year, would be a national disaster—especially during the year in which the inevitable drop in agricultural prices is most likely to occur. An output of well above four million cars will be needed to keep the economy stable. If the strike record in the durable goods industries during the first half of 1947 is even one-third as bad as the first half of 1946, the country may as well resign itself to a severe recession before the end of 1947. Particularly disastrous, of course, would be another strike in the steel industry.

Fortunately a turn for the better in industrial relations is in prospect—in fact is under way. Eagerness for strikes among the rank and file is dropping sharply, and union leaders are becoming anxious to gain credit with the rank and file for keeping them out of strikes. If a new agreement can be negotiated in the steel industry without a strike and with goodwill on both sides, it may well be a symbol of progress in industrial relations which will influence many unions and employers and contribute substantially to business confidence.

VII

It seems clear that the year 1947 will be a critical one and one involving great uncertainties. Of the several threats to stability the two most serious ones are the inevitable drop in the prices of farm products and the possibility of a second round of large and numerous strikes. If the second danger can be avoided, it should be possible by wise supplementary policies to keep the output of durable consumer goods, industrial capital, and housing high enough to prevent the economy as a whole from being substantially disturbed by the drop in agricultural prices.

The difficulties and uncertainties of 1947, however, should not blind us to the fact that the problem of maintaining stability in its most difficult form will not occur next spring or next summer but several years hence. It will be created by the boom in durables, industrial capital, and housing. Plans for meeting the problem should be made far in advance. So enormous are the needs for durable goods, industrial capital, and housing, that a boom based on these needs is bound to be a large one and to last for several years. It may be financed to a large extent by the expansion of credit and it may give rise to burdensome debts. It may raise construction costs to a point even further out of line with incomes and prices. The problem of maintaining stability will reach its most acute form three, four, or five years hence, after the most urgent accumulated demand for durable consumer goods, industrial capital, and housing has been met. It would be folly to wait until the boom begins to subside before making plans to meet the problems of this second and more difficult transition. Success in maintaining high employment and production at that time will depend upon the foresight and wisdom with which the credit policies of business and the fiscal policies of government are managed during the boom and upon the extent to which business concerns develop new investment opportunities and new demands for goods through technological research and skillful marketing policies.

MacMillen Joins Standards

Frank MacMillen, New York newspaper man, has joined the staff of the American Standards Association as Director of Information, P. G. Agnew, Vice-President and Secretary of the Association, announced on Oct. 4. Mr. MacMillen, who resigned from the staff of the New York "Times" to take his present position, previously was connected for 10 years with the Associated Press as Financial News Editor, in which capacity he first came in contact with the work of the Association. He has written news stories and feature articles on the development of standards, not only for the Associated Press but for the "Wall Street Journal" and "Newsweek" magazine, where he was Assistant Editor in charge of business news. With the Standards Association he will be in charge of all publicity for general newspapers, trade papers, and the radio.

The Road to Dictatorship

(Continued from page 1935)

Wages have been radically increased without any increase in production and have arbitrarily raised costs to a point where a large part of our purchasing public will be compelled to withdraw from the market. It will soon be found that labor can price itself out of the market. Price control and other government regulations, however, necessary some of them may be conceived to be, are strangling production and developing black markets on an enormous scale. The Wagner Act, compelling one-sided collective bargaining has largely been superseded by arbitrary control of wages and working conditions. Let industrial leadership say now that these causes will quickly bring about depressions and unemployment. Let industry do what it can to correct public opinion so that it will not be blamed for the effects.

These things strike at the very heart of our economic existence, and unless we do something about it, we can reach a state of confusion similar to that which brought Europe to its present degraded state. What will our technological advancements avail us if we lose our democratic way of life?

Secretary of Labor Lewis Schwellenbach warned on Nov. 4, 1945, "I know how impatient the people are when a government fails to suppress strikes. I cannot forget, however, that it was this same impatience with strikes which caused the Italian people to take their first step along the Totalitarian Road which led them to discontent and despair."

Mr. Schwellenbach could have been more specific. He might have said that it was the final exasperation of the Italian people with their vacillating, labor-appeasing, and vote-grabbing government which after the first World War had failed to handle the strike situations and general unrest for and in the interests of the whole people which first steered the Italians along the Totalitarian Road. The last 25 years in Europe have shown that Fascism has developed where labor unions and left wingers have taken extreme positions and have not recognized their responsibility to public interest.

Our President, too, recognizes the danger to our own country. On May 24, 1946, when discussing the threatened railway strike, he warned the nation, "The crisis of Pearl Harbor was the result of the action by a foreign enemy. The crisis tonight is caused by a group of men within our own country who place their private interests above the welfare of the nation. . . . The government is challenged as seldom in our history. It must meet the challenge or confess its impotence . . . "

The warnings of public figures are long overdue. The lessons of both ancient and modern history are plain. Men want law, order, peace, and production. If they can't get these things in a responsible, free society, they turn to a Dictator to get them for them.

Take Italy as an example. The parallel between the causes and acceptance of Fascism in Italy and the causes and growing acceptance of totalitarian government in our own country is startling.

In reviewing the sequence of events which brought about the triumph and disaster of Fascism in Italy, we can see the process why which the people of Italy lost their economic independence and their freedom. Let us see if we are not in danger of making the same mistakes, of allowing ourselves to be propelled along the same "primrose path"—the road that is lined with the wreckage of government by pressure groups, decreased production, less work for more money, demands for social security without work, government planning for industry and agriculture, inflation and regimentation — all of which which chaos to Italy.

After World War I instead of living under an economy of thrift, the Italian Government, led by the radical left and the labor unions, took the easier course of an economy of unbalanced budgets and government deficits which naturally enough, inflated the country's economy and vastly increased the already heavy government debt. By 1920 the cost of living had risen **eight** times what it had been in 1914.

Under a weak government, labor leaders who gained power were those who most encouraged violence and revolution. There then developed a battle between labor unions and labor leaders for the power that the government failed to use.

One of the aims of the Confederation of Labor, forced through the Chamber of Deputies, **instituted trade union supervision** in the factories and set up a **workers' Board of Directors** in each **to share in the management of the companies. A similar objective has recently been declared by many large unions in the United States.**

Labor union leaders and socialists in Italy, including the individual workers, were pushed further and further to the left by the well-organized and directed Communists who, as is now well known, create an opportunity to usurp power by fostering confusion wherever there is social unrest.

In 1919 there were at one time 1,045,832 agricultural workers and 1,267,935 industrial workers on strike. In proportion to population, that would be equivalent to about 5,000,000 workers in the United States.

In October, 1919 at a meeting of their Congress, the Socialist Labor Party publicly adhered to the Third International of Soviet Russia and officially summoned the proletariat to revolution. In April, 1920, plans for sovietizing all Italy were made.

Workers seized factories and dispossessed owners and managers. Large estates were taken over and divided up. Industry, agriculture, and services came to a virtual standstill. Confusion and anarchy reigned.

The need in Italy, as in the United States today, was for order; stabilization of wages, costs, and prices; a steady and continuous production and a balanced budget. Instead, the Unions, Socialists and Communists had taken over, shut down the plants, demanded and got—by threat of further violence—more pay for less work, a directive share in management and greatly increased government expenditures.

In Italy during those tumultuous postwar years production continued to decrease. Lower production along with higher wages per worker made goods scarce, raised costs and prices. The result—a boomerang of unemployment and higher cost of living—hit the very people who had expected to benefit the most.

The workers had forced a wage-price spiral similar to the inflationary rise we are experiencing today in this country.

Thus it came about that Italy was, for months at a time, in a state of almost continuous industrial and civil tumult. Public services were paralyzed. And whoever did not know well the Italian people could not conclude otherwise than that Italy was in the way of becoming Bolshevist.

The overwhelming combination of rabble rousers, demagogues, parlor pinks, socialists, labor union organizers and communists had won out. The lefists were in the saddle. Their theories—put into practice—failed. Unemployment reached a new high. Black markets, lawlessness, violence, and even murder were rampant in city streets and country side. Italy was ripe for a Dictator.

Italian Counter-Revolution

The following very significant statement appears in Hayek's book, "The Road to Serfdom": "Everyone who has watched the growth of these movements in Italy or in Germany has been struck by the number of leading men, from Mussolini downward (and not excluding Laval and Quisling), who began as socialists and ended as Fascists or Nazis. And what is true of the leaders is even more true of the rank and file of the movement."

There is an old saying that anyone under 21 who isn't a Socialist has something the matter with his heart and that anyone over 31 who is a Socialist has something the matter with his head. Call it experience instead of age and you have the explanation.

Totalitarianism—Fascism, Communism, Socialism, or what you will—inevitably results in dictatorship because only through dictatorship can these theories of economic regimentation be made to work. Dictatorship is the common denominator of Fascism, Communism, and Socialism and is fatal to the democratic process and to human rights.

Let us see how Socialism worked out in Italy in 1919, 1920 and 1921, and how quickly and violently Socialism degenerated into Fascism.

In this crisis a very shrewd political leader sensed an urgent demand for order by a confused and frightened people whose government had lost its authority and their respect.

This man was Mussolini—radical, socialist, quasi-labor leader, successful opportunist who switched overnight from Socialism to Fascism. Mussolini organized the **Fascio di Combattimento.** Blackshirts and other groups developed their own organized strong-arm squads. But Mussolini outslugged all the sluggers.

Mussolini soon achieved power and responsibility, renounced his demagogic realism and stood for Nationalization, Law and Order. With the backing of a large part of the people and his armed Blackshirts, he marched on Rome and took over the government.

The people of Italy found themselves under a dictatorship because a democratic government had failed to maintain law, order and justice. The dictatorship **by** the proletariat had become, as always, a dictatorship **of** the proletariat.

The man on horseback had come to restore order and Rome was free no more.

Another factor which caused the Italian counter-revolution was that a committee of leaders of the Socialist Labor Party had visited Russia and found the revolution there a "ghastly failure." They reported that "Socialistic Russia was a land of hunger, pestilence and the gallows." If revolution meant reducing Italy to the state of Russia, the Italian Socialists would get along without such a revolution.

Mussolini, like some other politicians with an eye for popular support and votes, now promised a Welfare State pledging: (1) A guaranteed job; (2) An adequate salary; (3) A comfortable home; (4) Self-improvement.

All of this sounds somewhat familiar but leaves out the factors of work and production.

What Mussolini forgot to mention to the people was that every one and every thing had to be controlled by an all-powerful police government to arrive at and retain this so-called Utopia. He also forgot to mention that human rights in every instance would be deferred to State's rights.

The inevitable cycle of lawlessness was not completed until the Italians had lost their freedom, were humiliated and exhausted in disastrous wars; until the sands of Africa, the waters of the Mediterranean and the soil of Greece were red with the blood of her sons; until their country was fought over and occupied by foreign armies, and their colonies lost. Like Hitler in Germany, Mussolini died a dog's death amid the ruins of his Empire. And the Italians are still paying the penalty.

Was all this necessary? A weak, confused appeasing government had failed to maintain order and justice and preserve individual freedom. Organized minorities had used their power to coerce the people. The oppressed majority in turn crystallized and reacted violently. Disaster was the inevitable sequence.

It happened in Italy. The same causes can bring the same results anywhere.

Can It Happen Here?

The United States is the only nation in the world today sufficiently strong and free to give leadership and hope to the constructive forces of freedom and individual human dignity.

Yet in these critical and dangerous times, when we should be demonstrating to the world the power of freedom to produce and create, we are by lawlessness, group selfishness and outright stupid blindness throwing away our leadership and our power, in spite of all we have seen in Europe.

All over the world we can see why the people who should be free from suffering, why democracies failed and dictatorships took over. Because the people, misled by self-seeking politicians, took the line of least resistance, followed a desire for more money for less work; let their minority groups high-pressure the government and themselves into impractical schemes of regimentation and inflation. The government then, in turn, decided what the people should do, where and how they should work and live, denied them their freedom, their self-respect, and their individual opportunities.

These are the dangers we face today in America. Today the trend of the American Government is definitely toward regimentation of industry, labor and agriculture. These policies are initiated and developed by those who believe in planned governmental control, who believe government employees should decided what Americans should want, how much they should pay for goods, where and how hard they should work, and what they should be paid for their labor. These bureaucrats are far more interested in their own ideologies and in acquiring all the power they can get than in the rights of a free people.

Today in America we have pressure groups, violent labor strife, price control, a huge national debt, inflation, and economic confusion. We plowed in ripened crops, killed fattened pigs, struggled with an NRA that put a **floor** under prices. These panaceas didn't work, so the government installed an OPA that put a **ceiling** over prices. We passed laws for collective bargaining to end strikes. When we found that these created more strikes we abolished collective bargaining. The power of the government was then used to fix wages and prices.

Congress has exempted labor unions from the anti-monopoly laws, the Clayton Act, and from responsibility under the one-sided Wagner Act. Further, and still more important, government by common consent has granted unions the exclusive right to use physical force against other groups.

All the factors of production—taken out of the economic field—are placed in the political field, a disastrous condition. Labor becomes, as in Europe, a football of political expediency.

Because of this, our government is now squarely faced with one of two alternatives—either to take control of labor as well as industry and thus become a **completely** totalitarian state; or, at long last, to recall the special privileges given labor organizations by it and return the country to freedom of industry and individual enterprise and democracy.

The people of Italy failed to do this and paid the piper. Who is to lead the people of America today so that Americans do not have to pay the same price?

Guidance cannot come, certainly, from crackpot social reformers who are so largely responsible for our present confusion.

Guidance should come from industry itself because the first assault on freedom always is against the free industrial life of a nation. That is just where the attack now is in this country.

The people of America believe that our present economic turmoil is due to disputes between labor and management. They do not know or realize the truth that our confusion has been brought about by a battle for power between labor union groups and labor union leaders whose armor is pro-labor legislation. They do not know that any raise in wages not matched by increased production comes out of the pockets of the consumers in higher prices and brings on not only decreased buying but depressions. They do not know that human rights are first lost through "paternal" governments. Industrial leadership must make these matters clear.

We can be free again. We can retain our human dignity. We can maintain, we can even raise, our standards of living. We can accomplish all this, but only if we become economically and morally sound. We need an enlightened public opinion in America.

Real leadership will not spring from any one class or any one group. It will come only from the enlightened and informed people. We — you and I — and others at gatherings like this have a responsibility beyond our technological problems. Tens of millions of our ancestors migrated from Europe to get the benefit of our freedom and opportunity and in a few short generations they had outproduced the rest of the world.

The future belongs to man—the common man and the uncommon man—not to politicians of the Mussolini stripe. Therefore, let us rededicate ourselves to the proposition "that this nation, under God, shall have a new birth of freedom; and that government of the people, by the people, for the people, shall not perish from the earth."

Normandie Sold as Junk

The Normandie, once the pride of the French line, has been sold by the United States Government which acquired the ship and was converting it into a troopship when it caught fire in 1942, for $161,680, as junk. The Maritime Commission, according to Washington advices to the Associated Press on Oct. 2, announced that the bid of Lipsett, Inc., of New York, the highest of five, had been accepted and would bring the government a return of $3.80 a ton of scrap. The vessel's original cost was nearly $60,000,000.

National Debts versus Monetary Inflation

(Continued from page 1926)

vants of the dead. Supposing, said the writer, then contemplating the disaster which had overtaken France through the profligacies of its Kings, Louis the 15th and his contemporary generation had said to the money-lenders of Holland, "Give us money that we may eat, drink, and be merry in our day"; and, supposing the money thus received to have been divided among the people, and eaten, drunk and squandered, would the succeeding generation in France be obliged to apply the produce of the earth and of their labor to repay the loans thus made? "Not at all," said Mr. Jefferson, answering his own question. For the privilege of living upon the earth and tilling its soil, the men of one generation are not beholden to a generation preceding them. That right flows to each succeeding generation from a creative power higher than man. Thus the right to occupy the lands of France or of the United States by the generation now comprising those nations is not derived from the generations preceding, nor will the rights of the next succeeding generation be derived from those now in occupancy. These rights come, *not from man, but from nature,* and proof of this can no better be demonstrated than by the fact that nature has rendered the hand stilled by death powerless to force obedience from the living.

In this manner Mr. Jefferson developed his argument respecting the question then uppermost in his mind, that of provisions to be included in the constitution of France respecting long-term national debts, and in concluding his letter he begged his friend, Mr. Madison, to "turn this subject in your mind, particularly as to the power of contracting debts, and develop it with that cogent logic which is so peculiarly yours. . . . *At first blush it may be laughed at as the dream of a theorist, but examination will prove it to be solid and salutary.*" No further discussion of this "fundamental principle of government" either by Jefferson or Madison seems to have been preserved.*

*Note — Since this article was written, the writer's attention has been called to a letter written by Mr. Jefferson to John Wilson on Aug. 17, 1813—24 years after the Madison letter. In this letter Mr. Jefferson, discussing the same question and again denying both the moral right and political expediency of one generation attempting to saddle posterity with its debts, said:

"We acknowledge that our children are born free; that that freedom is the gift of nature, and not of him who begot them; that though under our care during infancy, and therefore of necessity under a duly tempered authority, that care is confided to us to be exercised for the preservation and good of the child only; and his labors during youth are given as a retribution for the charges of infancy. As he never was the property of his father, so when adult he is *sui juris,* entitled himself to the use of his own limbs and the fruits of his own exertions: so far we are advanced, without mind enough, it seems to take the whole step. We believe, or we act as if we believed, that although an individual father cannot alienate the labor of his son, the aggregate body of fathers may alienate the labor of all their sons, of their posterity, in the aggregate, and oblige them to pay for all the enterprises, just or unjust, profitable or ruinous, into which our vices, our passions, or our personal interests may lead us."

II

A

One-hundred and fifty-seven years have passed since Mr. Jefferson's declaration that there was need of constitutional restriction respecting long-time public debt. He had reached his conclusion from the viewpoint of abstract justice, no less than from that of political expediency, and he called to his support the fundamental principles of society to which all thoughtful persons were then giving grave consideration. He pointed out with clarity that principles of equity and those natural concepts of justice, common to all mankind, make it plain that right on the part of a living generation to bind a following generation to the payment of its debts does not exist; while the impossibility of a dead generation enforcing claims against the living is obvious. So it might seem that constitutional prohibitions against the attempted exercise of such a right were superfluous. No doubt it did so seem to the framers of both the French and American Constitutions.

It was also as apparent to Mr. Jefferson as to those giving consideration to his thesis that generations do not come and go as units. Thus the term itself does not permit of precise accuracy. Each day a group of Americans is born and another dies. Generations overlap, and between them there is and can be no definite line of demarcation. But over a lapsed period of time, let us say of 50 years, there is a near complete change in adult population. Over a much shorter period the percent of change is very great. It is to this overlapping of generations that much confusion of thought respecting long-term national debt and long-term national policy must be attributed.

Nevertheless the experience of a century and a half has proven Mr. Jefferson's "fundamental principle of government" to be both "solid and salutary." Within that period of time France has adopted and discarded numerous constitutions. She is now engaged in the writing of another. So frequently have her constitutions been overthrown that it is said that on an occasion a Frenchman entered a Paris bookstore to purchase a copy of the constitution. He was met with the dry remark that the firm did not have a copy for sale since it did not deal in periodical literature. French Governments have been no less numerous than French Constitutions. None have failed to contract long-term national debts; debts which have been either wholly repudiated or in great part extinguished through monetary inflation. As a consequence her periods of domestic tranquility have been short. Yet despite the past and the melancholy lesson it has taught, her printing presses hum again.

For more than a century and a quarter our government displayed greater wisdom and restraint in the conduct of its administrative and fiscal affairs. It provided and maintained a sound and stable monetary system; held its expenditures within bounds; and the national debt at moderate levels. As a result the country prospered; the wealth of the nation, as well as the standard of living of the people, measured not in money but in things of use and value, came to exceed that of all others. Within the last quarter of a century all this has changed. Impatient of those restraints which alone can insure moderation in the fiscal affairs of states, those in power resolved to be rid of them. The private ownership of gold was prohibited and all citizens required to turn their gold and gold certificates into the public treasury in exchange for irredeemable paper money. These acts were forthwith supplemented by direct repudiation of the gold covenants of the nation's bonds. Thus, "all sail and no anchor," the country was launched upon an irredeemable paper money economy. That fine phrases and protestations of virtuous intent accompanied these measures did not alter their true character. As a natural and almost inevitable consequence, where moderation and fiscal wisdom had in the past distinguished us above other peoples' waste, profligacy and fiscal folly now became a hallmark of our government. Within less than fifteen years we had contracted a national debt which approximates the value, measured in pre-inflation dollars, of the public and private wealth of the entire nation. Upon this debt, despite paper money manipulations of the most indefensible character, the interest charge alone is greater than our greatest pre-inflation budget.

B

But our follies have not been confined to fiscal policy. Notwithstanding the marvel of our production in field and factory and the excellence of our business administration, as evidenced by the abundance and cheapness of desirable things — an abundance which brought hitherto undreamed of articles of convenience and pleasure within reach of any person willing to work and save even a moderate portion of his earnings — we have established over business and agriculture a multitude of regulatory bureaus. These bureaus swarm with highly paid individuals, who, drawn from production, must now be supported by it; individuals who in their ignorance and zeal neither promote production nor lessen its cost but on the contrary delay output, deaden enterprise and add immeasurably to its burdens.

Although we have but emerged from a great and devastating war, in which we have sacrificed both our manhood and national treasure with a prodigality heretofore unknown in the history of warfare, so enamoured are we of the irredeemable paper currency and still less tangible deposit entries upon bankers' ledgers received by us in payment for things *destroyed and no longer in existence* that we fatuously suppose our national wealth to be greater than before. So confident are we that this excellently engraved paper, so inexpensively produced and so generously distributed by our government, constitutes wealth and an adequate restoration of the waste of war and the prodigalities of our rulers that we deem ourselves blest above all other people, belligerent and non-belligerent alike. As a consequence we gratefully accept the assurance of our leaders that, so wealthy have we become, that we must now prepare ourselves to enjoy a standard of living vastly higher than any we have heretofore known. Our leaders, in turn, exultant at the miracle they have performed in increasing the dollar level of the national revenue, do not hesitate to embark upon new and enormously expensive adventures in national and international statecraft and finance.

For a reason, no less novel and intriguing than that the people possess too much money, our government hastens to create additional debt and print additional money to be expended in part payment of the people's food, drink, and clothing bills.

As a method of gaining the admiration and support of labor and its leaders it forces increased dollar wages for decreased hours of production. But concurrently it so burdens industry with taxation and the support of armies of useless functionaries that labor's real wage, determined by what the dollar will buy, becomes less and not more than formerly.

Observing that our former abundance is turning to want; that the people cry out against scarcity, against black markets, and against inferior quality and high prices, it loses not a moment in negotiating additional loans and printing additional money to send to foreigners that they may enter our markets and in competition with our own hard-pressed citizens, buy and remove $20,000,000,000 worth of our purchasable goods to alien lands. To those bewildered persons, to whom it seems that severing $20,000,000,000 of goods from our scarce supply will create more scarcity and not less and hence higher prices and not lower, it gives assurance that, God willing, fifty years hence our descendants who neither toiled nor sacrificed to produce the goods will receive a return of them from the unrequited descendants of those in foreign lands who bought and consumed them.

Discovering that the politicians of foreign states, following practices no less devious than those of our own, have caused their governments to emit irredeemable paper currency in such quantities that it is no longer acceptable in foreign trade except at heavy discounts; In short that the paper circulation of these states is in many instances of little real value and in others of greatly depreciated value because of its over-issuance, our government unhesitatingly organizes vast schemes designed to give appearance of value where value in fact does not exist. These schemes take the form of Funds; Banks of imposing name and complicated structure, staffed by highly paid personnel, selected, interestingly enough, in large part from those Americans instrumental in their promotion. But the fact is not to be obscured that, *despite the acknowledged inadequacy of our own purchasable wealth and production to sustain our own heavily inflated circulatiton, the true purpose of these enterprises is to place American wealth and production back of foreign inflations.*

III.

A

For fifteen years of deficit piled upon deficit our fiscal affairs have been conducted upon the unannounced, but clearly entertained, assumption that future generations can and will be required to pay our debts. Plain proof of this is to be found in the fact that during that period no Congress has dared levy taxation sufficient to meet current annual expenditure. Fearful of the living, who vote, Congress has no fear of the unborn.

Yet belief that the debt can be passed to future generations is a false belief. In proof of its falsity I propose to exhibit the nature of man and call as witness the experience of mankind. *In this manner it may be readily demonstrated that our generation and no other must bear the burden of providing and paynig for all that we consume and all that we destroy.*

Nature has decreed that man shall neither eat, drink, nor wear that to be grown or prepared after he himself has perished. The dead are powerless to consume or to collect from or profit by the labors of the living. Therefore all that a generation eats, drinks, or wears must be provided and paid for by its own members or inherited from an ancestor. If debts are left unpaid by one generation they must be paid, if at all, *both by and to* members of a generation succeeding. All this is beyond dispute. Very well, say those who entertain the belief that future generations are to pay our debts, "the fact that future generations must collect does not alter the fact that the future generations will pay."

These persons have failed to observe that hand in hand with the creation of a public debt of the magnitude and character of our own goes the work of its extinguishment. A debt payable in a worthless unit of exchange is no longer a debt. Its payment constitutes no more than an empty and inexpensive gesture. So as the unit of exchange decreases in value the burden of the debt becomes correspondingly lighter. It is because a government, which over a long period meets unproductive and noncreative expenditures beyond its revenues by the printing of money, automatically diminishes and finally destroys the value of its unit of exchange that it is impossible to pass the burden of payment far into the future. As the debt increases, without a concurrent increase in the purchasable wealth of the nation, the value of the unit of payment decreases. *This is the decaying process of monetary inflation. Having given it birth the public debt becomes the helpless victim of its evil offspring.*

B

It is because of the inability of governments to saddle the burden of their debts upon future generations, their efforts resulting only in monetary inflations which ratably extinguish the debt at the expense of their own people, that gentlemen in high office who so confidently suppose their profligate expenditures, while providing benefactions for the living, will become the burden of the unborn, are riding to rude disillusionment. They despoil, not the unborn as they suppose, but the living. The victims of their rapacity, of their profligacy, or of their corruptions or well-intended stupidities, are to be found among their own constituents and within their own generation and no other. They constitute the very bulwark of a free society, those who have acquired through industry and saved through sacrifice. These are the possessors of savings in the banks; of all contracts and obligations payable in dollars, including policies of life insurance, annuities, and interest-bearing securities, *not excluding those of their own government.* They are persons who have contributed to the government for social security payable at a distant date or those to whom the government or corporations have granted pensions. But these are not the only victims. The office worker, the skilled artisan, the salaried employee and all officials of government will find adequate increases of pay lagging behind and often far behind the decline in purchasing value of the dollar.

There are many who already find it possible to calculate with some accuracy a portion of their indirect contribution toward extinguishment of the national debt. Among these are the owners of bonds or contracts the interest rate upon which has been cut, often in half; the annuitant or pensioner and all persons of fixed income who are able to consult and interpret cost of living indexes or whose memory goes back to pre-inflation prices. Among these are also the holders of life insurance policies who, having paid the required premiums for many years, often at great sacrifice to themselves and their families, now discover that the government has declared itself a co-beneficiary while the balance remaining for the intended beneficiary is further diminished by the depreciated value of the dollar in which payment must be accepted.

Lured by pleasant voices or charmed by fine phrases and fair promises many of these supported their despoilers, quite unconscious that the hand of the magician searched, not the pocket of another, but their own. Mistakenly supposing it to be the rich and the unborn who were to pay they have now discovered in themselves the true victim. Even the working men and women have learned that their dollar gains are little more than an empty symbol signifying

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National Debts versus Monetary Inflation

(Continued from page 1959)

nothing more than an altered formula. In the market place this increased formula secures them little more and of many things less than did the smaller dollar wage of the pre-inflation day. They are now learning in the trial room of experience that while politicians can bring them increased dollar wages without end, production of desirable things alone can bring them increased real wages. To all these the part they are playing in satisfying the public debt is now apparent. But all others pay as well and will pay increasingly though their payments are obscured to them through indirection. For of this every man may be certain that a rotting dollar rots the very fabric of a free society.

Future generations of Frenchmen did not pay the debts of the profligate Bourbon Kings. Having given birth to the Assignats and Mandats of the Revolution the debts perished with their progeny. A future generation of Germans did not pay the debts which supported the monstrous paper money issues of that unhappy country. No more did a future generation of Austrians and Italians meet the immoderately swollen public debts of their countries, and no future citizen of Hungary will be called upon to make good the debt of that fallen government. These debts were satisfied out of the labors of the generation which created them and it bore the burden of their extinguishment alone.

IV.

As a people we labor under a mass mental malady. It is of a type neither mysterious nor infrequent in its outbreaks. Varying only in the manner of its manifestation, it is an ancient affliction of mankind. Upon us it has descended as a new and modern version of the Great Paper Money Delusion. Under the enchantment of its spell we live and plan in a dreamland of vast and effortless national wealth.

Our merchants are charmed by the dollar increase in their sales; our bankers by the increase in their deposits; speculators by the unprecedented rise in the market values of their lands and securities; labor was, for a time, deceived by its new dollar gains in wages, and farmers by the high dollar prices of their products. Believing themselves to have discovered the easy road to plenty the country swarms with persons hastening to enjoy their new prosperity. Even the officials of government, observing with delight the dollar increase in the public revenue, deem moderation even less essential than before and lay plans for new extravagances.

Mankind has suffered from other mass aberrations, many frightful in their consequences. Learned men have been consigned to the flames for no greater offense than that of searching out and speaking the truth; devout men and women for the crime of abiding by their religious convictions; children have been hanged as witches; peoples have marched and died en masse in search of things no more tangible than creations of their fancy. But it is in economic fields that such mass mental disturbances find most frequent expression. To create wealth without toil; to enjoy luxury without sacrifice, human nature being what it is, this is a rallying cry which seldom fails of armies of recruits. Thus within less than three centuries, the experience of the past being disregarded in each successive instance, may be observed the disaster of the Mississippi Company of John Law; the South Sea bubble; the Tulip mania; the Assignats and Mandats; the New Era, and a host of lesser outbreaks. In turn the French, the English, Dutch, Germans, Austrians, and Italians have succumbed, and we ourselves have been its victims. Within our own country are to be found examples of unprecedented, though for the most part localized "booms and busts," each carrying hosts of believers to despair and disaster. One has but to view the scene of today to know that these visitations have not ended.

But of those from which we have suffered, the present is the most ominous. It is international in scope and universally destructive in character. True, inflation was our lot following the first world war, but it was an inflation of credit and not of printed money. When the loans were called the garish price structure, representing values which existed only in fevered imaginations, collapsed. But the calling of the loans, drastic remedy though it was, tended to correct the inflation. The inflation from which we now suffer is not a credit inflation. Private loans are few and inconsiderable. It is from a plethora of printed money and synthetically created bank deposits, both the bastard progeny of the national debt, that we suffer. Through the magic of a printed formula and nothing more we have, in our delusion, come to believe that the public debt is a national asset. Indeed it is so entered upon our corporate and private balance sheets. In the printing press we have discovered the philosopher's stone, while bankers' ledgers have become the crucibles of modern alchemy and within their pages we consider ourselves to have transmuted writing fluid into pure gold.

Nevertheless, despite the earnestness of our belief, we shall one day awaken to the truth as all men must. We shall discover that the printing press has created no wealth; that the written entries upon bankers' ledgers are no more than writing fluid upon ruled paper, signifying, not the creation of wealth, but a redistribution of such wealth as war and waste have left us. We shall discover that the national debt is a public liability, and that in giving birth to its illegitimate offspring of irredeemable paper currency, it has brought upon itself its own destruction. Our madness will then be at an end, and, cured of it, we will marvel at our credulity. But until the day of awakening gives us release we will continue to make mockery of reason and understanding. We will promote scarcity and want in reckless attempts to stifle the natural forces which alone can bring us abundance. Believing ourselves the modern Midas we will, in our delusion, continue to scatter the nation's wealth to the four winds of Heaven, receiving in return nothing more substantial than the shoddy output of our own presses. In fruitless effort to conceal the evidences of our existing inflation by false appearance of low prices we will create new inflations, and from the proceeds subsidize producers. That the true market value of our securities may not be reflected we will enter the markets and purchase all offerings at pegged prices, a practice fraught with grave danger which our government justly condemns in others.

We will, in short, continue to substitute form for substance, fancy for fact. Magic will continue to triumph over mathematics. We will alter or deny the meaning of words and thereupon proclaim that we have undone the eternal verities. Declaring human nature an outmoded vixen we will recognize her existence no longer. With fine theories we will confound reason itself, and in the end discover that neither truth, reason, nor human nature has been dethroned. We will have deceived only ourselves. The day will then have arrived, when, all schemes and subterfuges having failed, and the peoples' disillusionment being complete, we will of necessity restate the value of the dollar and re-establish it upon a sound and honest basis. In this manner, though the operation will be drastic, we will give legal recognition to a fact then clearly apparent to every observing person, that we ourselves and not a future generation have paid the price of our incredible madness. We will, in substance though not in form, have paid our debt, either in whole or in substantial part, through monetary inflation, as between a government and its people a practice of unabridged dishonesty; a cruel and unjust form of taxation which, taking account neither of ability to pay nor fortune, collects only from those possessing a certain type of savings. Against these, whether rich or poor, great or humble, it levies toll. Their property it mercilessly expropriates in payment of a debt, no more theirs than that of all other persons. But this expropriation and the manner of its exercise so injures all others that when the day of awakening comes there will be few unwilling to accept the Jeffersonian thesis that under constitutional government limitations upon the power of contracting long-term debt would prove both "solid and salutary."

NAM Names Drew to Post

J. E. Drew, formerly Assistant Director of promotion of the American Gas Association and Deputy Manager of the American Bankers Association, has been appointed an assistant to Holcombe Parkes, Vice-President in charge of public relations of the National Association of Manufacturers, NAM announced on Oct. 6. A graduate of University of California, Mr. Drew began his business career with American Trust Company, San Francisco. He was Vice-President in charge of public relations and new business and, in 1939, was appointed Director of Public Relations for the California Bankers Association. Joining the staff of the ABA in 1942, Mr. Drew became Deputy Manager in 1943. As Secretary of its public Relations Council, he created and directed national public relations campaigns, and supervised preparation and distribution of public relations material for use by the association's members. In addition, he was Secretary of the Ration Banking Committee which cooperated with OPA in conducting nation-wide ration banking. He also served as Secretary of the County Bank Operations Commission; was in charge of the public relations of the banking industry's program for veterans and its nation-wide campaign to provide adequate credit for small business in the post-war period. Last February, Mr. Drew became Assistant Director of promotion of the American Gas Association.

War Replacement Command to End

Army Ground Forces Commander, General Jacob L. Devers, announced on Oct. 3 that as of Nov. 1 the wartime replacement and school command should be abolished. Ground Forces Headquarters will assume the command's functions, Associated Press Washington advices added.

Modern Corporation Reports

(Continued from page 1927)

from his actual income. In the case of a business, net taxable income varies from actual income for a multitude of reasons embodied in such items as depreciation and capital gains and losses. Because of the variance of State from Federal income tax laws, the reports made to the 28 States having income taxes will vary from those made to Uncle Sam. Likewise, there will be differences among the reports made to the States. A company may, therefore, prepare 29 profit and loss statements for income tax purposes, all of which deviate from each other.

Property tax requirements of State and local governments necessitate the filing of detailed balance sheet and income statements in many cases. Since a new aspect of the corporation is involved, a different order of presentation of figures and possible new figures is required. The multiplicity of paper work and figure juggling arising in this sphere is obvious. Certain types of industry are required to present a wholly different set of figures to the specialized agencies which regulate them. Railroads follow Interstate Commerce Commission rules of accounting and report from time to time or, for all practical purposes, continuously to the Commission. Companies engaged in the manufacture of liquor have somewhat the same experience. Public utilities other than railroads are another group on which a multitude of requirements has been placed. The efforts of a substantial portion of accounting and legal personnel are devoted exclusively to annual or interim reports to State and national regulatory bodies.

The SEC Regulations

Since 1934 and the establishment of regulation over securities of most corporations, another Federal agency has been added to the long list requiring periodic confessions of private business. The Securities and Exchange Commission does not cover all companies but does catch all of the quasi-public corporations. These are the companies that the layman knows about, such as General Motors, General Mills, General Foods, General Baking and the other firms which, coincidently, seem to have a penchant for a militaristic name. The special reports required by the Securities and Exchange Commission at the time companies are engaged in the flotation of new securities are by far the most searching and detailed of all the statements prepared by corporation personnel. And, in passing, it might be said that the statements embodied in prospectuses prepared in conformance with Securities and Exchange requirements are of the highest caliber from an accounting or financial point of view. If corporation reporting stopped with no more than what has already been mentioned, the burden on companies might be bearable. Yet, there are other claimants to the details of "inside business." Most Blue Sky commissions demand information, too. A Blue Sky commissioner occasionally is separated from the State Corporation Commission and separate disclosal has to be made. Since Secretaries of States have a hand in the incorporation of concerns, these men feel obligated or are required by corporate codes to keep tab on legal persons. Companies operating in special circumstances have other reports to be made to public agencies but the above list covers the majority of requirements. Last, but not least, is the great group of stockholders or owners of the business who ought to have some notion of what is going on in the company. The stockholders will be provided a version of what has happened from operations during the preceding year and the current state of finances, if the companies' funds and personnel are not exhausted from the ardors of the required statements. Corporations, as a matter of fact, do prepare of their own volition annual and, in many cases, interim reports for the benefit of their stockholders, customers, personnel, and in some cases bondholders. The stockholders as owners are obviously entitled to informative statements. The other groups receive information out of managerial courtesy or as the result of programs of public relations.

Improvement in Reports to Stockholders

During the last 20 years there has been a substantial change in financial statements released to the public by American corporations. In the decade of the 20's, annual reports of corporations usually involved a heterogeneous mixture of bad accounting practice and terminology, a script which confused rather than amused or clarified, and a poor format. Neither accounting practice nor terminology had been standardized and each company developed its own peculiar technique of summarizing its operation and situation. As a result, reports were unread, stock unvoted, notices unnoticed, and a general lethargy of stockholders prevailed. This should not be taken to mean that stockholders now have a spirited interest in affairs of their companies, but times and attitudes have changed to a certain extent. A noticeable improvement in corporation reports is evident by a comparison of the current releases with those of 20 years ago. The occasion for the amelioration is rather interesting. It arose primarily because of the attacks of public officials on corporations, and was the answer of leaders of business to the accusations. The shafts directed against public utilities and railroads were believed by their leaders to be overstated and inaccurate. As a consequence, the first improvement in annual reports taken by industries as a group occurred among those subjected to political fire. Better reporting to stockholders was a more logical medium for combating the new onslaughts, because the numbers of stockholders in American corporations had been greatly enlarged. Many American corporations came to be directly owned by over 100,000 individuals and indirectly owned by millions through the media of investment trusts, life insurance companies, and banks. The only effective means of coping with governmental attacks was to enlist the aid of all of the owners of the business rather than to rely upon the officials of the company whose views and expressions could not be voiced very effectively since they were alleged to be sinful money grabbers at best. Many stockholders who had been very vocal in condemning big business and business in general were somewhat shocked when, on reading the new reports of their company, they came to the sudden realization that they themselves were owners of corporations.

Corporation officials have come to realize that not only should the stockholders be informed, but also the public in general. The great increase in governmental agencies demanding detailed statements left the companies with no more privacy than a baby anyway, and so the final step was warranted to release reports to the general public—that is, to anyone who wanted them. The consensus of opinion among business tycoons was that full disclosure to the general public would promote a sympathetic understanding of the problems of business and a healthy relationship among voters, governing bodies, and private enterprise.

Publicizing Reports

Several special groups of interested parties were selected for coverage by annual statements. Companies embarked on a policy of supplying all employees, regardless of whether or not they owned stock, with copies of the annual report. The purpose was obviously to promote understanding and cordiality in industrial relations. Some firms put customers to whom goods were sold and sources of supply on their mailing lists in order to improve the general atmosphere for carrying on business. Customers were sometimes pleasantly surprised or relieved to note that the profits made in the company which served as a source of supply were modest rather than extortionate. Likewise, sources of supply for the corporation releasing annual reports were pleased to note or to conclude that the prices received for raw materials were not depressed and, therefore, the means for piling up huge profits in the buying corporation. Profits of business, as a rule, are about half what the layman thinks they are. Companies cannot repeat too frequently what their true state of affairs happens to be.

Modern reports to stockholders, employees, customers, and the general public are longer than in days gone by. The balance sheet and profit and loss statements are frequently presented in non-technical language and the accompanying manuscript is in terms the layman can understand. There is ample evidence to indicate that the manuscripts for explaining financial statements are often written by individuals other than accountants. Certainly few accountants have the facile, breezy style that characterizes many of the current releases. Modern charts and photographs and new formats provide a pleasing appearance. Knowledge and information must be packaged attractively for the same reasons that necessitate proper display of carrots, breakfast cereals, and household appliances.

The Bureau of Business Research of the University of Kansas recently made a survey of the annual statements of 286 of the leading corporations in the country. The objectives sought were, first, to learn the extent to which changes had taken place in annual reports between 1938 and 1945; second, to ascertain the number of companies which were adopting all or part of the new techniques for presentation; and last, to ascertain what should be the proper policy of a company in preparing annual statements. The period of 1938 to 1945 was chosen in part because the material for those years was readily available, and in part because the period of greatest change was presumed to be during those years.

Simplification of Statements

The improvement in annual reports of corporations between 1938 and 1945 was significant although disappointingly small. The changes of a few companies stood out prominently and distorted the showing of the whole, somewhat in the same fashion that a few errant sons of preachers effectively discredit offspring of the clergy in general. The appearance of 118 out of the 286 was presumed to be improved, or seemed to show improvement in 1945 over 1938. Almost half of the companies (134) made no apparent change in presentation. The remainder (34) showed marked deterioration. Some of the latter, no doubt, endeavored to improve their reports, but unwittingly adopted poor means. The chief shortcoming in the third category was undue brevity as compared with earlier releases. On the whole, the change was commendable because there were 84 more that improved the showing than faltered. A certain amount of progress should have been made to keep pace with the forward movement of the nation, but the change in corporation reports seems to have run ahead of the secular trend of both the accounting profession and the printing industry. The 286 reports in 1945 ranged in length from the back of a post card to sixty pages. The length was held down in part by the limitations on paper, since one company before the paper shortage had the policy of publishing a report that covered 150 pages. The paper shortage, however, did not have the effect of cutting down the average length of all reports. A simple test of the 286 indicated that 50% of the companies increased the length of reports during the war, 25% stayed the same, and 25% cut down. Enlarged business activities and wartime complications necessitated greater length, but in no way accounted for the increased space devoted to pictures, elaborate charts, and graphs. The extent of adoption of layman's language for financial statements was surprisingly low. Only 24 out of the 286 seemed to have broken over to the new style. Moreover this has been restricted to the income statement. More companies have this in simple terms than have performed the same on the balance sheet. The typical line followed presents the information on the income statement somewhat in this fashion:

Our Operating Record in 1945

Our Income:	
The sale of our products amounted to	$632,769,000
Our income from other sources was	2,424,000
This gave us a total income of	$635,193,000
Our Costs and Expenses:	
Milk and other products purchased from farmers and war materials bought from other suppliers cost us	$375,467,000
To process our products and serve our customers we employed 38,000 men and women whose wages and salaries amounted to	102,532,000
Operating services and supplies and other miscellaneous costs of doing business totalled	53,455,000
Our direct taxes to help support Federal, state and municipal governments were	34,651,000
To package our products in bottles, cans, cases, cartons, jars, and other containers required	30,617,000
Repairs and maintenance to keep our plants functioning efficiently cost	14,274,000
Despite repairs and maintenance, plants and equipment gradually wear out from constant use and eventually have to be replaced. Each year we provide as depreciation a sum for this purpose. The amount provided this year was	8,414,000
We paid to our bondholders as interest on money we had borrowed	1,669,000
This brought our total costs and expenses to	621,079,000
Our Profit:	
This left a profit of 2¼ cents on each $1.00 sales, or a total of	$ 14,114,000
Which was distributed as follows:	
Dividends to common stockholders	$ 8,757,000
Retained in the business for debt reduction, plant expansion and operating requirements	5,357,000

Nearly all companies which give a simplified version of the financial statements also have a conventional presentation elsewhere in the report. The most unique approach of all is by an Eastern railroad which in effect presents the financial statements four times, each one progressively more detailed. The first one is apparently for people who know their ABC's and have finished grade school; the second one, is for those who have the intellectual attainments which are roughly correlated with completion of high school. Stockholders who have had the equivalent of a college education, with some work in economics or considerable business experience, can understand the third type. The last statements are those required by the Commission and are of interest to accountants and transportation specialists. Any stockholder can pick up the report and read as long as he is able to understand. Whether or not a corporation is warranted in going to such extremes may be quesitoned, but there is no doubt that readers of the reports of the company involved are better informed than readers of the reports of any other railroad.

Classification of the style of the manuscript material attached to statements cannot be done precisely. The terminology used appears to be showing a definite trend toward the layman's language and away from that of the accountant. The scope of the manuscript material has also been broadened substantially. No longer will the remarks be confined to explanation of the financial statements, but will cover such topics as employee relations, price control, shortages, research, expansion plans, and almost every other topic which hinges on the welfare of the concern.

Use of Charts and Photographs

The use of charts has been expanding steadily although the percentage is still low. A total of 199 out of the 286 made no use of charts and graphs. Out of 87 which used graphic means of presenting material, 68 were plain and of a type dating back a half a century. Only nineteen firms used modern graphic illustrations. Presentation of statistics by antiquated charts or graphs is undoubtedly wasted effort for 95% of all readers. A serious 5% may examine the statistics, but even this group would probably benefit more by attractive presentation.

Utilization of photographs to illustrate annual reports has been another deveolpment of the past decade. As a generalization, photographs are not as effective in providing information as are sketches, graphic illustrations and, in some cases, caricatures. The function of photographs is primarily to beautify and, to the extent that they create a favorable impression on the reader, a greater measure of attention might accidentally be devoted to the financial statements. Black and white photographs were utilized by 86 firms, and colored prints by 18. Special circumstances warrant the utilization of colored photographs by the Eastman Kodak Company. The reproductions are superb examples of what the products of the company will do, even though they do not reveal any operating ratios.

Tabular presentation of statistics is made by 110 companies, but none by 176. Tables seldom put over information as successfully as charts, but in certain industries, particularly transportation, custom and regulation dictate inclusion.

The practice of issuing interim reports continues to expand for the same reasons that prompted changes in the annual reports. Slightly less than 25% of the companies surveyed issued monthly, quarterly, or semi-anunal statements of affairs.

Variations in Forms of Statements

The general level of accounting presentation has been steadily improving. This may be attributed in part to the quasi-public character of modern corporations, and to the influence of the accounting profession. A small minority of firms still plagues financial analysts by bizarre terminology and practice. Omission of significant material is a further source of difficulty. Several well-known companies reveal only the income from operations after deducting costs of sales, and give no clue as to what the total volume of business was.

Depreciation is deducted after bond interest; obsolescence may come after bond interest. Net profit may be the amount that remains after preferred stock dividends and common stock dividends are paid. The transfer of income to surplus may take place after payment of dividends. Dividends are, therefore, not declared out of surplus, but paid with cash. How these accounting transitions are accomplished is somewhat a mystery. A large rubber company which carries good will patents, trade-marks, and copyrights on its books at many millions of dollars does not show these items as assets, but lumps them together as a deduction from the common stock account. The interest rates on funded debt and the maturity dates of funded debts are omitted, thereby leaving the analyst ignorant of significant items. Amounts in sinking funds are deducted from outstanding bonds, and only the net indebtedness appears; the sinking fund should be shown as an asset, with the bonds carried at the outstanding amount. Reserves for depreciation and bad debts are frequently not deducted from the affected assets, but are carried among liabilities, thereby swelling and distorting the records of the company. A recent change in Interstate Commerce Commission regulations requires railroads to deduct depreciation from the depreciable assets. One railroad cautioned its stockholders not to be alarmed at the apparent shrinkage of several hundred million dollars in assets.

Unusual Accounting Procedure

The most unusual accounting procedure among the 286 companies studied was in the 1945 annual report of a large Western oil company. A complete departure from the conventional balance sheet was made, and the company reverted to the system which prevailed before double entry bookkeeping was invented, or to the system which a man untutored in accounting might develop on his own. The equivalent of the balance sheet took the following form: Current assets were listed and current liabilities then subtracted to give net working capital; the current ratio was computed and working capital brought forward; property and other assets less depreciation gave the company a figure which had no particular name; reserves and long-term debt were then subtracted to give something known as net assets which were explained under the subsequent heading called "shareholder's ownership." This unique means probably has many more vices than virtues. Anyone familiar with other statements would be thoroughly bewildered. Understandable form is commendable but there is doubt whether anything as unique as the company's accountant or public relations man conjured is of benefit to readers of the annual report.

No particular industry seems to be leading the way in the movement toward better reports. Those of railroads and public utilities are obviously more complete and the accounting presentation is more standardized than the industrials. No greater use is made of modern means of illustration. The movie industry, which might be expected to be a leader in the trend, seems to be a definite laggard. And the majority of companies in the cinema industry are below average on almost every basis of evaluation. The outstanding reports in 1945 were issued by The Chesapeake and Ohio Railway Company, National Dairy Products Corporation, and Remington-Rand Incorporated. Both the Diamond Match Company and the Eastman Kodak Company have always had special features which made them outstanding.

Qualifications of a Good Report

A good corporation report is one that is pleasing in format, one that attracts attention and is of a type that prompts the median stockholder to open, as well as the analyst and the accountant. Much merit exists for presentation of the two major financial statements in two forms—one simple and the other in conformance with good accounting practice as recommended by the American Institute of Certified Accountants. The abbreviated statements should be so worded that people uninitiated in the terminology of accounting can understand, and the statements should be in the first pages of the booklet.

Graphic illustrations enlarge the amount of information which the company can induce readers to absorb. Accounting information and statistics must be presented in attractive form or the efforts of those who prepared the material will be dissipated as readers glance at the publication and contribute it to the local scrap drive. To the extent that well-chosen photographs of aspects of the company's business inform readers or cause them to read material which otherwise would be neglected, pictures should be utilized. Black and white photographs are recommended for the majority of large corporations. Many concerns will not be warranted in incurring the added expense of colored reproductions. The manuscript for the annual report of a corporation ought to be well written, and concern itself with more than a conversion of the major financial statements into prose. Readers should be given a summary of major problems confronting the company, changes in policy, and information on any other items which owners, employees, or customers of a business should know. The use of interim reports is also recommended. Business conditions are currently so dynamic that annual releases are grossly inadequate. Issuance of quarterly statements should do much to further a company's program of promoting new understanding on the part of its owners and clientele.

Effective reporting to stockholders in the form of the best financial reports possible is money well spent. Owners of a company have a right to information about their firm, and it ought not to be concealed by obscure accounting or bad form. Lethargic stockholders who ought to be interested and aware of their company's activities should be spurred, induced, cajoled, or otherwise educated about the changes taking place. Better reports will improve relations between the great mass of stockholders and the management of the company, and will do much to increase the knowledge of the general public concerning the role of corporations in modern economic life.

"Profitless Prosperity"

(Continued from page 1929)

cepts and principles of human welfare and stability widely ignored, but each of the factors that contribute to the production and distribution of human utilities by which we live and thrive seems also to be possessed by a spirit of abandonment. There apparently is a feeling: "After us, the deluge."

I do not imply there exists no planning, no caution, no understanding of things to come. We have had warnings, and we still have an abundance of economic nostrums and panaceas. But the problem facing the nation is one of condition, and not of theory. We must take into account human frailties and selfish interest, which cause actions to be taken which are unreasonable, merely to obtain temporary or class gains. Surely, no situation thus encompassed can long endure!

The Wage-Price Dilemma

The chief factor creating profitless prosperity is the wage-price dilemma.

Labor is exploiting a condition in its favor which is highly abnormal and elusive. Manpower shortages, arising from a temporary inordinate consumer demand, accompanied by a plethora of money, has led to wage demands that threaten to destroy the economic equilibrium by which industry persists and thrives. Competition for workers never before has reached its present intensity—not even in the war period. The margin between payments of skilled and unskilled workers is narrowing. The productivity of individual workers is no longer taken into account. Yet, millions are drawing unemployment and veterans' doles, and in spite of unprecedented high wages, workers do not remain on their jobs. Thus we have absenteeism, "feather-bedding," meandering rapid labor turnover, and the like, together with a propensity and willingness to strike—a mass quitting of employment with the least provocation.

All this means lower profits and higher prices.

John D. Small, Civilian Production Administrator, slyly—merely as a side remark—points this out in his September report. "Increased productivity of currently employed labor," he states, "is needed now to bring about higher levels of production and thus combat inflation." But he goes no further. Not a word about how increased productivity is to be attained.

There always has been a limit to the upward curve of rising prices. Every new advance in the general level of prices means a distortion of the nation's economy. It unbalances the equitable relationships of social groups and individuals in the different economic strata. It alters unevenly the status of individual incomes and expenditures. It disrupts contract arrangements and it affects adversely the national fiscal setup. It requires continues new adjustments that disturb the economic equilibrium essential to a steady progress and a continuous regime of prosperity. Modern business is conducted on future prospects. When the future prospect is highly uncertain and cannot be reasonably calculated, forward commitments cease—and stagnation is the outcome.

Is the Profit Incentive Essential?

There is already abundant evidence that business operations are being slowed down under threatend profitless operations. The severe stock market slump is only a single manifestation. Industrial corporations, the railroads and the utilities, notwithstanding the absence of excess profits taxes and the seemingly unsatiable demands for their products and services, are showing reduced profits on increased capital investment. The automobile industry which may be taken as a fair example of general conditions, reports operating losses in the face of the most intense demand for its product in history, for, never was there a better market for cars and never was competition in the industry so insignificant in effect.

Thus Charles E. Wilson, President of the General Motors Corp., told a New York "Times" reporter in a recent Detroit interview, the unsatisfactory automobile industry is a good barometer of the state of the national economy from the point of view of public confidence in the immediate future.

Shortages and rising costs of materials and labor have compelled the industry, Mr. Wilson stated, to cut back and slow down a large part of its program to spend something like $1,000,000,000 for reconversion and expansion.

Using the situation in the automobile industry also as a barometer Robert R. Wason, President of the National Association of Manufacturers, in a recent talk interpreted the stock market collapse as indicating a general lack of confidence in the immediate future. Investors are beginning to realize earnings on savings will be reduced, strikes will increase and both wages and prices will be forced up again. The situation, he asserted, threatens a decline of employment because of shortages of materials and rising costs of operation. A new pattern for depression is being outlined, Mr. Wason warned, unless prompt and effective corrective action is taken.

A recent study by the National Industrial Conference Board confirms that the auto industry situation is prevailing in many other fields. A majority of business concerns report that rising wage rates, not offset by increases in labor productivity have forced unit labor costs sharply higher than before the war.

A small minority of firms surveyed have been able to step up individual effort through the use of (1) incentive plans and piecework systems, (2) improvement in machinery equipment and processes and, (3) better planning and shop management, including tighter cost control.

While no precise tabulation of the amount of increase in unit labor costs is available, some manufacturers report over 50% increase in these costs. Average increase falls into the 30% to 40% range it is estimated.

The late Lord Stamp, whose theoretical training and practical experience gave him a high standing among modern British economists before his untimely death in a German "blitz," pointed out the dangers to British economy from the forces that were then impairing entrepreneurs' profits. Lecturing on the economic crisis in England in 1931, he said:

"The criticism is made in America that so long as we have in our democracy a belief in an unlimited field of direct taxability and so long as we think we can raid profits by taxation in order to support subsidies and remedies in every direction, so long shall we proceed on the downward path. There does seem to be some truth in that. Why are people employed, and how do they become employed? It is because some one brings together people with different capacities for labor and people with money saved from personal consumption, and employs these two classes of service in some scheme which will produce commodities at a price which will leave a margin above the rewards to those two agents. If he finds that the costs of production are so high that there is not sufficient margin to pay the wages demanded and the stipulated interest on capital, then the employment never comes into being. The element of profit—I am not speaking of the ethics of it—is the main spring of the expansion of employment in all countries of the world, except Russia. This is a fact which we may as well recognize whether we like it or not. Everything that touches the element of profit has an important affect on the whole community. It is not merely a question of social justice. Anything which makes it more difficult to bring together these elements has an effect on the speed and the mechanism and the adjustment of the machine which provides employment. That is very elementary and very trite, no doubt, but so unwelcome that it is often lost sight of."

Profits and Volume Production

It is not argued here that a rate of high profit is required for industrial expansion and more employment. The margin of profits normally tends to decline with increased production volume and this declining margin can and should be accompanied by higher wages. The whole philosophy of manufacture, particularly that relating to mass production, is based on smaller profit margin per unit accompanied by larger total profits. This is the basis of rate making in public utilities, and it is the means whereby large merchandising concerns can earn a high return on capital with a smaller rate on turnover, when volume of sales increase.

If all this is true, what is the outlook in our own economy? Can we regulate and readjust our system of competitive private enterprise and free economy, so as to continue to progress along the lines that have, in a period of a few centuries, made our nation the richest and most productive on earth? Must we accept the former New Deal principle of a "mature economy," a theory of limited growth or a nascent decadence, and fortify ourselves against it by a policy of stagnation and disruption? Or can we by sane economic policies, continue to grow and expand in both material power and individual welfare?

The answer appears plain! Briefly, everything should be done within the limits of equity and physical possibility and under a condition of democratic opportunity to foster the profit incentive. This does not mean that entrepreneurs and speculators are to be given a free hand. It does not mean a return to complete *"laissez-faire."* But it does mean a modification of restraints, regulations, regimentation and all the other handicaps to enterprise and risk that have come out of the war, or have resulted from political action taken under the false theory that a particular group in the economic processes, by which the community lives and supplies its wants, should be unduly favored at the expense of the other groups. It does mean that profits should be protected against elimination as well as low wages and the exploitation of workers. It does mean that the public as a whole and not one economic group in society should benefit from increased productivity and technological advances.

It has long been an economic maxim that high wages cannot be paid when business is profitless, and that higher profits inevitably result in higher wages under conditions of competition. High profits and high wages should go together. A policy of "costs up-profits down" cannot long endure. Permanent prosperity can come only from a continuation of capital accumulation and improvement in the productiveness of its use. Certainly, capital will cease to accumulate under a private enterprise system that depresses its earnings to a vanishing point, despite Keynes' theory to the contrary.

Collectivism and Declining Profits

The menace of declining profits should not be passed over lightly by economists or politicians. It has been the cause of the growth of Statism and Collectivism. It has led to necessity of government and municipalities operating, at taxholders expense, utilities that could be more efficiently conducted by private enterprises. The industry in Great Britain readily demonstrates that nationalization is most easily accomplished in those fields of private enterprise that has become unprofitable, as for example, in coal mining and transportation.

But Collectivism or Nationalization is not the only result of declining business profits in a period of apparent prosperity. The incentive on the part of industrialists to reduce cost would be expected to be enhanced when profits fall off, but when the gains of reduced costs are constantly threatened by absorption by wage earners or otherwise or negatived by political or other actions over which producers have no control, such incentive disappears. No better example of this can be furnished than what has happened to British industry following the first World War. It was in this period that many British industrialists appeared to have lost incentives for technical advances, and just plodded along while witnessing the superior progress of rival trading nations. As the French economist, Andre Siegfried, stated at the time: "The evil from which England is suffering is that a whole section of the population is overpaid for its service, while the profits on capital are correspondingly diminished. No other community today is suffering to such an extent from this paralysis. Certain compartments in the national structure are isolated from the levelling influence of economic laws. The flexibility of retail prices is also considerably hampered, whereas in the case of wages the part seems to be rigidly pegged. The trade unions have imposed their point of view, and now every increase in wages, with the social progress involved, is considered a moral conquest for Labor that must not be given up at any price."

Can we afford to follow the British example? Are we headed for collectivism and nationalization of industry? With a judicious policy the trend can still be averted. Now is the time to reverse a trend that is gradually leading to industrial stagnation!

Objectives of AFL

(Continued from page 1933)

Truly here was located the arsenal of democracy: The men who worked in the factories of this nation reached new heights in production. The government called for 50,000 planes and our workers turned out hundreds of thousands of them. The government asked for more ships, and behold the picture,—the sea lanes of the world filled with floating vessels manufactured by skilled workmen in the shipyards of our nation. They asked for more war material of all kinds, and the response was immediate. The suffering people of Europe, asked for help and help was extended them. If they wanted skilled workers at Corpus Christi in order to build an air field our skilled construction workers' organizations supplied them in full measure. If they wanted more in the shipyards at Seattle our people were moved across the country, skilled workers, at the expense of the organizations to which they belong. If they needed men to manufacture the atomic bomb at Pasco or at Oak Ridge, Tennessee, when the officers of the government appealed to us to send the men we never faltered. They responded in full measure, and all of these goods were produced in volume sufficient to meet the requirements of that great war.

And then they gave their lives in the workshops and mills and factories. They suffered just as did our brave soldiers on the battlefields of Europe. The figures show that about as many gave their lives as members of the army of production and as many were maimed serving in the army of production as were killed and maimed on the battlefields of Europe. Aren't we proud of that record? We resent these attacks that are being made upon us by those who hate organized labor and whose hate is fundamental, and regardless of what we do or what we say they will always hate organized labor and the members of organized labor. But we challenge one of them to point to a single instance where our people failed to respond to the call of the government during all of these trying years.

When the history of the war is written and we are permitted to open the pages and look over it we will find one of the brightest pages in that history where there is inscribed thereon the heroic, the patriotic, the efficient service rendered by the great army of production in the mills in the mines and in the factories of the nation.

We will think about those things at this convention and we will be influenced, perhaps, in some of our decisions by our knowledge of the skill and the efficiency and the genius represented by our workers in the mills and mines and factories and of the transportation lines of the nation.

I want to say here publicly that this is an outstanding representative convention. The delegates sitting here in this hall are conscious of their deep responsibilities. That must be true when they take into account the fact that there are represented in this convention and on the floor of this convention by you who are here 7,100,000 paid up members in the American Federation of Labor.

Those who represent such a constituency as that in a great city such as this must be fully conscious of their deep responsibilities. They want to reflect the hopes and the aspirations of those seven million workers. They want to legislate for them. They want to register their opinions and their point of view upon economic, political and other questions to come before this convention, and they will endeavor to do so so that they can go back home and there receive the thanks of a great constituency numbering over seven million working men and women.

But now the war is over and we are facing difficult problems as a result of that great conflict. It is very difficult indeed for us to adjust ourselves to the reconversion period through which we are passing. We are impatient because we want to be free from governmental control and governmental regulation and live as free Americans in a free country where democracy is the basis of our government. During the war we subjected ourselves to governmental domination and governmental control so far as that was necessary in order to win the war. It is mere repetition when I say here today that we made a solemn pledge to the President of the United States, immediately after Pearl Harbor, that we would place the strike weapon behind the door and leave it there until victory was won, over the totalitarian forces of the world. The record shows that we kept that pledge ninety-nine and nine-tenths percent and that is a record of which we are proud. We subjected ourselves to other controls willingly and voluntarily in order to win the war.

Wartime Controls No Longer Needed

But now the war is over. It has been about a year since V-J Day and we are disturbed because of the confused situation that has developed, the tendency on the part of government to still exercise control over our economic life and to relegate even collective bargaining to the rear and clothe a governmental agency with authority to veto the collective bargaining agreements reached around the conference table between employers and employees.

We resent that, we protest against it, and here in this convention we will register our will against governmental control of our economic life.

Then on the question of price control we have been passing through a situation that has subjected us to very trying experiences. Fairly decent governmental control was exercised by the government up to June 30th, when the first governmental control act was passed and was in operation. Then the Congress of the United States refused to continue the act in its former character. I am not sure that it was then suited for the changed conditions that had come about, but at least an examination of the act itself and the record leads us to the conclusion that it at least was better than the act they finally passed. Instead of this act now in operation, passed by the Congress of the United States, being a price control law, I would classify it as a profit promoting measure. Labor has suffered as a result of it already. We are suffering now. We believe that some new way must be found, and with the exception of perhaps continued control of rent and some other items comparable to that, we believe the time has come when price control, along with wage control, should be lifted by the government of the United States.

Labor Not Limiting Production

We hear some complaints from some unthinking persons and individuals that labor is not measuring up to the economic requirements of the nation, that we are limiting production. All of that is untrue. The productive capacity of the individual worker has constantly increased. As new means and new methods are developed out of the laboratories and the scientific investigations of the nation, and as these new methods are applied, industry and the worker have become more and more efficent. Fewer workers are producing more.

Much study was given to improved mechanism during the war, and out of the laboratory tests and investigations which were made we found that the individual worker had been more efficient.

The war has shown the amazing productivity of American industry. From 1942 to the war's end production per man hour in the munitions industry rose 61%. Our all-out war effort accomplished in less than four years a productivity increase which would normally have take fifteen years. The cooperation of labor was fundamental in bringing about this immense gain and without it we could not have won the war. The effect of increase in production per man hour is shown when we look back at the last twenty years. From 1926 to the end of the war the average hourly earnings of workers in American factories rose 90%, yet the wholesale prices of products made by those workers were only 2% higher at the end of this period than at the beginning. Startling facts, aren't they? In some peacetime years prices have actually declined while wages rose, so great has been the increased efficiency of American industry. This meant that workers gained in two ways, by high wages and lower living costs.

For instance, from 1923 to 1929 wages of factory workers rose 8% while the wholesale prices of goods they made actually declined by 12%. We are students of economics enough to know that there is but one remedy for inflation—a great evil—and that is full production. And what is needed is not so much price control as the centering upon full production by the workers of the nation and by cooperation of management making it possible for us to apply the law of economics and bring about production so it will balance with the law of supply and demand. Everyone knows that. Any article that is short will call for more prices and create black markets, but full production means a solution of the problem of inflation.

The record shows that our workers are centering their efforts in that direction, and I predict that if management will cooperate with labor, if the government will stop breaking down the morale of workers by threatening to enact slave legislation and impose that upon the workers of the nation, within a period of two years we will reach full production in this country and we will apply the remedy for inflation.

Let me show you just a little about what has happened in one industry. The experience in the electric power industry is particularly striking. A recent Labor Department study shows what strong union organization and increasing production per man hour accomplished over the peacetime period from 1917 to 1939. In those twenty-two years production per man hour rose to 135%. The result was, first, workers doubled their weekly wage and also reduced their hours by 15%, from 47 to 40 hours per week. Consequently, more electric power was delivered to more families at cheaper rates—wages up, service down. The number of city families using electric power in their homes rose from 9,000,000 to 23,000,000, and the price they paid for current was cut in half.

Thirdly, returns to investors in this industry were enough to attract the capital and expand productive capacity, so that power plants employed almost three times as many workers and were able to supply the immense demand. Capital investment rose from \$3,000,000,000 to \$14,000,000,000 and employment increased from 105,000 to 269,000 workers. This is one typical example of the dynamic progress that is possible under the free enterprise system, where production per man hour rises and unions see to it that workers receive their share of the increased wealth produced. Everyone benefited — workers, employers, and the public generally.

I wish we had the facts of the mining industry. The development there has been remarkable. The production of tonnage per man hour has increased by leaps and bounds. These brave, courageous men who work in the mines have measured up to new heights in production. We owe them a debt of gratitude we can never pay, and the nation owes it to them as well, and we are happy to know that they have a leader and leaders who stood up and uncompromisingly fought for the creation of a national welfare fund for the injured miners of the nation.

Must Establish Welfare Funds

I say to you, my friends, that that objective will now be the objective of organizations affiliated with the American Federation of Labor; we must establish in this nation security in every condition of life—old age, illness and infirmity — and in addition we must provide hospitalization and nursing facilities and medical care for every man and woman in the United States, for human life is above material welfare in this nation.

We have a housing program that we will deal with in this convention. We are conscious of the shortage of houses. In my opinion it will take many, many years before we are able to catch up with the public demand and the public need. But our Building and Construction Trades Department is making its contribution in a most wonderful way toward the development of housing. The veterans who same home are crying for homes. Many of them cannot afford to buy homes, but they want to rent homes and pay their rent every month. These veterans who offered their lives on the battlefields of Europe ought to be accorded a place where they can live back home in their own homeland in decency and in comfort.

My friends, our building trades people are meeting the issue. It is not because of any question of their service or of the shortage of skilled labor. They have approved an apprenticeship system which wil provide for sufficient workers to meet the requirements of the nation. The shortage of housing is directly traceable to lack of material needed in building construction. We are going to cooperate in full measure. We are counting on these skilled men to do in peacetime what they did in wartime. Give them the opportunity to build the houses and they will build them in America in a way that will challenge our admiration.

I hope and trust that the shortage of material will be overcome and that within the near future we will be able to launch an extensive housing program that will very soon supply homes for all who need them. Congress failed us, too. It refused to pass the Wagner-Ellender-Taft Bill, a bill needed so badly in order to stimulate and promote housing. The reactionary members of Congress, those reactionaries who belong to all political parties stood up, in spite of our appeal and the appeals of building construction contractors who stood with us, and opposed legislation needed in order to promote housing. Much of the responsibility, therefore, for the existing situation is directly traceable to failure on the part of Congress to meet the requirements of the situation.

To Fight For Higher Wages

Now we are going to fight on for higher wages, because we cannot be made consistently more efficient without sharing in that efficiency. We have not reached the limit. There are a lot of people complaining about high wages and charging that that is what is contributing toward inflation. First of all, you must place in the hands of the consuming public the purchasing power with which to buy the goods that industry produces, and if there is an unbalance between purchasing power and production, we will have the same condition as we have now during this period of inflation. The market must be there, it must be created, and the way it can be created is through the payment of wages, so that the workers of the nation shall possess the buying power adequate and necessary in order to consume the goods which industry produces.

And then if fewer workers produce more goods, are they to remain down on the wage level they occupied before they were made more efficient? Is it to be a one-sided affair, that only capital of the nation shall be the beneficiaries of efficiency? The answer of 7,000,000 members in the American Federation is no, with increasing emphasis. We are determined to mobilize our economic strength and to force from unwilling employers, if necessary, that wage standard to which we are entitled under this modern development situation.

And then we are thinking about the promotion of social security legislation. We centered our efforts in the State Legislatures and in the Federal Congress toward the enactment of modern day social security legislation. If there is any one thing that makes for a better social order, that serves to create a better social order, it is to establish a feeling of security in the hearts and minds of the masses of people. If they pass the sunset of life feeling secure they will adjust themselves to every change in life in a better way than if they face it with a feeling of distress and uncertainty. They must be accorded an opportunity to look to the rising sun of life with hope and aspiration and to the sunset of life with a feeling of security, and we, the seven million members of the American Federation of Labor are concentrating our efforts toward the enactment of decent, humane, modern day social security.

To Fight Reactionaries In Congress

One more point, and that is this: We are going to drive hard and • unitedly and successfully against those reactionaries in Congress and in the State Legislatures who have joined together for the purpose of enacting legislation which would limit the activity of free democratic trade unions in a free America and subject members of organizations to a condition of involuntary servitude. That principle was involved in the notorious Case Bill, passed by the Congress of the United States, but fortunately vetoed by the President of the United States. Under the operation of that law the Norris-LaGuardia Act would have been repealed and the conditions that prevailed when the Danbury Hatters were drawn into court would have been re-established in America. We would have moved back a half a century, and yet after this great brilliant service rendered by the army of production during the war these reactionaries now compensate us by trying to make us slaves in America. In the different States they are attempting to enact legislation denying us the right to freely contract with employers, interfering with the right of contract. Why do they do that to labor? Why don't they do it with people of money?

In the State of Nebraska a reprehensible statute is submitted to the people for their approval or disapproval in the November election which, if passed, will deny organized labor in the State of Nebraska the right to negotiate a closed shop agreement. In order words, they try to impose involuntary servitude on you by making a union man work with a non-union man against his will. Well, if they would have sought expert advice and come to some of us and asked us whether such a law was possible of enforcement we would have told them "I'd like to see you make a union miner working under a closed shop agreement work with a non-union miner against his will; I'd like to see you make a motion picture operator work with a non-union motion picture operator against his will, or a printing pressman or a building mechanic." After all, his labor belongs to himself. He can give it or withhold it at will, and while they might prohibit a closed shop contract they cannot, under the organic law of the nation, make you work with non-union workers against your will. But they are trying it. They tried it in Florida. They are trying it in California. They tried it in Louisiana and they tried it in Arkansas; they are trying it in Nebraska now, and they are trying it in other Commonwealths throughout the nation.

Well, our answer to that is this, that we are keeping a record of those who vote against us, a record of those who sponsor legislation against us and who have supported it and voted for it, and we are going to acquaint the sovereign citizens of America who belong to our organized movement and we are going to ask them to march to the polls as one body, just as they struck as one, and vote as one, and make them stay at home.

I have referred to these matters because this convention will consider them all before we complete our work. Just one more matter.

Against Totalitarianism

Our great free democratic movement rests upon a sound and constructive basis. It will serve working men and women as long as freedom reigns and democracy functions. Its existence is threatened only when and where totalitarian is substituted for the democratic process and dictatorship for the popular will. Nazism, Fascism and Totalitarianism, in any form, is abhorent to working men and women who adequately appraise the value of the blessings of freedom and liberty.

These are fateful days—days when we must choose between the defense and preservation of our carefully developed and applied economic and political philosophy and the persistent preachment of those who would lead us into the by-paths of idealogical experimentation.

We, the officers and delegates in attendance at this convention, are the guardians of a sacred trust—the preservation of the philosophy and principles of our movement which have evolved out of almost a century of human experience.

There is little difference, if any, between the totalitarianism of Communism and the Nazism and Fascism of Hitler and Mussolini. The philosophy of each provides for dictatorship and control and the subjugation of the individual to the will of the State. Neither of the Four Freedoms function where totalitarianism controls except under limitations prescribed by a gracious dictator.

Shall we be free or fettered? Shall we be the wards of the State or shall the State be subject to the will of the people? Shall the labor and service of a human being be his own priceless possession or shall it be the property of the State? Shall we embrace a philosophy which provides for forced labor and involuntary servitude? Shall we live in a land where working men and women must exercise the right to strike and give or withhold their labor and service at will? Shall our unions be free-formed democratic unions or government-dominated, government-controlled and government-administered unions?

There is no doubt as to what answer will be made to these questions by the delegates in attendance at this convention. With one voice they will proclaim their uncompromising opposition to Communism or Totalitarianism in any way open or disguised in any form whatsoever. The 7,100,000 members they represent in this convention will stand as a bulwark in support of this position. This great army regards democracy, freedom and liberty as a common heritage to be maintained and preserved at any cost. They possess a keen appreciation of the significance and true meaning of the immortal words of Patrick Henry—"Give me liberty of give me death."

Summing it up, we of the American Federation of Labor stand steadfast and immovable

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Objectives of AFL

(Continued from page 1963)

against Communism and Totalitarianism. We cherish the blessings of freedom and democracy. We resent the attempts of those who seek to utilize any branch of organized labor for the purpose of imposing upon our Nation a form of foreign-conceived ideology, totally unsuited to our American way of life. We call upon the workers everywhere, who believe as we of the American Federation of Labor do on this issue, to come with us and stand with us in defense of Americanism and against Communism and Totalitarianism.

Purpose of A. F. of L

The primary purpose of the American Federation of Labor is to promote the economic, social and industrial welfare of working men and women and to protect them against injustice and exploitation. We submit our record of achievements in the realization of this objective as evidence of the sound premise upon which our economic philosophy is based.

The mobilization of our economic strength into free democratic unions, experimentation in collective bargaining, the utilization of the parent body and all its organized units as educational agencies and the pursuit of a nonpartisan political policy, have served as the instrumentalities through which the material, social and cultural welfare of the masses has been lifted to high and still higher levels.

The membership of the American Federation of Labor has negotiated wage agreements through collective bargaining providing for terms and conditions of employment and in addition through its sponsorship of the Fair Labor Standards Act has served in lifting the substandard rates of pay for thousands of underprivileged and unprotected unorganized workers.

Our interest in the spiritual and moral welfare of those who work and serve is of tremendous importance. We fully realize that men and women do not live by bread alone. The intangible and most precious forces of human life are enriched through the establishment of humane standards of living or impoverished by constant association with sweat shops, slum and degrading working conditions. Environment plays a very large part in the promotion of spiritual and moral values. For that reason, we of the American Federation of Labor, seek to create such favorable economic and social conditions as will serve to enhance spiritual and moral values. Neither religion nor morality thrives on poverty. It is difficult to appeal to the spiritual or moral sense of any individual who, living in a land of plenty, finds his earnings are insufficient to maintain himself and family in decency and comfort. That means when organized labor fights for higher wages, old-age security, welfare funds and the establishment of decent humane conditions of employment, it is laying the basis for the enhancement of spiritual and moral betterment.

We, of the American Federation of Labor, will gladly cooperate with the Church and with civic organizations in the promotion of humane, spiritual and moral values and in the advancement of civic and community betterment. We are Americans first. We believe a good citizenship is a prerequisite to good unionism. Count on us to fight on for the promotion of spiritual and moral values, for economic, civic and community betterment, for better homes and a better homeland and for an America which manifests a new sense of appreciation of the virtue and value of democracy.

Common Stocks For Life Insurance Companies

(Continued from page 1926)

reinvestment by life insurance companies. Gradual saturation of the available long-term securities is taking place. We know, for instance, that in the past 15 years private long-term debt has decreased approximately 20% while assets of the life insurance companies have doubled. The larger companies have already turned to housing construction as a substitute investment medium, but housing may not be practical for many companies particularly the smaller ones.

To these two main reasons for reappraising common stocks, namely, the low interest rate and declining private debt vs. increased assets, we might add a third consideration—the social obligation of life insurance companies to the national economy.

In recent years the sheer size of life companies and other financial institutions has drawn criticism from social reformers who are desirous of placing such funds in the hands of the government. This is not peculiar to the United States but coincidentally exists in many other countries. It is a trend of the times. Certain European countries have already nationalized their life insurance companies. This fact should not be overlooked or minimized. Private financial enterprise must prove that its services are necessary and productive. As long as life insurance companies continue to invest premium and investment income largely in so-called riskless investments, these companies may tend to justify the thesis of their critics who say private institutions fulfill no useful purpose that could not be done by government. One way that life insurance companies can increase their contribution to our American system is to lend their finances and the judgment of their investment staffs to the raising of capital for private industry. Our economy, subject as it is to change, needs the stabilizing influence of life insurance assets. The industry can only render adequate service, however, if our investment officers stay in step with the times.

Many of you are already resorting to common stocks. Early this year I conducted a survey by mail of 104 insurance companies with insurance in force of $100 million and over. I wanted to find out how many companies already owned common stocks and in what proportion to their portfolios. The results were surprising. Of the 83 companies which replied, 42 indicated common stock holdings with percentages ranging from .005% to as high as 23%. It was noteworthy that some of our most important and usually-considered conservative insurance companies are holders of common stock.

To many observers it is almost profane to mention common stocks in the same breath as life insurance. There is perhaps no more sacred fiduciary operation performed than that of protecting the beneficiaries of life insurance policies. The reluctance which some officials may have for common stocks in their life insurance portfolios, however, may be due partly to the lack of a recent common stock summarization; what results their companies would have had by investing therein; and how such investments would compare with orthodox life insurance investments. I intend to cover these phases of the problem factually, to disregard theoretical and academic viewpoints, and to establish from the record the advantages or disadvantages of having held common stocks over a period of years.

I am not here today as a high pressure common stock salesman. Nor am I suggesting a new product to supplant the old one. I do not advocate a life insurance company placing more than a very limited portion of its total assets in common stocks. Admitting that common stocks for many life insurance companies would be an experiment, I merely recommend that they be given a hearing. If the trial is successful, as I believe it will be, then common stocks may prove to be the solution for the problems besetting life insurance investment men today.

Common stocks, however, will not even be given an "audition" by some life insurance men unless three main objections are overcome:

(1) The preconceived belief that bonds and mortgages are inherently the only safe purchase for a life insurance company.

(2) That no suitable buy and sell formula can be devised to eliminate the human or speculative element in the management of a common stock portfolio.

(3) That there is no solution to the problem of year-end evaluation.

I have gathered some facts which may lessen the strength of these objections, and I ask you gentlemen to examine them for what they are worth.

In this paper common stocks will be discussed largely by examining the record to determine the result of investing in common stocks over a period. Inasmuch as common stocks are inevitably compared in the minds of life insurance company executives with the prevailing type of investment bonds, a comparison is made herein between the price fluctuation of bonds and common stocks. Also suggested herein are so-called Control Plans which will result in profits, as well as income, on the common stock portfolio. Finally, there is a discussion of the problem of year-end valuations of common stocks, one of the most troublesome factors.

Common Stocks vs. Bonds

Except in those states where common stocks may legally be purchased, life insurance companies restrict their investments to bonds, real estate mortgages, and preferred stocks. Preferred stocks, however, do not warrant a separate discussion, because the high grade issues more or less follow the bond market trends, and the low grade issues follow the stock market trends. Therefore, what is said about either the bond market or the stock market will also apply to the different categories of preferred stocks.

Bonds and mortgages represent definite promises to pay back to the investor a principal amount of money plus interest. Equities, particularly common stocks, represent ownership in a business. Bonds and mortgages are considered sounder holdings than common stocks because they usually represent a prior claim on the assets and earnings of the issuer. Isn't blind acceptance of this belief dangerous? It seems absurd to purchase credit instruments *only* for their prior claim or their eventual salvage value. The mere existence of this prior claim on assets is no guarantee whatsoever that the principal value will be recovered. Can anyone say that the purchase of an instrument which promises to repay the principal fifteen or more years from today is risk-free? Of course not. The ultimate salvage value may be far less than the principal value. The only guarantee that the bonds held will eventually prove to be sound investments is constant vigilance and revision of the portfolio as economic conditions change. Imagine what would have happened to a portfolio of bonds bought 20 to 25 years ago if these bonds had been held without interruption.

The National Bureau of Economic Research has been conducting over the past 7½ years a very comprehensive study of corporate bond experience. While voluminous statistical reports have been compiled, I understand their work has not progressed to a point where they can make known their entire findings. They have permitted me to say, however, that of the 3,000 bond issues brought out between 1900-1939 which had par amounts of $5 million or over, 19.59% were in default of principal or interest and that five years before default 5.54% of the defaulted bonds were rated AAA; 6.98%-AA; 14.24%-A; and 14.40%-Baa. The greatest volume of defaults occurred in 1933, but in this year the percentage was heavily weighted with rail bonds.

So you see, we cannot afford to have blind faith in bonds. Many insurance companies have demonstrated equal confidence in real estate. We will pass over, sympathetically, any reference to the unfortunate experiences involved in real estate mortgages made during the early '20s—at the peak of the building boom. Many long, anxious years passed before the real estate acquired by foreclosure revived to a point where mortgages could partially bail themselves out.

Let's look now at common stocks. Many common stocks have fallen by the wayside in the last 25 years with consequent losses to their original owners. On the other hand, most strong companies in the more basic industries have survived the terrific inflation and deflation of the late 1920s and early 1930s. The same vigilance which would have protected a portfolio against fluctuations in bonds would also have eliminated the stocks of those companies which were becoming unsound investments. Granting equal vigilance over common stocks as over bonds and assuming reasonable prudence in timing the purchase, no investor holding common stocks for a long term should suffer any important principal losses.

There is a tendency to confound common stock reasoning by allowing painful memories of the 1929-1932 debacle to distort the picture. Of course common stocks fluctuate over a wide range. This very fluctuation makes possible the larger income return available on common stock and the greater profit possibilities.

But common stocks are not alone in price fluctuation as the accompanying table, which contrasts fluctuations in stock prices and bond prices over a period of years, will demonstrate.

From 1917 to 1920, bonds declined nearly 25%. Stock prices declined in the 1919-1921 cycle about 47%. Thereafter, bonds gained almost 37% from 1920 to 1928, and then began a slow decline of nearly 8% which ended in late 1929. In the meantime, stocks had risen over 500%, with some interruptions, steadily from 1921 to 1929. In the declining stock market of 1929-1930, bonds rose slightly in price. As business conditions became very bad, however, bond values were questioned as suspiciously as stocks. From 1930 to 1932 bonds declined about 33%. Thereafter, bond prices recovered 61% with the stock market from 1932 to 1937, but in the 1937-1938 break in the stock market, bonds also suffered a rapid depreciation of value, declining over 21%.

DOW-JONES INDUSTRIALS (40 Bonds)

Date	Price	Points Change	Per Cent Change
Jan. 1917	96.25		
June 1920	72.65	— 23.60	— 24.7%
Jan. 1928	99.48	+ 26.83	+ 36.9
Oct. 1929	91.76	— 7.72	— 7.8
Sept. 1930	97.68	+ 5.92	+ 6.4
June 1932	65.78	— 31.90	— 32.6
Dec. 1936	106.01	+ 40.23	+ 61.0
Apr. 1938	83.46	— 22.55	— 21.2

DOW-JONES INDUSTRIALS (30 Stocks)

Date	Price	Points Change	Per Cent Change
Nov. 1919	119.62		
Aug. 1921	63.90	— 55.72	— 47.0
Sept. 1929	386.10	+322.20	+505
July 1932	40.60	—345.50	— 89½
July 1933	110.53	+ 69.93	+173
July 1934	84.58	— 25.95	— 23½
Mar. 1937	195.59	+111.01	+131⅕
Mar. 1938	97.46	— 98.13	— 50⅕
Nov. 1938	158.90	+ 61.44	+ 63
Apr. 1939	120.04	— 38.86	— 24⅖
Sept. 1939	157.77	+ 37.73	+ 31⅖
May 1940	110.61	— 47.16	— 29⅘
Nov. 1940	138.50	+ 27.89	+ 25⅕
Apr. 1942	93.69	— 44.81	— 32 3/10
May 1946	213.36	+119.67	+127

As a matter of fact, bond prices declined considerably ahead of the stock market in 1937. Following 1938, bonds maintained a fairly level position until late 1942 when they began the long term rise which has continued until recently and which has paralleled the trend of the stock market.

The long term record of fluctuations in common stocks and bonds reveals that common stocks, even admitting a greater amplitude of price variations, are not alone in substantial price swings. Bond trends, too, are sympathetic to both money market conditions and the general trend of business conditions. Bonds could not be otherwise because their promise to pay is only as good, on the average, as general business conditions will permit. Bond prices will continue to reflect variations in general business earnings in the future.

Most of us will admit that wide fluctuation is present in all investments. The cyclical nature of our economy makes this inevitable. Nothing is free from it—diamonds, mink coats are just as susceptible as government bonds. We must admit it, recognize it, and use it to advantage.

Only common stocks permit us to realize substantial profits from this swing. Let's examine a list of 10 common stocks and see what would have happened if they had been held over a long period of time. Various results could, of course, be obtained depending upon the time at which the experiment is assumed to have started. It does not seem practical to go back earlier than the 1930s for such a study since the economy of the United States is much more mature at the present time. The deflation of 1929-1932 carried the stock market back to lower levels than had existed since the first World War and washed out the erroneous conceptions of new eras, etc., which confused thinking about securities in the late 1920s.

The year 1935 was selected as a fairly average year to begin an experience in a holding of common stock. This was a year of revival, a year following a great depression, and a year of median business levels, stock prices, and general prospects. Ten leading companies were selected for study, namely—

Allied Chemical & Dye
American Can
American Tobacco
Corn Products Refining
Eastman Kodak
General Electric
General Motors
Sears Roebuck
Standard Oil of New Jersey
U. S. Gypsum

They were not selected by hindsight to prove a point. They were the leading companies in their respective industries in 1935. The selection might have been better. Sears Roebuck, for instance, omitted dividend payments in the two years 1933 and 1934.

Three assumptions were set up: (1) that $10,000 was invested in the common shares of each of these companies at the average price existing in 1935; (2) that the life insurance holder of these ten different companies' common stocks would take out dividends of 3½% per year of the original invested capital (in other words the insurance company would require total dividends of $3,500 a year and would appropriate this income from the payments made by the companies), and (3) that any income over and above the $3,500 per year would be utilized to amortize the value of the original investment. Let's see how it works.

DIVIDENDS RECEIVED AND AMORTIZED VALUE ON TEN LEADING INDUSTRIAL COMMON STOCKS
(Accumulated Figures)

Year	Divs. Paid in Year	Divs. Taken into Income	Excess Divs. for Amortiz.	Cumul. Excess	Amortized Original $100,000 Investment	—Market Value— High	Low
1935	$3,821	$3,500	$321	$321	$99,679	$125,091	$75,100
1936	5,741	3,500	2,241	2,562	97,438	155,055	108,770
1937	5,965	3,500	2,465	5,027	94,973	157,720	84,448
1938	4,550	3,500	1,050	6,077	93,923	130,150	78,235
1939	5,344	3,500	1,844	7,921	92,079	130,045	91,857
1940	5,517	3,500	2,017	9,938	90,062	121,040	81,305
1941	5,487	3,500	1,987	11,925	88,075	104,710	69,505
1942	4,526	3,500	1,026	12,951	87,049	93,935	65,755
1943	4,255	3,500	755	13,706	86,294	115,550	89,615
1944	4,601	3,500	1,101	14,807	85,193	123,919	102,941
1945	4,806	3,500	1,306	16,113	83,887	155,438	116,218

For the period from 1935 through 1945, which embraces a rising cycle of business, a depression, a series of unsettled pre-war years, and finally the restricted war years, the record reveals that a holder of these 10 common stocks could have been assured a 3½% return on his investment. At the end of the 10-year period the principal would have been amortized to a value of $83,887, which is lower than the market value of the principal at its high in any year during the preceding 10 years. As a matter of fact, after 1935 in only four years, 1938, 1940, 1941, 1942, was the low market value of these 10 securities less than the final amortized principal of $83,887. If these securities continue to be held and amortized at the rate indicated above, they will gradually be reduced to a principal value which will be proof against most market fluctuations. If conditions over the next 10 years, say, are comparable to those since 1935, the holder of these 10 stocks would be able to dispose of the stocks in any year without a loss. At no time during this period was any attempt made to capitalize on rising prices for securities. The stocks were held intact throughout the period, much the way bonds would have been held.

We've talked about the comparison between common stocks and bonds; we've seen that carefully selected common stocks in the last 10 years would have yielded a good return.

Now what about common stock purchases? When and how should we buy?

A Plan for Common Stock Buying

If life insurance companies in purchasing common stocks take the attitude that these stocks will be held for a considerable length of time, then an experience comparable to that mentioned in the preceding section would very likely follow. Over a period of time the insurance company would be able to take out a substantial yield and to amortize the value of the principal so that price fluctuations would not entail anxieties about valuations of the common stock portfolio at the year end. However, the question logically arises —can a life insurance company develop a plan to take advantage of the fluctuations which occur in stock prices and still be able to take out a reasonable annual income? I think it is perfectly possible.

In analyzing stock market trends, it is difficult to forecast the amount of earnings per annum, and the duration and shape of the existing business cycle. At the peak of the business boom in 1929, and again in 1937, optimism was rampant. Very few professional observes foresaw business and stock market recessions at those particular times. As a matter of fact, you may recall that some important advisory services were recommending the purchase of stocks at the top of the market in 1930 in the belief that business would recover and stock prices would again advance sharply. It is usually difficult to see clearly during periods of extreme optimism or pessimism that changes for the worse can occur in good times and for the better in bad times.

There is an old axiom that stocks should be bought when nobody else wants them and should be sold when everybody wants them. Actually, however, the average person is not sufficiently aware of forthcoming changes to act promptly enough to protect his investment. If securities are to be profitably held, they must be bought and sold at the right times. This problem of timing has baffled and is still puzzling investment counselors. To solve it, so-called "Control Plans" have been developed which reduce the factor of personal judgment in timing.

Judgment as to the proper time to purchase and sell common stocks very often is difficult to apply because of differences of opinion. For example, suppose that the investment board of your life insurance company were to meet today to decide whether or not $1.0 million were to be invested in common stocks in today's market. How many of the members would vote in favor of such purchase and how many would oppose it; that is, how many would be optimistic about the trend of the market and how many would be pessimistic? Furthermore, of the judgments rendered by the individual members, how many would be based on expert observations and how many purely on the "hunch" system?

An example of the operation of a Control Plan is given below. This system will eliminate the necessity of "timing" the purchase of common stocks and will work successfully over a period of years in making investments in common stocks profitable. This plan eliminates hunch, but it is no substitute for investment brains, for the results which will be obtained from this plan will depend substantially upon which common shares are bought, and here judgment is needed. This plan reduces as much as possible the question of *when* to buy, but it leaves the question of *what* to buy wide open for the experience and knowledge of the investment experts of the insurance company.

The plan described below attempts to carry out the policy of buying securities when they are low in price and selling them when they have appreciated. The average price at which the stocks of the Dow-Jones Industrial Averages have sold over the last 20 years is about 150. For the purposes of this plan, therefore, 150 was taken as the average level of the market.

The plan operates as follows: A certain sum of money is set aside for investment in common stocks, assumed to be $2.0 million, hereafter called the "Stock Investment Fund." When the stock market average is at 150, 50% of the fund is invested in common stocks, and 50% in bonds. The bonds are assumed to be those yielding 2½% currently. As the stock market rises above 150, the proportion of stocks is reduced and the proportion of bonds is increased. As the stock market declines from 150, the proportion of stocks owned is increased and the proportion of bonds is decreased as follows:

*Level of the Market	Securities in Fund % Bonds	% Stocks
250	100%	0%
230	90	10
210	80	20
190	70	30
170	60	40
150	50	50
130	40	60
110	30	70
90	20	80
70	10	90
50	0	100

*Dow-Jones Industrial Average.

The plan can be started at any time, the only requirement being that the fund be invested in accordance with the level of the stock market at that particular time. For instance, if the fund were started when the stock market was at 170, the fund would be invested 60% in bonds and 40% in common stocks. As the stock market rose, stocks would be sold and bonds purchased.

Profits made from this plan could be taken out of the fund or left to be reinvested. In the illustration given it is assumed that the profits made from the sale of common stocks are reinvested in bonds to yield 2½% currently, and that the income from this reserve fund is added to the income from the securities in the original Stock Investment Fund.

Michael MacDougall Proves You Can't Win

Michael MacDougall proved to the members of the New York Security Dealers Association that "you can't win" in a talk and demonstration at their dinner on Oct. 8.

Mr. MacDougall has been tracking down the sharpers of the underworld who cheat at cards, dice, roulette, and other "come-ons" for fifteen years, and gives a most interesting demonstration with cards, dice and other gambling "gimmicks" used by professional gamblers to fleece the unwary.

He is often called in as an expert by the police department and private clubs and during the war served as a member of the navy intelligence department seeking to sort out the crooks from the honest sailors. His methods were also used by the army and Mr. MacDougall made numerous appearances in army camps.

Sound National Labor Policy Is Needed

(Continued from page 1933)

binge. The world needed a chance to relax; to forget for a moment the years of working and fighting. Then came the dawn — and the hangover. The throbbing hasn't stopped yet. And, unless an effective treatment is prescribed soon it is due to get a lot worse before it gets better.

A Labor Dominated Government

Our labor-dominated government didn't need a radar-scope to detect the danger of strike shoals ahead last fall. It was the fear of strikes which forced the Administration to call a Labor-Management Conference in the name of the President. Calling the Conference under the guise of seeking the answers to the nation's industrial disputes, the politicians and the labor leaders used it only as a blackjack in an effort to pound out a national policy of boosting wages without regard to production all through industry.

As most of you know, I was right in the middle of that Labor-Management Conference from the start. We on the management side of the table were not fooled as the politico-labor strategy unfolded. We had gone to Washington in good faith, sincerely hoping to work out with labor the beginning of a solution to our difficulties. But it was not to be. The labor delegates stood pat on the absolute right to strike at any time, for any reason, and regardless of the inconvenience to the public. The Wagner Act was treated as a holy of holies—not to be touched, criticized, or even gazed upon without genuflecting first.

And while the President piously paraded before us the urgency for making collective bargaining work —calling it *not only a right but a duty*—the government propaganda mimeographs were rolling out supposedly authentic economic studies designed to force wages up *without* any pretense of collective bargaining. These studies followed the official New Deal line that wages could be increased without raising prices.

Well, it is to the credit of the men who represented you at the Conference, that the management side never faltered on this issue. When it became evident that the management delegates were determined to keep the wage issue at the collective bargaining table —where it belonged — the CIO called the General Motors strike. This was their ace — the final ounce of pressure to open the Conference to the national wage issue—the wages you pay in your plants out here, the wages paid in all industry. It is history now that this maneuver failed.

The President threw the General Motors case to his personally appointed fact-finders. They trotted out the government's same phoney statistics — that wages could be boosted drastically without raising prices — which were first sprung just prior to the Labor-Management Conference. The fact-finders based their wage hike decision on these figures. After the raise had already been granted, the recent Secretary of Commerce Wallace broke silence with an announcement that the release of these figures had been *unauthorized* and did not represent the views of the Commerce Department.

No National Labor Policy

So, you see, we do have a national labor policy—at least the bankrupt remnants of one. And the grossly inept government administration of that policy makes it all the more confusing and contradictory.

It is necessary to consider for a moment the development of our national labor policy to really understand our present floundering and the need for a modern overall policy. It all started with two important statutes enacted by the Congress; the Norris-LaGuardia Anti-Injunction Act of 1932, and the National Labor Relations Act of 1935, more popularly called the Wagner Act.

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

The Norris-LaGuardia Act was designed to curb employer interference with self-organization and collective bargaining by limiting the use of injunctions in labor disputes.

The NLRA extended that policy to prevent intereference with the practice of collective bargaining. The purpose of these two statutes was to establish an equality of bargaining power between labor and management, so that peaceful settlement of disputes by negotiation and agreement would be possible.

This Federal policy succeeded only in establishing large labor organizations and widespread collective bargaining relationships. It did not stop strikes. To the contrary, the number of disputes and strikes has steadily increased.

The U. S. Conciliation Service alone handled approximately 18,000 disputes in 1945, compared with 752 disputes in 1932. There were approximately 5,000 strikes in 1945, compared to 841 in 1932.

The average number of strikes for this five-year period ending in 1945 was more than double the average for the five years ending in 1935.

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

No Equality of Bargaining Power

There is abundant evidence that management today not only accepts the principle of collective bargaining, but practices it in the spirit, as well as to the letter of the law. That this national policy has produced industrial chaos instead of industrial peace cannot be blamed on employer resistance or hostility to collective bargaining. You'll have to look for more basic causes.

The very foundation of this national policy was based on *equality of bargaining power*. Such equality assumed that equal rights and obligations would act as a proper balancing check. It contemplated that labor would be strong enough to resist unfair treatment and that management would be able to resist arbitrary demands.

You know, and the nation knows now, that this basic condition — *equality of bargaining power*—was never achieved. In seeking to deprive employers of advantages which tipped the scales in their favor, the administrators of NIRA went far beyond the original purposes of the Act. Employers were forced by law to recognize bargaining representatives of employees. They were, and are, compelled to negotiate in good faith, and agreements must be written into a contract.

No such obligations are imposed upon labor. Unions may even refuse to deal with an employer. Unions are free to negotiate or not to negotiate. They may negotiate in good faith or use negotiations as a maneuver, like the recent "look at the books" episode with General Motors.

While the law has given tangible protection to the right to strike, the employer's counter-weapon— the lockout — is an unfair labor

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Sound National Labor Policy Is Needed

(Continued from page 1965)
practice and has practically disappeared from use.

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

Management's desire for guarantees against breach of contract has been held as a refusal to bargain in good faith. Labor was left free to verbally attack employers, without regard to fairness or truth but employers were restrained in their basic right of free speech—and still are.

A tribunal was established to provide labor a remedy against unfair employer practices, but no similar tribunal was available to employers. Even access to the courts to enforce old remedies were practically barred.

Examples could be multiplied to indicate the extremes to which the National Labor Relations Act has been twisted. Many of those rules were obviously unfair. More important, though, they tipped the scales so far against employers that equality of bargaining power, so essential to the success of collective bargaining, was impossible.

It is clearly obvious that there is no *equality of bargaining power* between management and labor as the NLRA is administered. It is equally obvious that until equality is established, there can be no guarantee of genuine collective bargaining.

And while the re-establishment of equal bargaining power is paramount to the restoration of industrial peace in this country it is not enough to protect the public interest from monopoly, secondary boycotts, intimidation and violence as practiced by labor today.

Unfair Judicial Interpretations

This inequality has been accentuated and extended to other branches of law.

Judicial interpretation of the Norris-LaGuardia Act is a case in point. That law was intended to safeguard, not forbid, the issuance of injunctions in labor disputes. Its declared purpose was not to change in any respect the power of Federal courts to issue injunctions where fraud or violence was involved. You may be familiar with the Supreme Court's interpretation which gave organized labor absolute freedom from legal restraints. The Court concluded:

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

This decision left the Federal Government tiself helpless to cope with strikes which threaten the national safety and health. This spring the President was forced to fall back on his wartime seizure powers to take over the mines and railroads to save our entire economic machine from coming to a dead stop.

The law regulating picketing also has passed through a period of revolutionary change—from the point where there was a grave question as to the legality of picketing in any form to its present unrestrained status of massed coercion and intimidation of the citizenry and police. There is no incentive for labor to be anything but arbitrary when it is known that actions illegal to other persons and groups are almost universally ignored by law enforcement agencies when a labor union is guilty.

The pages of the law books and the newspapers are filled with judicial interpretations and highly partial administrative rulings which have put this country at the absolute mercy of a few arrogant labor dictators.

No Law Against Labor Monopoly

The immunity of labor from anti-trust law prosecution is one of the worst examples to which we can point with a chance of making the public understand the monopolistic position that unions occupy today.

The anti-trust laws were intended to assure the purchasing public the opportunity of buying goods in a competitive market. It is impossible not to recognize that labor costs—when established on an industry-wide basis—have an industry-wide effect on prices, and therefore a corresponding effect on the level of competition. The Department of Justice, although it has been trying—in a fashion — since 1939 has never been able to make an anti-trust case against a labor union stick unless it was a case in which labor combined with management in restraint of trade. Although the courts held otherwise, the Department of Justice was convinced that certain labor union activities went beyond the protection afforded by the Norris-LaGuardia Act and the Wagner Act. They went after labor unions on such counts as these:

1. *Jurisdictional strikes*, particularly where one union struck against another union which had been certified as the legitimate collective bargaining agency.
2. *Strikes to erect tariff walls* around a particular locality.
3. *Refusal to work* and to install pre-fabricated materials.
4. *Make work*, including the transfer of work from one group to another as well as requiring the performance of more work than reasonably necessary to complete a job.
5. *Agreements between employer and labor groups* to fix prices on building materials (usually enforced by refusal of union to work for manufacturers or contractors who would not join the price-fixing arrangement). Then the particular unions involved would become the exclusive labor supply for the manufacturer-contractor group.

The significant thing about this listing is the fact that the Department of Justice lost every case except under point number five—where the employer was also involved. The courts held that as long as unions acted in their own self-interest, and did not combine with non-labor groups, their activities are immune from prosecution under the Sherman Act, despite the fact that *trade and commerce were restrained*. This completely illogical interpretation of the law to excuse a labor union for the same sort of monopolistic action on which anyone else would be convicted is a transgression on the public interest—and pocketbook—which cannot be tolerated if we hope to have any degree of competition left in this country.

As realistic businessmen, you and I know that the correction of any single one of the deficiencies which I've pointed out here is not going to automatically end all strikes overnight. It has been a combination of all of these things through the years that has destroyed collective bargaining. This combination of factors has worked to stack most of the high cards on labor's side of the bargaining table. Therefore, our goal of industrial peace will never be reached through the medium of collective bargaining unless our national labor policy is rejuvenated and streamlined to give labor and management equal rights and responsibilities under the law.

This readjustment — or balancing—of legal rights and obligations is not a dramatic course. It has but little public appeal. Yet, it is the most important step that can be taken to facilitate the settlement of labor disputes by peaceful means. It is the surest step to restrain — voluntarily — that arbitrary action by either management or labor which so frequently underlies those disputes which cause strikes. It can be done to permit a maximum of self-regulation, a minimum of bureaucratic government interference. It is not anti-labor. I would be the last among you to advocate the curb of any proper or legitimate right or activity of labor. Let me make it clear that I am not asking for curbs on labor which would mean a return to what some people still describe as "the good old days." Management abuses are just as much against the public interest as labor abuses, and what I want to see is a balance of power which will check the excesses of both.

Proposals for a Policy

To bring labor and management to the bargaining table on an equal footing so that they can give real collective bargaining a chance to settle disputes before they boil up into disruptive strikes to the detriment of the public interest, I urge a sound national labor policy that would require:

1. Collective bargaining agreements equally binding on employers and unions;
2. Both employers and unions to bargain in good faith; to refrain from unfair labor practices, and to receive the same privileges of free speech;
3. Enforcement of anti-trust, anti-kickback law against management, labor and all other groups alike;
4. Orderly procedures for the peaceful settlement of jurisdictional disputes with suitable penalties for violation;
5. Protection of the public interest from damaging boycotts against farm or manufactured products;
6. Federal courts to protect the people from violence or intimidation.

These are the minimum requirements necessary to a sound labor policy. This program necessitates amendments to the Wagner Act and perhaps the Clayton Act, the Norris-LaGuardia Act and other acts.

Now you and I know that any proposal for such amendments will be violently opposed by the leaders of organized labor and the hysterical cry of "anti-labor" will be heard to high heaven.

I submit, that there is nothing "anti-labor" or unjust in any provision that will make collective bargaining—which is the law of the land—work better. I submit there is nothing "anti-labor" or unjust in asking that the law be enforced against labor leaders just like it is against all other citizens.

The truth of the matter is that a national labor policy based on this six-point program is *not* "anti-labor," in any part, and it would go a long way toward protecting the millions of working men and women from the public resentment engendered by the militant arrogance of some labor leaders who continue to ignore the public interest.

There is no longer any doubt that the public patience with labor unions is near the snapping point because of the postwar strike epidemic. In addition to the irreparable damage to the national economy—scarcities, higher prices, increased inflation—many of our more recent strikes have struck directly at the safety and comfort of John Q. Citizen himself. His impatience against transportation strikes, coal strikes, trucking strikes, utility strikes which have endangered or cut off his supply of milk, food, coal, transport to and from work, his electric lights, and yes, his beer, too, is reflected in the public opinion polls which show that the people are heavily in favor of compulsory arbitration of labor disputes.

Shortcomings of a Federal Labor Court

Let me talk to this point, compulsory arbitration, and its variations — mediation boards, labor tribunals, fact-finding commissions, and other new machinery or procedure. There is growing public support, and at least a small segment of management support, for the creation of some sort of Federal Labor Court.

Some visualize such a court as the exclusive tribunal for resolving questions of legal rights and liabilities of labor and management. Others see such a court as a board of arbitration to resolve all issues, including the broad economic questions which constantly arise in labor disputes. Let us consider first where such a course might lead.

The War Labor Board was a form of labor court. It became a substitute for voluntary collective bargaining. Since it seemed more partial to labor, the unions were willing to by-pass negotiations to get disputes before that Board. The same would result if we had a labor court. If it showed partiality toward employers, no doubt employers would be as willing as labor has been to use it as an escape from genuine bargaining. The mere creation of new government machinery, whether it is called a labor court, or an arbitration board can give no real assurance of the peaceful adjustment of disputes.

I feel so strongly on the subject of compulsory arbitration that I want to take this opportunity to warn both management and labor of the inherent dangers of any such medium to settle labor disputes.

Compulsory arbitration means that some politically appointed board can decide where a man shall work, when he shall work, and how much he will be paid. I say that that is involuntary servitude—slavery.

And if the great rank and file of labor continues to ignore the public welfare by blindly following a few misguided leaders, the American public will shackle them with the slave chains of compulsory arbitration. I do not believe that this is any exaggeration. Do not be misled on this issue by those who would have you believe that such a device might best serve the interests of management today. When the working man gives up the freedom to work where he likes, when he likes, and to set his own price for his labors, liberty in America is dead.

I oppose such measures because of my deep personal conviction that most disputes must be solved voluntarily between management and labor. That is why I am so insistent on the corrections necessary to make collective bargaining work. Compulsory arbitration and collective bargaining can no more be mixed than oil and water. You can take your choice, but you can't have both.

Good employee relations can be more instrumental in solving our labor troubles than all the courts and boards and commissions you can think up. I've travelled this country from side-to-side and from top-to-bottom this year, and I know that management is impressed with the absolute necessity of having the goodwill of their employees in a successful enterprise. The management that thinks workers can be shoved around in this day and age had better wake up. The parade has passed him by.

You men who spend all of your working hours and give up a lot of your sleeping hours on the problems of establishing good relations between employers and employees, know some of the difficulties involved.

Present Difficulties in Dealing With Employees

The difficulties of dealing with employees at the plant level when they are taking orders from the big union boss in Washington are sometimes insurmountable.

To my mind, nothing is more damaging to good labor relations than industry-wide bargaining. It is no secret that nationwide bargaining is the goal of the CIO. They would like for a few men representing organized labor to negotiate a basic agreement for all workers. The effort to inject the wage issue into the Labor-Management Conference last fall was the first maneuver in this direction. If this ever happens in this country we will be embracing the rigidities of the corporate State, denying to management and employees alike the determination of their employment conditions and their rate of pay. Such standardization would inevitably mean lowering the high standards of some occupations so that the low standards of others could be raised. I can think of nothing which could more completely eliminate the chance for improving relations between employer and employee.

It is a paradox indeed that while management is going all-out to improve relations with employees by every conceivable means, some leaders of organized labor seem to be doing everything in their power to promote discord.

Labor Propaganda

Witness that segment of the labor press which parrots the leftwing line of what is fast becoming known as the "hate press." The stream of venom and malice, against the competitive enterprise system and you managers of enterprise, is intended for only one thing, and that is to stir up dissension, suspicion and strife. All employers are profit-mad slave drivers to these purveyors of hate. They do not want your employees to like you. One of the greatest single things you can do to improve employee relations is a fast, complete truth-telling communication system between the swivel chairs and the work benches. Nail these libelous falsehoods as quick as you can. Don't give them a chance to gain credence among your employees. The truth is the greatest invention yet to knock the props out of propaganda.

Money is not the only thing that talks as far as your employees are concerned. Experienced personnel men know that the majority of industrial strife originates in small issues, most of them due to misunderstandings. Industrial leaders must learn to clear up these misunderstandings, to be just as vocal as labor leaders if management's story is to be told effectively.

The whole question of communication between employer and employee deserves serious study. The principal difficulty is that the warmest message from the front office cools considerably by the time it has sifted through all the necessary steps and to the shop. Bulletin boards, printed matter and loudspeakers all have their proper place in management's arsenal to combat the "hate management" campaign of the leftists. But even better is the face-to-face, heart-to-heart talk from the "big boss" to his men.

Contrast the class warfare attitude of labor with the progressive policies which management leadership is stressing in an effort to give employees the things they want and need—job security, good wages, opportunity.

NAM's Employment Stabilization Program

Take NAM's nationwide employment stabilization program now under way. With NAM's own 16,000 members behind this program and the cooperation of the 40,000 employers belonging to the associations of the National Industrial Council, this program is going places. It is a real challenge to all American industry to examine its policies with a fine tooth comb in an effort to level out the production curves that mean steady jobs and steady pay for Americans. Employment stabilization can do more to refute this subversive "hate management" campaign than all the denials that will ever get printed in the paper. Tell your employees the truth about profits—that the enterprisers who shoulder the risks of business net about 1½% on invested capital even in the best of times. That's the difference that the investor makes by risking his money in job-creating enterprises instead of putting it into the security of government bonds.

Management and Labor in Same Boat

Management and labor must realize they are in the same boat. Don't you forget it and don't let your employees forget it. The success of each depends on working together. The management that can approach its employees in a spirit of sincerity and honesty is going to get a lot farther than the one which carries a chip on its shoulder. Given a sound national labor policy, based on equality at the bargaining table, equality before the law, and equality of responsibility, I am convinced that labor and management can work out voluntary policies in the best interests of the public, as that will be to the best interests of labor and management.

I have great hope that the next Congress will give this nation a sound labor policy under which real collective bargaining can work. I have hope that industrial management will plan intelligently and understandably for the security of its workers. I have hope that labor leadership will realize the dangers to labor itself if personal ambitions and short-sighted policies are allowed to alienate the public too long.

Management must do its utmost to make collective bargaining work successfully. Management must refrain from unfair practices or discrimination against any man who wants to join a union and labor must regard itself as an integral part of the business enterprise in which it operates and give support to management in the intelligent handling of wage rates and maintenance of production efficiency, if we are to get this country back on the high road to production and prosperity.

It took cooperation to make this the greatest of all nations and it's going to take cooperation to keep it there. Neither management nor labor can afford to stint on cooperation when we know that the fate of our country hangs upon it.

Wm. Mee to Be Partner In E. W. Clucas & Co.

E. W. Clucas & Company 70 Pine Street, New York City, members of the New York and Chicago Stock Exchanges and other exchanges, will admit William R. Mee to partnership on Nov. 1. Mr. Mee was formerly a partner in Cruttenden & Co., Chicago.

Edgar J. Loftus V.-P. Of R. S. Dickson & Co.

R. S. Dickson & Co., Inc., announces that Edgar J. Loftus has become associated with the firm as Vice-President in charge of originations and institutional sales. The firm's main office is located in the Wilder Building, Charlotte, N. C. The New York office is at 30 Broad Street.

Significance of the Stock Split-Up

(Continued from first page)

American habit of having our stocks sell for prices substantially higher than the average stock on the London Stock Exchange? London, of course, always has favored smaller and lower-priced shares.

All this suggests something about the future price of split-up stocks. It may be true, as so many people seemed to think early this year, that the aggregate market valuation of almost any corporation (up to a point) can be increased by splitting up its shares; but I suspect this theory works a good deal better in a bull market than in a bear market. I wonder if a company gains stature in the minds of investors and among its customers if its stock sells too low in price. Some of these splits have been slicing the shares pretty thin.

I suspect that we have been going through a split-up "craze" and that this "craze" was one of the absurdities of the bull market.

Bull Market Delusions

As every broker knows, a great many people who have been trading in the stock market for the past three or four years have assumed that a split-up is bullish in itself. Not a few investors, particularly in the closing months of 1945 and the first half of 1946, bought stocks "to get the split." Apparently it was assumed either that the stockholder was getting something for nothing, or that the gross market appraisal of the company would be higher after the split than before.

Of course, this is faulty reasoning. If a company has 100,000 shares outstanding, each share of stock represents the ownership of a 1/100,000th part of the company. If the stock is split-up two-for-one, there will be 200,000 shares outstanding and each share will represent 1/200,000th of ownership. Obviously, 1/100,000th is equal to 2/200,000th. If the stock sold at 100 before the split, it should sell at 50 after the split. That is just "kindergarten" mathematics.

It may be argued, of course, that more people will buy a $50 stock than a $100 stock and that a two-for-one split increases the potential number of shareholders by making the stock available to more pocketbooks. The theory is that more people will own it if it sells at 50 than at 100, and that in the process of acquisition the shares will be marked up in price. Obviously, this is easier to accomplish in a bull market than in a bear market—and we recently have been in a bull market. Whether we like it or not, split-ups, have been *psychologically* bullish; but, it is equally true that, whether we like it or not, split-ups are not *mathematically* bullish. They add nothing to the intrinsic value of a fraction of ownership, or to the real worth of a share of stock.

It is interesting to know, however, that at the approximate lows of the early September market collapse (about Sept. 10th), the market appraisal of 109 of the companies which had split-up their shares was higher than on Jan. 2, 1946, and that only 73 of the companies were selling at a lower appraisal (three were approximately unchanged). The Dow-Jones Industrials, at the close Jan. 2, 1946, stood at 191.66. At the close on Sept. 10th the same Index stood at 167.30. It must be recognized, therefore, that the split-up stocks did relatively better in the first phase of the market correction than did the market as a whole. Most of the Oct. 11 prices, shown in the big table, were higher than the Sept. 10 quotations, although the averages were at about the same level on both dates.

Statistics of 1946 Split-Ups

In addition to the more than 185 splits announced in 1946, there were at least 55 sub-divisions of shares in 1945 (see smaller tabulation in the box). Furthermore, of the 185 stocks split this year, at least 58 had been previously split sometime during the past 15 years. Of the stocks split this year, eight were previously split as recently as 1945, five as recently as 1944, and three as recently as 1943. Eleven had not been split since 1937, and ten not since 1936. So far as the record shows, 116 of the companies had not previously sub-divided their shares. On the other hand, 45 had been split at least once before, 17 at least twice previously, 5 at least four times, 1 four times, and 2 six times.

Of the split-ups announced this year (some not yet fully consummated) 92 stocks were split two-for-one, 9 two and a half-for-one, 30 three-for-one, 26 four-for-one, 8 five-for-one, 2 six-for-one, and 6 ten-for-one. Ten stocks were split less than two-for-one, that is, three-for-two or five-for-four.

The "Ideal" Price Sought

Incidentally, management seems to have been driving at an "ideal" price somewhere between 10 and 35 for the split-up shares. Of the 168 split-up shares available around the middle of September, 121 were priced between 10 and 35. Perhaps there will be some interest in the fact that 8 of these split-up stocks were selling under 5, 15 between 5 and 9⅞, 31 between 10 and 14⅞, 42 between 15 and 19⅞, 25 between 20 and 24⅞, 23 between 25 and 34⅞, 18 between 35 and 49⅞, 5 between 50 and 99⅞, and only one selling at over 100 (International Business Machines).

Obviously, the average price of all stocks traded on the New York Stock Exchange, or on the New York Curb Exchange, would have been appreciably higher but for these split-ups. Split-ups have resulted in more shares, and lower priced shares. To some extent it might be argued that the investment community's demand for more and more stocks has been gratified through sub-dividing former shares into smaller units.

The Objectives of Management

The objectives of managements in ordering split-ups have been varied and numerous; but every one of them has pertained in some way to the price of the corporation's stock. If they have changed essential values back of the company's shares, these changes have been incidental and probably relatively unimportant.

The incentives to split-up shares may be catalogued under several headings. The first is to capitalize growth—as in the case of Abbott Laboratories and Monsanto Chemical. This is the most "justified" type of recapitalization. Second, a split may seek to obtain a wider distribution of shares, which objectives General Motors, Montgomery Ward and Sears, Roebuck & Co. attained in the 1920's through the split-up method, and which objective American Airlines apparently attempted to attain this year. Collateral to the desire to obtain a wider distribution of shares, of course, may be the intention to accomplish new financing or the necessity of distributing large blocks of stock known to be held in family estates.

Third, management may wish to distract public attention from exceedingly large per share earnings which might lead to wage demands or criticism of the prices asked for the company's products. Some of the distilling companies, and some of the department stores may have had this objective in mind in 1945 and 1946. Both industries have been enjoying very large, and, perhaps to a considerable extent, non-recurrent earnings. Indeed, profits in some cases have been "embarrassingly high."

Fourth, some managements seem to have desired only to increase the market appraisal of the company. This incentive already has been touched upon.

Fifth, often directors sincerely wanted to provide a better public market for shares. This certainly has been a legitimate reason for split-ups in the case of companies like International Silver, American Overseas Airlines, Canadian Industries, Eastern Airlines, Inland Steel, and G. C. Murphy. A stock can be in a price bracket high enough to inhibit the average investor from thinking it is "within his means."

Justified Splits

Whether a stock split-up is justified depends upon where you sit. The market analyst is interested in split-ups from the standpoint of the man who owns the stock. Other considerations to him are of little importance. There is one type of split to which the analyst and investor hardly can take exception. The type referred to is the sub-division of shares which merely reflects growth.

Some interesting examples may be cited. Stocks like Monsanto Chemical, International Business Machines, Sears, Roebuck & Company, Charles Pfizer, G. C. Murphy, Mead, Johnson & Co. and American Can, to mention a few, would be selling at awkwardly high levels but for the subdivision of shares which has taken place from time to time. On Jan. 2, 1935, Abbott Laboratories sold at 58½. Each January, 1935 share now equals nine present shares, which are selling at around 73. If there had been no split-ups and if the stock without the split-up had behaved exactly as the stock has behaved with splits-ups, the current price would be around $657 a share.

Bayuk Cigars on Jan. 2, 1936 sold at 65⅜. Each early 1936 share is equal to eight present shares. The new stock recently sold around 22, which would be 176 for the 1936 stock.

Heyden Chemical early in 1943 sold at 75. It has since been split ten-for-one; the new stock lately has been selling around 28½, which would be equal to 280 for the old.

Schenley Distillers sold at 40½ in June, 1944. Each June, 1944 share, because of split-ups, now is equal to 2 6/7 present shares. The split-up stock recently has been selling around 62 (off more than 38 points from the year's high), making the June, 1944 stock sell at the equivalent of $177 a share.

Another type of split, somewhat unique in character, has been that of International Business Machines. Allowing for the small year-end stock dividends, the compounding of which works exactly like compound interest, each early 1925 share now is equal to about 8.914 present shares. Since the stock is selling around 215, this means more than $1,916 for the stock which sold at 118 on Jan. 3, 1935. I. B. M. has expanded through the reinvestment of earnings in machinery leased on a royalty basis. There has been no other good way of capitalizing the company's tremendous growth.

But now let us look at some of the unjustified splits which appear to the naked eye to have less justification. This year many of the splits have not been in "growth" companies at all, and it may be suspected, without calling any names, that some stocks were split up wholly for passing market reasons of dubious merit. Some examples are cited:

Allied Products old stock, which was split two-for-one early this year, when it was selling in the 60s, sold as low as 5 in 1937 and as low as 8 in 1940. Barker Brothers old stock, split two-for-one in 1946, sold as low as 5¼ as recently as 1943. Coro, Inc., old stock, split three-for-one this year, when it was selling around 40, did not sell above 14 at any time in the period 1934-44, inclusive. Detroit Michigan Stove old stock, split five-for-four this year, sold above 8 only one year in the period 1938-44 and the split-up shares recently have been selling around 11.

Of course, motives are not always easy to explain but it seems a rather strange thing to split-up a stock when it is selling for less than $20 a share.

Increasing Stockholders' Lists

In my tabulation it will be noted that numerous companies whose shares have been split this year had relatively small stockholders, lists. Of the 185 companies, at least 20 had less than 1,000 stockholders, at least 11 had over 1,000 but less than 1,500 shareholders of record, and at least four more had over 1,500 but less than 2,500 shareholders. No doubt it was the intention of the managements of most of these companies to stimulate a wider distribution of shares through making the stock available at lower prices. The extent to which they have been, or will be, successful remains to be seen. In some cases there can be little doubt but that stock brokers advised management that it would be easier to sell a stock at 10 or 15 than at 20 or 30, and management took the advice.

There was much historical precedent for hoping that split-ups would be followed by growing stockholders' lists; but most of this precedent material comes from a period in which stock market methods were much less hampered by regulations than at present. Furthermore, it is drawn from a period in which margin trading was permitted. Incidentally, a good deal of the evidence concerns the behavior of medium-priced rather than very low-priced shares.

Back in May, 1930, I made a study of stock distribution following a period of split-ups. A few facts drawn from it will be of interest, even 16 years later. Montgomery Ward increased its shareholders' list from 4,800 to 51,250 in 27 months. Following a 10 for one split up in 1920, General Motors increased its list 103% in a year. National Biscuit in the first year following the seven for one split in 1922 almost doubled its list of owners. Packard's 1929 split was followed by an increase in share owners from 22,000 to 59,000 in less than a year. Atlantic Refining split its stock four for one in 1928; in the first year following this recapitalization stockholders increased 124% and in the second year 137½% more. United Gas Improvement, after a five for one split under somewhat abnormal conditions late in 1929, increased its ownership from 28,004 in August to 41,668 only two months later and to 68,500 by the end of the following February.

(Continued on page 1968)

Significance of the Stock Split-Up

(Continued from page 1967)

I shall be very much surprised if the 1945 and 1946 split-ups result in commensurate gains in the number of owners of record. There will be some increase in most cases; but the 25%, 50% and 100% increases will be rare, and usually accomplished only with the aid of investment banking house salesmen who had a special commission incentive.

General Observations and Conclusions

From this study it may be concluded that the trend toward split-ups in 1946 in some cases was overdone. Close students of the market hardly could have failed to observe that split-ups gradually lost their potency in stimulating higher prices. In 1945 practically every split-up was followed by the sub-divided shares selling at higher prices than the equivalent shares from which they originated. This trend continued with moderately less emphasis through the first quarter of 1946, but by the end of the second quarter of 1946, stocks ceased to be responsive to split-up announcements. Warner Brothers Pictures, for instance, made its high the day the intention to split the stock was announced officially.

* * *

The long-range influence of the 1945-1946 split-ups hardly can be stated at this early date. There is little evidence, however, that they resulted in any such rapid increase in stockholders' lists as that which followed the 1920-1929 splits. The splits were too numerous, and in some cases resulted in too low-priced shares. The public was not as avidly engaged in speculation.

Most splits no doubt have been followed by moderate increases in the number of registered shareholders of record, but the really large increases have been stimulated more by investment house salesmen than by the splits alone. Among the larger companies, there is little evidence at the moment that there have been many 50% and 100% increases in registered holders.

Splits may have accomplished only a moderate relief to overthin markets, and usually this result has been attained only in a few rather closely held and quite high priced stocks. Splitting a $50 stock two for one may have made the issue appear to fluctuate less, but actually percentage-wise the difference between the market for the old shares and the market for the new has been very slight.

* * *

As a result of the splits, the "average price" of American equities, in bull markets as well as in bear markets, has experienced a perceptible decline. There has been a trend toward lower-priced shares of the British type. This trend easily may continue.

Split-Ups Effected in 1945

Before more numerous split-ups announced in 1946, many stocks were subdivided into smaller units of ownership in 1945. Below is presented a list of the more important ones split in that year:

Company	Rate of Split		Approx. Date of Meeting
Acme Steel	3	for 1	4-17
American Mfg.	4	for 1	11-15
Archer Daniels Mid.	3	for 1	8-13
Best & Co.	2	for 1	4-10
Bond Stores	2	for 1	6-26
Boston Insurance	10	for 1	12-31
Bristol Myers	2	for 1	12-18
Bullock's Inc.	3	for 1	9-28
Colorado Fuel & Iron	2	for 1	10- 4
Columbia Carbon	3	for 1	9-21
Dejay Stores	2	for 1	3-12
Diana Stores	2	for 1	10- 8
Dresser Industries	2	for 1	3-27
Eversharp	2	for 1	5-15
Fedders Quigan	5	for 1	10-16
Freuhauf Trailer	100%	Stk. Div.	12-22
General Mills	3	for 1	8-21
W. T. Grant	2	for 1	9-18
Gimbel Bros.	3	for 2	12-27
Hazeltine Corp.	2	for 1	11-27
Household Finance	3	for 1	3-12
Koehring Co.	4	for 1	11-23
Lane Bryant	2	for 1	8-17
Lerner Stores	3	for 1	12-18
Le Roi	4	for 1	12-19
Life Savers	2	for 1	12-17
Loew's, Inc.	3	for 1	3-29
Louisville & Nashville	2	for 1	3-17
Magor Car Corp.	4	for 1	9-26
May Dept. Stores	2	for 1	4- 5
Mead Johnson & Co.	10	for 1	12-19
Mercantile Stores	10	for 1	12-26
Minn. Mining & Mfg.	2	for 1	11- 5
National Battery Co.	2½	for 1	8-20
National Candy	3	for 1	4-16
J. J. Newberry	4	for 1	12-11
Pan Amer. Airways	2	for 1	2-24
J. C. Penney Co.	3	for 1	12-26
Pepperell Mfg.	5	for 1	9-13
Pfizer (Chas.)	3	for 1	5- 1
Philip Morris & Co.	2	for 1	7-10
Pitts. Plate Glass	4	for 1	8-29
Raytheon Mfg.	3	for 1	2-15
Safeway Stores	3	for 1	4-10
Schenley Distillers	4	for 3	8-15
Sears Roebuck	4	for 1	10- 1
Seeman Bros. Inc.	3	for 1	11-14
Squibb (E. R.)	3	for 1	12-27
Standard Oil of Ohio	2½	for 1	4-12
Sterling Drug	2	for 1	6-14
Taylor Instrument	5	for 1	12-20
Textron Inc	2	for 1	9-10
United Mer. & Mfg.	2	for 1	2-28
U. S. Plywood	2	for 1	4-27
Westinghouse Elec.	4	for 1	4-11

Performance of 185 Stock Split-Ups Announced Since January 1, 1946

The following tabulation presents some of the main facts about 185 stock split-ups announced since Jan. 1, 1946. Unless otherwise indicated, the splits refer only to common stocks. The "date of meeting" refers to the stockholders' meeting at which the capital changes recommended by the directors were, or may be, approved. Usually the split is made effective (and the new split-up shares traded) about a month after the formal stockholders' approval. In some cases, however, especially where ICC or other governmental body approval is necessary, there may be a longer delay. In some instances, indicated in the tabulation, the split is not yet effective. In one case (Textron) the shareholders recently disapproved the proposed subdivision of shares.

The tabulation shows the common stock capitalization of the company both before and after the split, and points out previous splits, if any. The "remarks" also show other interesting data giving light on the split-up.

To indicate how the split-up shares have behaved in the market, the approximate current price of the stock is given together with the price equivalent of the new stock as of Jan. 2, 1946. To obtain this price equivalent, the actual price of the old stock at the beginning of 1946 has been divided by the rate of split. In instances where the new stock is not yet traded, for the purpose of uniformity, the price of the old stock (still traded) has been reduced to terms of the new. This procedure is indicated in each case by a footnote.

Obviously, the opportunity for error in such an ambitious tabulation, prepared from so many different sources, is considerable, although effort has been made to be accurate.

	Split Since 1-1-46		Date of Meeting	Shares Before Split	Shares After Split	Price of New Split-up Shares as of 10-11-46 Bid	Asked	Price of Old Stock in Terms of Split-up Shs. 1-2-46
ABBOTT LABORATORIES	2	for 1	3-29	849,958	1,699,916	69¼	Sale	40¾
Previously split 3 for 1 in July 1936 and 3 for 1 in 1935.								
AETNA STANDARD ENGINEERING	2	for 1	3-21	200,000	400,000	8¼	8¾	12¼
Had 1,325 stockholders Sept. 1, 1945.								
ALLIED PRODUCTS	2	for 1	3-26	125,208	250,416	19	19½	26½
Old stock (before split) sold as low as 5 in 1937 and 8 in 1940.								
ALOE (A. S.) CO.	4	for 1	4- 3	35,000	140,000	--	27	15¼
AMERADA PETROLEUM	2	for 1	5- 6	788,675	1,577,350	69½	Sale	75
Old stock (before split) sold as low as 43 in 1942.								
AMERICAN AIRLINES	5	for 1	4-17	1,290,568	6,452,836	10⅞	Sale	16⅝
Conversion of preferred would further increase common.								
AMERICAN BAKERIES	2	for 1	5-24	292,506	585,012	28	29½	27
AMERICAN EXPORT LINES	2½	for 1	6- 7	600,000	1,200,000	19¼	Sale	15⅜
Prior to split company had 1,270 common stockholders.								
AMERICAN FURNITURE	2	for 1	6- 1	446,492	892,984	4¼	4¾	4
Highest earnings for any recent year 49c. a share on old stock.								
AMERICAN GENERAL CORP.	4	for 1	5-23	1,326,564	5,306,259	3	3½	3½
Controlled by Equity Corporation.								
AMERICAN HOME PRODUCTS	3	for 1	9-16	1,287,186	3,861,558	*33	Sale	34⅜
First split-up or stock dividend since organization.								
AMERICAN NEWS	2	for 1	3-13	421,436	842,872	35¼	Sale	43¼
Prior to split company had 2,800 stockholders.								
AMERICAN OVERSEAS AIRLINES	3	for 1	7-11	233,310	699,930	12¼	13	26⅜
Controlled by American Airlines.								
AMERICAN SAFETY RAZOR	3	for 1	8-22	471,500	1,414,500	15¼	Sale	12½
Reverse split 1 for 4 in 1924, then split 3 for 1 in 1936.								
APEX ELECTRICAL MFG.	4	for 1	8-26	85,000	340,000	7⅛	Sale	10⅛
December 1922, 30,000 shares of common increased to 75,000, later to 90,000.								
ASSOCIATED DRY GOODS	2	for 1	5-20	634,840	1,269,680	21⅜	Sale	23¾
Also split 4 for 1 in May 1925.								
ATLAS IMPERIAL DEISEL ENGINE	2	for 1	4-19	180,405	360,810	10½	11	9
Had 956 stockholders Jan. 2, 1946.								
BARKER BROS.	2	for 1	4- 5	178,200	356,400	28	Sale	19¼
Old stock (before split) sold as low as 5¼ in 1943.								
BAYUK CIGARS	2	for 1	9-18	393,060	786,120	22	Sale	20⅝
Also split 4 for 1 in 1936.								
BEAU BRUMMEL TIES	2	for 1	6-12	150,000	300,000	8	9	7
In 1936, 300 outstanding shares (all owned by officials) increased to 120,000 shares.								
BEAUNIT MILLS	4	for 1	3-29	202,205	948,820	22¾	23¼	13⅞
Old stock (before split) sold as low as 7½ in 1943.								
BIBB MANUFACTURING	4	for 1	6- 1	200,000	800,000	42½	44	38¾
BLAUNERS, INC.	2	for 1	10- 9	121,934	263,668	*12½	*14½	15¾
As of March 15, 1945, Sheila Corp. of Philadelphia held 98,709 shares, or 81% of outstanding shares.								
BLISS & LAUGHLIN	2	for 1	8-15	262,757	525,514	14½	15	14½
Previously split 10 for 1 in October 1929 and 3 for 1 April 1935.								
BOOTH FISHERIES	3	for 1	2- 1	69,153	207,459	18¼	19¼	14⅜
Preferred dividend arrears settled by recapitalization in 1943.								
BOWER ROLLER BEARING	3	for 2	†9- 4	300,000	450,000	*24	*24½	37⅝
Stock dividends: 35%, 1915; 100%, 1917; 33⅓%, 1922; 20%, 1935.								
BRIGGS & STRATTON	2	for 1	3-19	297,149	594,298	25	Sale	26⅞
Had 2,759 shareholders before split.								
BROWN FOREMAN	2	for 1	7-23	294,487	588,974	20½	Sale	23⅛
Old stock sold as low as 1⅝ in 1942.								
BROWN SHOE	2	for 1	1-11	246,000	492,000	24⅞	25½	36
Had 2,606 shareholders in November 1945. Also split 3 for 1 in February 1926.								
BUDA COMPANY	2	for 1	9-27	186,992	373,984	*13½	*14⅛	13⅜
Also split 8 for 1 in 1937.								
BURLINGTON MILLS	2	for 1	6-10	1,723,076	3,446,152	19⅞	Sale	19½
Also split 2 for 1 in March 1945.								
CALIFORNIA COTTON MILLS	10	for 1	5- 6	32,500	325,000	10⅝	12	8⅜
Had 210 stockholders at end of 1945.								
CANADA DRY GINGER ALE	3	for 1	7-17	613,957	1,841,871	15⅝	Sale	14⅜
Had 5,438 common holders Dec. 5, 1945.								
CANADA MACHINERY	2	for 1	9-11	26,000	52,000	*7½	*8½	3
Also split 5 for 1 in January 1940.								
CANADIAN INDUSTRIES	10	for 1	6-20	700,141	7,001,410	18⅛	19	16⅜
Paid 100% stock dividend in 1919 and 50% in 1920.								
CASCO PRODUCTS	3	for 1	8- 6	170,452	511,356	7½	Sale	6⅝
Also split 31 for 1 in 1936.								
CELANESE CORP.	2½	for 1	9-19	2,205,643	5,514,107½	21½	Sale	25
Also split 4 for 1 in 1927.								
CENTRAL INVESTMENT CORP.	5	for 1	5-27	58,563	292,815	22	23	24
Had 770 stockholders end 1945. California real estate.								
CENTURY RIBBON MILLS	2	for 1	4-18	100,000	200,000	13	13½	15⅛
Sold at 7¼ or below every year 1929 1944, inclusive.								
CHAMPION PAPER & FIBRE	2	for 1	10- 8	550,000	1,100,000	24	Sale	25
Also split 7 for 1 in August 1935.								
CHECKER CAB MFG.	4	for 1	3-19	108,361	433,444	14⅞	Sale	26¾
Old stock (before split) sold as low as 8½ in 1943.								
CHESEBROUGH MFG.	2½	for 1	5- 2	120,000	300,000	67½	Sale	54
Also split 3 for 1 in 1916 and 4 for 1 in 1924.								
CHICAGO TITLE & TRUST	5	for 1	1-14	120,000	600,000	57	59	71⅝
Sold as high as 372 before split.								
CITY INVESTING	6	for 1	5- 2	160,000	960,000	10	10⅜	11½
In 1944 each old common split into 2 new common plus 0.15 pfd.								
CLINTON TRUST	2½	for 1	1-16	16,000	40,000	32	36	34
COLONIAL STORES	2	for 1	6-17	299,494	598,988	20½	22	17½
CONDE NAST	3	for 1	8-21	335,298	1,005,894	14½	15	13⅞
CONSOLIDATED GROCERS	3	for 1	4-16	289,164	867,492	20⅛	Sale	7⅞
Common did not pay dividends prior to split.								
CONSOLIDATED INVESTMENT TRUST	3	for 1	6-15	355,054	1,005,162	18¾	20	22⅝
CONSOLIDATED RENDERING	4	for 1	2-21	46,807	187,228	35	--	30
CONTINENTAL STEEL	2½	for 1	3-19	200,561	501,204	16	Sale	16⅛
Low of old stock in 1937-1938 was 9½.								
CORO, INC.	3	for 1	6-25	139,567	‡478,515	14⅛	Sale	9⅝
Old stock (before split) did not sell above 14, 1939-1944.								
CROWELL-COLLIER	2	for 1	3-12	755,312	1,550,624	33	34½	36⅝
Split 3 for 1 in November 1927 and 3 for 1 in November 1922.								
CUNEO PRESS	2	for 1	7- 1	446,560	893,120	18¼	Sale	17¾
Also split 2 for 1 in 1939.								
D-W-G CIGAR	2	for 1	5-15	190,781	381,562	14½	15	16
Had 1,870 stockholders April 6, 1946								
DAN RIVER MILLS	5	for 1	8-19	300,600	1,500,000	15	16	12
Also split 4 for 1 in January 1930.								

	Split Since 1-1-46	Date of Meeting	Shares Before Split	Shares After Split	Price of New Split-up Shares as of 10-11-46 Bid	Asked	Price of Old Stock in Terms of Split-up Shs. 1-2-46
DANA CORP. Formerly Spicer Manufacturing Corp	3 for 1	7- 8	300,000	900,000	19½	19⅝	29⅝
DAVENPORT HOSIERY MILLS Had 575 stockholders April 15, 1946	2 for 1	7-30	85,581	171,162	34	Sale	24⅛
DAYTON RUBBER MFG. Old common sold as low as 11¾ in 1943.	2 for 1	1- 4	226,671	453,342	18¼	Sale	24⅞
DECCA RECORDS Also split 5 for 1 August 1937.	2 for 1	11- 6	388,325	776,650	*22	Sale	27¾
DECKER & COHN	3 for 1	7-29	85,568	256,704	7¾	8¼	7
DeLONG HOOK & EYE	5 for 1	2-20	9,000	45,000	31	35	24
DENTISTS SUPPLY Had 1,211 shareholders Feb. 28, 1946.	4 for 1	3-20	300,000	1,200,000	22	23	20½
DETROIT HARVESTER	2 for 1	1-10	149,116	400,000	10	10½	20½
DETROIT INTERNATIONAL BRIDGE	2 for 1	5- 7	186,616	373,232	12½	13½	13⅝
DETROIT MICHIGAN STOVE Old stock sold above 8 only one year, 1938-1944.	5 for 4	6-25	758,745	948,428	10⅞	Sale	7¼
DeVILBISS CO. Sold additional shares after split—839 common holders March 10, 1946.	2 for 1	2-20	225,000	450,000	16⅛	Sale	15⅛
DIANA STORES Also split 2 for 1 in February 1944.	2 for 1	7-22	419,544	839,088	8¾	Sale	9½
DISTILLERS SEAGRAMS In four years, 1938-41, old stock (before split) did not sell as high as 24.	5 for 1	6-14	1,753,870	8,769,350	17½	Sale	18⅞
DIVCO CORP. Old stock (before split) did not sell as high as 10, 1937-1943.	2 for 1	2-20	225,000	450,000	16⅛	Sale	15⅛
DODGE MFG. CO. Had 1,218 stockholders Oct. 31, 1945	2 for 1	2-12	85,179	170,358	13½	14	14⅛
DOBECKMUN CORP. Had 650 shareholders Jan. 15, 1946.	3 for 1	3- 1	106,000	318,000	12	Sale	29⅜
DOMINION GLASS, LTD. This had been a high-priced stock for years.	5 for 1	4-10	42,500	212,500	39¼	40	34⅝
DUREZ PLASTICS & CHEMICALS Also split 3 for 1 (200% stock dividend) in August 1944.	3 for 1	6-19	500,000	1,500,000	15	16	14⅛
EASTERN AIR LINES The old stock (before split) never sold as high as 45 until 1945.	4 for 1	4-23	590,194	2,388,640	23¾	Sale	29⅝
EASTERN STEEL PRODUCTS Had about 500 stockholders March 1, 1946.	4 for 1	1-19	72,036	288,144	8½	9½	12¾
ECONOMY GROCERY STORES (NOW STOP AND SHOP)	2 for 1	9- 9	117,000	234,000	16½	17¾	12¼
ECKO PRODUCTS Also split 3½ for 1 in February 1945	2 for 1	9-16	393,750	787,500	19	Sale	18
EDISON BROS. STORES Split 3 for 1 in 1937. On Feb. 28, 1946, had 1,501 common holders.	2 for 1	1-23	420,059	840,118	26½	28	26⅝
ELECTROMASTER, INC. Sold 200,000 additional shares after split-up.	2 for 1	1-25	200,000	a600,000	3¾	4	4¼
ELGIN NATIONAL WATCH Split 4 for 1 in 1920. Paid stock dividends—25%, 1903; 20%, 1920; 25% in 1923; 25% in 1925.	2 for 1	3-27	400,000	800,000	19	Sale	26
EVERSHARP Also split 2 for 1 in February 1946.	3 for 2	3-18	334,117	§501,645	30	—	29
FAMOUS PLAYERS CANADIAN Paramount Pictures, Inc., owns about 69%.	3 for 1	2-12	555,524	1,666,572	16	16⅞	12⅝
FANSTEEL METALLURGICAL Old stock advanced from low of 4 in 1938 to 106 in 1945.	2 for 1	1-31	312,000	624,000	17¾	Sale	40
FEDERAL MACHINE & WELDER Also paid 100% stock dividend in 1941.	2 for 1	3-22	301,113	602,226	7	7½	12¾
FEDERATED DEPARTMENT STORES Due to stock exchanges, figures may not be exact.	2 for 1	7-31	1,053,248	2,106,496	26	Sale	28⅞
FERRY CAP & SET SCREW	2 for 1	4-11	77,873	155,746	5	5¾	5⅛
FIRTH STERLING STEEL & CARBIDE Had 114 stockholders in June, 1945.	10 for 1	3-12	100,000	1,000,000	6	7	6½
FLORSHEIM SHOE Class A (dividend rights double that of B shares).	2 for 1	6-14	**491,439	**982,878	21	23¼	20⅛
FOSTORIA PRESSED STEEL Had 164 stockholders March 12, 1946.	2 for 1	5-29	16,928	33,856	13	16	13
FOOD FAIR STORES Also split 10 for 1 in 1937.	4 for 1	4-30	366,276	‡1,470,912	14⅛	Sale	8⅛
FOUR WHEEL DRIVE AUTO Had 1,000 stockholders Sept. 7, 1945.	3 for 2	3-19	185,767	278,651	10	10¼	15½
FROEDTERT GRAIN & MALTING Had 1,284 shareholders in August, 1945.	2 for 1	3-19	426,787	853,574	16¾	17½	15¼
GARLOCK PACKING Earnings trend stable rather than dynamic.	2 for 1	4-18	209,250	418,500	22¾	23¾	28
GAYLORD CONTAINER Had 1,945 common shareholders at end 1945.	3 for 1	5- 8	562,241	1,686,723	16	Sale	11⅝
GENERAL MACHINERY Had 1,948 stockholders June 30, 1945.	4 for 1	3-12	201,488	805,952	10	10⅝	11⅜
GREYHOUND CORPORATION Previously split 4 for 1 in 1936.	3 for 1	7- 9	3,085,737	9,257,211	*12⅝	Sale	10⅞
HALL (W. F.) PRINTING Split 4 for 1 in 1928 and 2 for 1 in 1937.	2 for 1	3-19	1,355,668	2,711,336	17½	18	16½
HAZEL-ATLAS GLASS Also split 4 for 1 in 1923.	5 for 1	9- 3	434,409	2,172,045	30¼	30⅞	24½
HERCULES POWDER Split 4 for 1 in 1922 and 2 for 1 in 1937.	2 for 1	7-29	1,316,710	2,633,420	54½	Sale	57¼
HEYDEN CHEMICAL In 1943 four old shares issued for each share predecessor.	2½ for 1	5- 3	472,750	1,181,896	27½	Sale	15⅞
HIGBEE CO. Also split 5 for 1 in 1945.	4 for 1	6-10	141,510	566,040	18	23	15½
HOLLAND FURNACE Also split 10 for 1 in 1926.	2 for 1	5-28	450,442	900,884	24	Sale	29
HOLLANDER (A.) Proposed split not yet approved.	2 for 1	----	233,107	466,214	*11⅝	*12⅜	12¼
HUNTS, LTD.	4 for 1	1-14	**33,656	**134,624	10	Sale	9¾
INDEPENDENT PNEUMATIC TOOL Previously split 3 for 1 in 1920, 100% stock div., 1923, and 2 for 1 March 1937.	2 for 1	6-12	375,698	751,396	20½	22½	17¼
INDUSTRIAL RAYON Also split 3 for 1 in 1934.	2 for 1	3-27	759,825	1,518,650	39¾	Sale	33
INLAND STEEL Also split 4 for 1 in 1920.	3 for 1	4-24	1,633,105	4,899,315	38	Sale	34⅞
INTERNATIONAL BUSINESS MACHINE 20% stock dividend in 1925, 3 for 1 split in 1926 and numerous small stock dividends.	5 for 4	1- 8	1,145,926	1,432,407	209	Sale	190⅝
INTERNATIONAL CELLUCOTTON Previously split 2 for 1 in December 1936.	2 for 1	7-17	594,336	1,188,672	28	29	31
INTERNATIONAL SILVER On Jan. 1, 1946, had 1,042 common holders.	4 for 1	6-27	91,198	364,692	45	Sale	40
INTERNATIONAL UTILITIES In 1944 recapitalization, each old class B share got 1/100 share com.	3 for 1	5- 1	262,539	787,617	12	Sale	12⅞
JEANNETTE GLASS Had 1,150 stockholders April 18.	3 for 1	4-26	90,000	270,000	13¼	14¼	5⅝
KAISER (JULIUS) Paid 50% stock dividend in 1929.	2 for 1	1-15	370,000	740,000	15½	Sale	25
KIMBERLY-CLARK	2 for 1	8- 9	599,760	1,199,520	25	Sale	32¾
LANE BRYANT Also split 1½ for 1 in 1929 and 2 for 1 in August 1945.	2 for 1	9- 9	284,923	569,846	15⅜	Sale	18½
LYNCH CORP. Includes 75,000 shares sold after split.	2½ for 1	3-22	150,000	450,000	15	Sale	15½
MADISON SQUARE GARDEN Old stock (before split) did not sell as high as 20, 1930-1944.	3 for 1	6-21	219,100	656,400	13⅜	13¾	9⅞
MARATHON CORP. Includes additional treasury stock sold after split.	2 for 1	2-22	440,000	‡1,300,000	23¾	24¾	29
MELVILLE SHOE Also split 2 for 1 in 1939.	2 for 1	8-27	1,023,684	2,047,368	24	Sale	23⅜
MIDWEST PIPING & SUPPLY Also split 7 for 1 February 1937. Had 757 stockholders April 6, 1945.	2 for 1	7-15	193,140	386,280	18	22	17¼
MINNEAPOLIS & ST. LOUIS Company's stock issued for debt of predecessor.	4 for 1	4- 2	150,000	600,000	*9¼	*10	14⅞
MILLER-WOHL, INC. Includes common issued in conversion of old preferred.	2 for 1	5- 1	237,605	580,000	10⅞	Sale	13
MOJUD HOSIERY Split 3 for 2 in 1944 and 2 for 1 in 1936.	2 for 1	6-28	265,212	530,424	13½	Sale	15
MONSANTO CHEMICAL Also split 1½ for 1 December 1927 and 2 for 1 in 1929 and paid following stock dividends: 60% in 1915, 75% in 1916, 285.7% in 1921, 100% in April 1934.	3 for 1	7-23	1,267,888	3,803,664	48½	Sale	39
MONTREAL COTTON, LTD. Had 298 stockholders as of Dec. 31, 1945.	10 for 1	4-17	33,000	330,000	11½	13	8⅛
MUNSINGWEAR, INC. Had 1,600 stockholders at end 1944.	2 for 1	4-16	140,000	280,000	14⅜	15	19¾
MURPHY (G. C.) Split 9 for 1 in 1927, 3 for 1 in 1936.	4 for 1	2-26	543,000	2,172,000	34½	Sale	36¼
NATIONAL CITY LINES Also split 2 for 1 in August, 1943. Had 1,464 stockholders March 2, 1946.	2 for 1	7-11	600,000	‡1,415,370	15½	Sale	10¾
NATIONAL DEPARTMENT STORES Old stock did not sell as high as 25 before 1945.	3 for 2	6- 6	522,433	784,646	20¼	Sale	26⅜
NATIONAL DISTILLERS Also split 3 for 1 in November 1933.	3 for 1	7- 2	2,659,257	7,977,771	22⅛	Sale	24⅝
NATIONAL HOSIERY MILLS	3 for 2	7-24	78,404	130,573	10⅝	11⅜	4
NATIONAL LINEN SERVICE Split 3 for 1 in 1943.	3 for 1	7-29	464,013	1,392,039	7¾	Sale	8⅛
NATIONAL RADIATOR Stock issued for debts of predecessor in 1938 reorganization.	2½ for 1	4-14	149,494	373,735	10½	11½	10⅜
NATIONAL SHIRT SHOPS Had 354 stockholders as of Sept. 30, 1945.	6 for 1	7-11	75,000	450,000	9¾	10¾	6⅝
PACIFIC MILLS Old stock (before split) sold as low as 8 in 1940.	2 for 1	3-19	396,123	792,246	31¼	Sale	35½
PARAMOUNT PICTURES Has paid higher dividend each year for seven years.	2 for 1	6-18	3,752,136	7,504,272	31⅛	Sale	27¾
PARKER PEN	2 for 1	2-14	190,000	380,000	39½	Sale	37¼
PATHE INDUSTRIES	10 for 1	1- 7	128,184	1,281,840	6	6½	12
PETER PAUL Split 2 for 1 in 1935 and 2 for 1 in 1937.	4 for 1	4-30	167,268	669,072	30	35	17½
PHARIS TIRE & RUBBER	2 for 1	9-16	212,000	424,000	10⅜	Sale	9
PITTSBURGH METALLURGICAL Had 700 stockholders June 1, 1945.	2 for 1	2-25	124,673	249,346	9	—	12½
PLOUGH, INC. Had 4,425 stockholders March 29, 1946.	3 for 2	4-16	300,000	450,000	15½	15⅞	17⅛
POND CREEK POCAHONTAS COAL	2 for 1	9- 4	169,742	339,484	21½	22½	15⅜
POWDRELL & ALEXANDER Also split 4 for 1 in 1936.	2 for 1	3-26	300,000	600,000	16⅛	Sale	11¾
RAND'S Had 411 stockholders June 1, 1945.	2 for 1	6- 4	154,700	309,400	1⅝	2	1½
REED-PRENTICE CORP. Also split 3 for 1 July 1945.	3 for 1	7-28	119,619	358,857	19¾	20¾	9
RELIANCE MFG. Had 1,067 common holders March 1, 1946.	2 for 1	3-19	241,655	483,310	17¼	Sale	20
RONSON ART METAL WORKS Also split 1½ for 1 in 1929.	2½ for 1	8-15	244,835	612,087	14¾	Sale	8
RUSSEK'S 5TH AVENUE Also split 2 for 1 in February 1937.	2 for 1	9-18	249,100	498,200	13¼	Sale	11
SAYRE & FISHER Had 568 stockholders May 1, 1945.	3 for 1	4-12	108,126	324,378	4	4½	4⅛
SCHENLEY DISTILLERS Also split 4 for 3 in 1945 and 3 for 2 in 1944.	10 for 7	3-15	2,520,000	3,600,000	62⅛	Sale	84¾
SHELLER MFG.	1½ for 1	2- 7	213,839	320,758½	10½	Sale	11⅞
SICK'S BREWERIES INC. 328,128 shares in voting trust. Had 1,333 stockholders March 15, 1946.	4 for 1	4-26	238,000	952,000	11¾	12¾	9½
SNAP-ON TOOLS	2 for 1	6-29	165,103	330,206	15½	17	8¾
SOUTH PENN OIL Split 4 for 1 in 1926; 50% stock dividend in 1929.	2 for 1	5-28	1,000,000	2,000,000	34¼	Sale	29½

*Old stock still traded. Price given is old stock reduced to equivalent of new. †Proposed by president of company. ‡Includes new stock sold subsequent to split-up. §Before Magazine Repeating Razor merger. ¶Includes result of other transactions. **Includes A and B stock. ††Stockholders disapproved the proposed split. ‡‡Split was disapproved, so both quotes are for resent (or old) stock.

(Continued on page 1970)

Performance of 185 Stock Split-Ups Announced Since January 1, 1946

(Continued from page 1969)

	Split Since 1-1-46		Date of Meeting	Shares Before Split	Shares After Split	Price of New Split-up Shares as of 10-11-46 Bid	Asked	Price of Old Stock in Terms of Split-up Shs. 1-2-46
SOUTHEASTERN CORP., partic. pfd.	4	for 1	4- 8	66,000	264,000	3⅛	3⅝	1
SQUARE D Split 3 for 1 in 1936.	3	for 1	4-23	459,160	1,377,480	17	Sale	19½
STALEY (A. E.) MFG. Paid 100% stock dividend in 1934; also split 10 for 1 in 1937.	2	for 1	7- 1	423,253	846,506	36½	38	28
STEDMAN BROS. LTD.	4	for 1	3-30	101,792	407,168	15¼	16	12
STEIN (A.) & CO. Had 653 stockholders in January 1945.	2	for 1	4-25	240,000	480,000	27¼	28¼	14½
SWEETS CO. OF AMERICA Reverse split 1 for 5 in December 1924.	3	for 1	8-15	85,400	256,200	16	16½	17⅜
STERCHI BROS. STORES Old stock (before split) sold under 4 some time every year, 1931-1943.	2	for 1	7-19	298,108	596,216	17¼	17¾	13⅝
STIX, BAER & FULLER Also split 6¼ for 1 in 1925 and paid stock dividends, 150% in 1907.	2	for 1	9- 7	291,871	583,742	17½	19¼	16½
SUNSHINE BISCUIT Also split 4 for 1 in 1927 when 25% stock dividend was paid.	2	for 1	3-25	510,600	1,021,200	50	Sale	36¼
TAYLORCRAFT AVIATION	4	for 1	6-17	279,745	1,118,980	1¾	2⅛	1½
TEXTRON Was split 2 for 1 in September, 1945.	2	for 1	††8-15	990,448	1,980,896	‡‡13⅜	Sale	--
THATCHER MFG. Also paid two 5% stock dividends in 1946.	2	for 1	8-29	157,186	314,372	15¾	Sale	14¼
TIDEWATER POWER Outstanding common increased from 115 to 98,893 in 1944.	4	for 1	7-15	98,893	395,572	7½	8	7½
TIMKEN DETROIT AXLE Also split 10 for 1 in November 1919 and paid stock dividends as follows: 200%, 1914; 150%, 1922.	2	for 1	6-11	991,975	1,983,950	17	Sale	23½
UNION BANK OF COMMERCE (Cleve.)	10	for 1	5-22	35,300	353,000	42½	45½	44½
UNITED REXALL DRUG Old stock (before split) sold as low as 2⅞ in 1941.	2	for 1	5-16	1,369,382	3,438,764	10¾	Sale	13½
UNITED FRUIT Also split 2 for 1 in 1921 and 2½ for 1, 1926.	3	for 1	5-23	2,925,000	8,775,000	43⅛	Sale	37⅜
UNITED AIRCRAFT PRODUCTS Also split 31 for 1 in 1939.	2	for 1	9-26	294,419	588,838	7⅞	Sale	12¼
UNITED MERCHANTS & MFRS. Also split 2 for 1 in 1945.	3	for 1	7-16	1,264,772	3,794,316	14¾	Sale	16¾
UNIVERSAL PRODUCTS	2	for 1	7-16	100,000	200,000	21	24	17½
UTICA-MOHAWK COTTON	4	for 1	2-13	65,000	260,000	22	24	23½
VICK CHEMICAL	2	for 1	3-26	692,980	1,385,960	34⅞	Sale	32
WAGNER BAKING Old stock sold under 12 all through 1938-1944, inclusive.	2	for 1	5-10	104,681	209,362	13	Sale	10
WALKER (HIRAM)-GOODERHAM & WORTS Old stock split 3 for 1 in 1929.	4	for 1	9-20	721,537	2,886,148	*27⅛*	Sale	26½
WARNER BROS. PICTURES Old stock sold no higher than 8½, 1938-1942, inclusive.	2	for 1	8- 1	3,701,090	7,402,180	18¾	Sale	16⅜
WAYNE SCREW PRODUCTS Had 403 stockholders Sept. 30, 1944.	4	for 1	4- 2	100,000	400,000	2	2¼	2¼
WEST VIRGINIA WATER SERVICE Had 644 common stockholders Feb. 21, 1946.	2	for 1	3-15	110,000	220,000	15½	16½	14½
WESTERN DEPARTMENT STORES Had 927 stockholders March 30, 1946	2	for 1	1-24	175,682	351,364	24½	25¼	15¼
WYANDOTTE WORSTED Also split 20 for 1 October 1944.	2	for 1	5- 6	300,000	600,000	18¾	Sale	10⅞

*Old stock still traded. Price given is old stock reduced to equivalent of new. †Proposed by president of company. ‡Includes new stock sold subsequent to split-up. §Before Magazine Repeating Razor merger. ¶Includes result of other transactions. **Includes A and B stock. ††Stockholders disapproved the proposed split. ‡‡Split was disapproved, so both quotes are for present (or old) stock.

The Free Enterprise System

(Continued from page 1930)

the so-called system or free enterprise develop?

The Feudal Organization

In the Middle Ages, that is between, say, 1000 and 1500, all society was organized and directed from above. There was little if any privately organized economic activity. The king was supreme; and through the heirarchy of lords and retainers the entire economic system was organized from the center out. The masses of the people were servants of the lord and king to whom they gave their labor and their loyalty in exchange for subsistence and protection. Theirs was not to reason why; theirs was but to do or die. This same general philosophy was paralleled in the development of the mediaeval church and the canon law. Here too the individual looked solely to the higher powers for guidance.

The Mercantilist System

Feudalism began to disintegrate in the fifteenth and sixteenth centuries, and by the eighteenth century it had almost entirely disappeared in the Western world. Meanwhile, however, centralized control of economic activities continued in modified form under the so-called mercantilist system. The essence of mercantilism, which reached its culmination in the eighteenth century, was that the growth of national wealth and power can best be fostered by means of extensive governmental trade and commercial regulations. It was erroneously assumed that the wealth of a nation was dependent in large measure upon the acquisition of huge supplies of the precious metals, gold and silver. International commercial regulations were accordingly designed to foster the accumulation of precious metals. Such regulations inevitably required supporting regulations of domestic trade. At the heyday of mercantilism everything was regulated — from the cradle to the grave, if one may coin a new expression.

The Emergence of the Natural Law Conception

Between the years 1750 and 1850, roughly speaking, there occurred in the important nations of the Western world a profound transformation in the organization of economic life. Instead of looking to the government as the directing and controlling agency, we come to look to the individual as the true source of power. The idea came to prevail that, if the individual were left free to develop his own potentialities in fullest measure, the nation, which consists of individuals, would in like measure become affluent and powerful.

The explanation of this great change in point of view is to be found in part in the growth of the scientific spirit and in part in a natural reaction against the excessive restrictions imposed upon the individual by the mercantilist system. It was in the sixteenth and seventeenth centuries that such men as Galileo, Kepler, and Newton discovered and formulated the basic laws which govern the physical world. In due course these scientific discoveries came to exert a profound influence upon men's ideas in other realms of thought. Was not man, the creation of God, as much a part of and subject to an ordered universe as the physical earth on which he had his setting?

The view arose that there existed a system of *natural* law which, if it were not interfered with by governments or other human institutions, would always lead to progress. Blackstone, the great English jurist, for example, contended that there had been established by the Creator a simple system of natural law or ethics, and that the constitution and frame of humanity had been so contrived that if we but pursued our own "true and substantial happiness" we could not fail to be in tune with the universe of nature. Moreover, according to Adam Smith, the great Scottish philosopher who founded a system of thought known as political economy, each of us in pursuing his own welfare and happiness is led as by the Divine hand to promote the welfare of his fellowmen.

The governmental restrictions with which the individual was surrounded in the eighteenth century came naturally to be regarded as in fundamental conflict with the laws of nature. Rousseau declared all social institutions vicious in their effects upon freeborn man. William Godwin held that it was the function of society not to make law but merely to interpret "that which the *nature of things* has already decreed."

This new philosophy of natural law led in due course to practical results of great significance. First, innumerable laws restricting the freedom and the initiative of the individual were repealed. Second, industry and trade were relieved from a multitude of hampering regulations. Third, national boundaries came largely to be ignored through the removal of barriers and restrictions against the free international movement of trade and currency, and against the migration of people from country to country. The conception of the world society was born, in which men should be free not only to develop their individual capacities to the utmost but also to live in whatever spot on the globe they desired and to conduct their business operations without reference to any national boundaries.

These conceptions found their fullest opportunity for development in the young United States of North America. The founders of the American system of government, notably Jefferson and Madison, were steeped in the European literature which set forth the natural law philosophy and its conception of individual freedom. The Declaration of Independence gave eloquent expression to the inalienable rights of men to life, liberty, and the pursuit of happiness. So from the very beginning our American system emphasized the vital significance of the unfettered human being in the scheme of things.

In the nineteenth century nearly everywhere the role of government in relation to economic activity was regarded in the main as passive. The functions of government were confined to safeguarding the rights or individuals, and to handling a few general problems where centralized authority was essential, as in provision for national defense and the maintenance of a unified currency system. It was not regarded as properly the function of government to engage directly in economic enterprise or to regulate private business, *except* when such business tended to become monopolistic in character.

Many people have looked upon the economic and political system of the nineteenth century as an *unorganized* society, one lacking in social purpose. By way of contrast, they emphasize the "planned economy," which envisions as its goal the welfare of the people. Nothing could be more misleading than this comparison. The so-called system of *laissez-faire* was a method by which, according to the belief of its founders — who were the great constructive liberals of their day — economic progress and human advancement would best be promoted. It was the belief that under this system the development of our resources would be most rapidly expanded and that, as a result of competition, the benefits would be disseminated among the masses of the people.

The old order cannot be dismissed, therefore, with the indefensible generalization that it was planless. The only question at issue is: What plan of economic and social organization, or what combination of plans will best promote the welfare of society?

Factors Responsible for Change

The recent revision from the free enterprise of the nineteenth and early twentieth centuries toward government-controlled economies analogous in lesser or greater degree to the mercantilist and feudal systems of earlier centuries was the outgrowth of numerous developments. First, the free enterprise system in its flowering days naturally placed extraordinary economic power in the hands of a relatively small group of successful enterprisers. The enormous disparity in wealth naturally created an impression — however erroneous — that the system was designed to promote the welfare of the classes at the expense of the masses. This conception lay at the heart of the Communist philosophy and was, of course, primarily responsible for the Russian revolution.

A second factor was the failure of an economic system operating in response to the decisions of individual businessmen seeking profits to afford continuous employment. The highly complex economic system, or machine as I prefer to call it, appeared to run by fits and starts — now plunging wildly forward and again stalling and backing, carrying blight and ruin in its path. The individual, however efficient and far-seeing he may be, finds it impossible to stem the general tide by any acts of his own and is swept downstream with the devastating current of depression. If the free enterprise system fails to provide general economic stability and economic security, why, the question is inevitably raised, should we not look to the government to control the business cycle?

The third factor was the breakdown of international commerce and finance in consequence of the maladjustments produced by the First World War. Countries whose production and trade had been adversely affected sought to revive their agriculture and industry by means of import restrictions and internal credits and subsidies. To make a long, sad story short, in the new world crisis of 1929-33 country after country sought to save itself by the control of exchange and currency and by rigid restrictions on trade.

The New Hybrid System

In every country the 1930's was a decade of experimentation with government control designed to alleviate human suffering and to restore prosperity. The extent of the *government* control varied widely in different countries and the methods employed were often dissimilar; but everywhere the old free enterprise system was being replaced by a hybrid system —partly free, partly controlled. This development came in the main not as a result of conscious planning. It represented, rather, a drift occasioned by the practical difficulties with which nations were everywhere confronted.

Once the power of government was invoked to stem the tide of depression and promote recovery — in the United States and in other countries alike — there developed what may be called a new philosophy of economic organization. In such countries as the United States and Great Britain, France, the Low Countries, and Scandinavia, it was not Communism or even State Socialism. Instead of a completely centralized domination of economic life by the government as under Communism or Fascism and Nazism, and instead of State Socialism which calls for government ownership and operation of key industries and services, under the new philosophy the primary task of government was conceived as that of stabilizing the economy by means of certain control devices and of safeguarding and promoting the welfare of the masses.

Under this system as it worked out in the United States individuals were still free to own and operate whatever type of business enterprise might seem to offer the best hope of profits. Indeed, primary reliance was still placed on private enterprise to provide employment and to make the technical advances upon which progress depends.

The function of the government was four-fold: (1) to promote desired forms of enterprise through loans, subsidies, and other aids, and occasionally to engage directly in business; (2) to safeguard the interests of the weak and distressed; (3) to regulate business practices in order to preserve competition and prevent abuses of power; and (4) to stabilize the economy as a whole and ensure adequate employment by means of an extensive system of control centered on the distribution of income and the provision of employment by means of government expenditures. In short, the primary objective of the government is to protect certain ideals of democracy, and to keep the economy as a whole in balanced adjustment.

Difficult Problems Either Way

The successful operation of a highly complex economic system presents serious difficulties, whether we rely upon private enterprise or government control. Notwithstanding the enormous economic progress and rise in living standards which occurred during the nineteenth century, when government interference with private enterprise was at the minimum, we did not succeed in escaping periodic crises and depressions. Between 1819 and 1933 there were no less than fourteen serious depressions, ranging in duration from nine to sixty-six months — the longest occurring in the late seventies. Over the period as a whole business was in a state of depression approximately 30% of the time. The record was similar in other countries.

This unfortunate state of affairs has naturally been a matter of deep concern to all students of economic organization, and many explanations and remedies of widely varying types have been suggested — by mathematicians, astronomers, physicists, engineers, businessmen, and politicians, as well as by professional economists. But to little avail. The fact is that the complex economic system or machine may get out of gear in a variety of ways. And the multitude of individual businessmen who make up the private enterprise system are powerless to act concertedly in removing sources or causes of maladjustment.

Since the hybrid economy — half free, half controlled — has existed only since 1933, we do not have a period of comparable duration by which to test its performance. But the record, to date, has been far from reassuring. It runs as follows: Following a sharp recovery in the Spring and early Summer of 1933, there was a moderate reaction in the Autumn of that year, followed by subnormal activity until the middle of 1936. The prosperity period of 1936-37 —proclaimed as the exemplification of the accomplishments possible under a government planned and controlled economy — lasted little more than a year. Production quickly fell off to the level of 1935, and the unemployment problem continued without abatement. It took a vast war program to lift production definitely above the level of the late 1920s.

Stock market fluctuations were also supposed to be reduced to moderate proportions, if not completely eliminated by the new control machinery. No longer would innocent people lose their hard-earned savings. But the index of stock prices has shown oscillations comparable in magnitude to those of former times—except for the panic period of 1932.

There are two reasons why it is extremely difficult to attain and preserve economic stability and full employment under a hybrid economic system. The first is that government polices increase the uncertainties and hazards of private enterprise, particularly with respect to long-term capital commitments. In addition to ordinary commercial risks business managers now have to gauge the probable effects of government restrictions as incorporated in legislation, and also as they may be carried out by government officials who enjoy no little discretion in administration. One of the pertinent questions always is: Will this legislation be administered by officials with ulterior objectives or by men sympathetic with private enterprise? Will it be administered by theorists or by practical men who understand business? The problem is often further complicated by the fact that legislation combines short-run recovery plans with long-run reform objectives.

The second factor which makes a hybrid system difficult to operate is the inevitable confusion and conflict to be found within the government program itself. I say *inevitable* because—except under an enduring dictatorship—a government's economic policy is inescapably a mere composite of the policies of past and present administrations, and of compromises resulting from the power and influence of the many special interest groups who strive perpetually for government favor or protection. In the nature of the case, a program resulting in large measure from the pressure of economic blocs cannot be internally consistent. Nor in a democracy with frequently recurring elections can there be any certainty as to how long the major elements of an existing program will endure. Political forecasting thus becomes of importance in the calculation of business risks.

Moreover, since government policies pertaining to business enterprise are formulated and executed by political paries whose first objective is re-election, vote-getting is necessarily a primary consideration which must always be kept in mind. A fundamental maxim of politics is that it is often necessary to accept or promote unsound policies—not in the long-run interest of the public—because of the immediate exigencies of the political situation. This does not imply that government policies can *never* be constructive; it does hold that as a whole they are at the best a combination of good and bad.

Finally, the magnitude and the ramifications of the job of maintaining a smoothly functioning, balanced national economy is beyond the capacity of government officials. In the first place, responsibility is divided—between Congress on the one hand and the Administration on the other. Moreover, various divisions of the Administration aspire to play a leading role in the formulation of basic policy. Even when no fundamental disagreements develop among the government groups and interests involved there are likely to be long delays.

Moreover, the problem itself is of the most complex character and is beset with pitfalls. There are many variables, often working in opposite directions. There is usually little in the training or previous experience of Presidents, Cabinet officers, or Congressmen to equip them for the job of interpreting statistical data or analyzing economic processes and movements. Technicians within the government may indeed be called upon to make recommendations, but decisions must rest with responsible officials. In any case, the technicians are unable to make reliable forecasts because they usually cannot assess the relative weight of conflicting tendencies or separate political influences from purely economic trends. A concrete illustration of this fact is found in the confident pronouncement a year ago that unemployment would reach many millions by the end of the year and that the government must be prepared to provide work for some eight millions of people in 1947.

An excellent illustration of conflicting government policies is also afforded by the events of the past year. Inflation of prices, resulting from the carryover of wartime savings or purchasing power, was proclaimed as the greatest menace to prosperity, a catastrophe that must be averted by the continuance of price control. At the same time it was conceived to be necessary to maintain national income at, or close to, the wartime level if we were to escape a business slump and accompanying deflation. Since some millions of workers would retire from the labor markets and others would no longer receive the high pay afforded by war jobs, and since overtime pay would be eliminated nearly everywhere, it seemed that wage rates per hour would have to be increased in order to maintain national purchasing power.

Thus, simultaneously, the government held that an excess of accumulated purchasing power threatened inflation, and that an impending deficiency of purchasing power threatened deflation. The policy adopted was to encourage sharp advances in wage rates while still holding the line with respect to prices. The only possible result was a new double pressure toward higher prices. On the one side, more pay for the same work meant more purchasing power as compared with the goods available for purchase. On the other side, the higher wage rates necessitated upward adjustments of prices, and started the vicious spiral of rising costs, prices and a gain costs, in which we are still enmeshed. The responsible officials simply did not have sufficient comprehension of the complex issues involved to act with wisdom.

Some Basic Objectives

Amidst the prevailing confusion with respect to private enterprise *versus* the various types of planned economy is there, in fact, any real agreement with respect to basic economic and social objectives? Is there a fundamental antagonism between private enterprise and other forms of economic organization, or are the goals, in final analysis, similar in character? In the remainder of this analysis I shall set forth what I conceive to be the primary goals of the American economic and social system.

Goal I. A Progressively Larger Total National Income

That our aggregate national production is far from adequate to satisfy the needs and desires of the American people is apparent from common observation as well as from statistical evidence. Almost every individual feels keenly that he should have more income in order that he may have a higher standard of living for himself or family. Every organized economic group in society is constantly striving to increase its income and improve its economic position. Political parties are always committed to a program of greater national income, evidenced by such slogans as "a full dinner pail," "a chicken in every pot and two cars in every garage," "one-third of our population ill-clothed, ill-housed and ill-fed," and by perpetual promises of perpetual prosperity. The only doubting voice one hears is that of the occasional philosopher or religious leader who expresses the thought that we would perhaps be more truly happy if we were less materialistic and more devoted to the simple life.

The case for a progressively larger total national wealth and income is buttressed by other considerations than individual needs and desires. A nation is potentially stronger from the military point of view. Moreover, increasing wealth is regarded as a road to prestige in the family of nations.

Goal II. A Progressively Wider Division of National Income

The American view appears to be that the gains resulting from technical improvements and increasing efficiency in production should accrue in large measure to the masses of the population. That is, we wish to see a progressively broader distribution of income among the many rather than increasing concentration in the hands of the few. Such a goal meets the approval of the masses for the obvious reason that it benefits them directly. But there are also reasons why it commands the support of all classes.

First, larger incomes make—within broad limits—for individual efifciency. The evidence afforded by health tests and army examinations reveal that a substantial proportion of the American people were still on a plane of living too low for health and efficiency.

Second, a broad distribution of national income is essential to the economic growth of the nation as a whole. The continuous expansion of industry, agriculture and mining depends upon *markets*, and our only permanently expansible markets are those which are found in the unfilled desires of the great masses of the people. Whether the stimulus to economic growth springs from expanding mass consumption or from preceding capital development, there can be no doubt that the wants of the masses constitute the primary ultimate markets. What we are interested in is a dynamic, growing society; and maximum growth is dependent upon a progressive expansion of the buying power of the great body of consumers.

A narrow distribution of national income, it is worth noting, is inconsistent with the democratic ideal. It is of the essence of democracy to share in the fruits as well as to participate in the operation of the economic and political system. A society in which the gains from increasing productive efficiency were increasingly restricted to the comparatively few could not be regarded as democratic, in the deeper meaning of the term.

This goal does not imply that we wish to have complete equality of income; for this would not be consistent with the realization of the third goal, now to be considered.

Goal III. A Society in Which Individual Rewards are Based Primarily on Work Performed

It has always been a principle of the system of individual enterprise that the individual should be paid for what he does, and not according to his needs. A national goal of rewarding each individual without reference to the work performed appears so repugnant to the basic thinking of the American people as scarcely to require comment. It should be observed, however, that the proposition that rewards should be directly related to productive contributions is not a capitalist doctrine merely. The Socialist party does not advocate the communal idea of equal pay regardless of productive output. Nor does the present day Communist party. The Communists, to be sure, long extolled the doctrine: "From each according to his ability; to each according to his *need.*" But experience in Russia demonstrated that this principle and human nature do not work well together. Lenin eventually referred to this principle as a "childhood disease of Communism." And in the Constitution of the U. S. S. R., Article XII, appears the following principle: "From each according to his ability; to each according to his *work.*"

This principle of basing income on work performed is, however, not quite universally applied. First, some members of society, because of mental or physical incapacity, are unable to work; and for reasons of humanity we provide for such unfortunates through private or public charity. Second, those who have reached the age of retirement and are under the Social Security system are provided with old-age benefits. Third, we recognize, to a limited degree, the system of inheritance under which individuals may receive income resulting from the work of forebears. These exceptions do not, however, undermine the basic philosophy that everyone is expected to earn his bread by the sweat of his brow, and that the harder and more intelligently he works the more bread he should get.

Goal IV. Increasing Economic Security

Economic *insecurity* is a product of the modern highly developed industrial era. The agricultural pioneer, the mediaeval feudal serf, and the slave, all possessed economic security—at some level. But the free and independent worker of the modern age has long been faced with periodic loss of income in consequence of periodic fluctuations in the labor market. The problem has been greatly magnified by the profound economic changes of the last 15 years, as a result of which unemployment on a large scale has seemed to be chronic in character.

A greatly increased measure of individual economic security is regarded as a goal of primary importance. Without reasonable stabiltiy of income, no one can make adequate provision for the hazards of sickness and the requirements of old age, or plan personal and family development programs with any assurance that they may be carried out.

The recent establishment of the *Social* Security system was a recognition of the importance of providing, through the agency of government, a minimum of economic security for certain classes of people. Similarly, present-day emphasis upon the restoration and maintenance of a state of full employment evidences a conviction that the provision of the *individual* security which flows from steady employment is a paramount requirement.

Goal V. The Greatest Possible Development of the Capacities of Every Individual

An economic system which stultified the individual and resulted in human deterioration would obviously not be acceptable to the American people. The system must rather provide a stimulus to individual initiative and promote the development of latent capacities. Such a system aids directly in achieving that expanding national production upon which the realization of progressively higher standards of living depends.

This goal is of the very essence of democracy, the strength of which is directly dependent upon the power of the individual units of which it is composed. It is, moreover, essential to the achievement of that self realization, the desire for which is so deeply ingrained in human beings.

Human intelligence applied to the processes of production under favoring conditions constitutes the ultimate basis of economic advancement. With this in mind, we have provided a vast free elementary and public school system, supplemented by extensive vocational education programs, and also by subsidized institutions of higher learning. In short, we have endeavored to give everyone the best possible training, mental and physical, with which to realize his personal potentialities.

Closely related to—indeed an essential part of—the principle of individual development is the conception of free choice in economic affairs. Except in time of

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The Free Enterprise System

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war, the individual is under no compulsion with respect to the type of economic activities in which he may engage. Everyone has the right to determine for himself what kind of occupation or career he wishes to follow and to acquire such training as may be necessary; he has the right to quit his job if he does not like it or thinks he can better himself elsewhere; he has the right to shift from one occupation to another; he has the right to move from place to place if he thinks he can improve his position by so doing; he has the right to decide for himself for what purposes he should use his income. This lack of compulsion by external authority applies equally to laborers, professional groups, and businessmen both large and small. The opportunity to realize one's ambitions may, of course, be handicapped by various factors; but the opportunity for individual development through the exercise of free choices is virtually unrestricted.

Goal VI. Opportunity for Every Capable Individual to Earn His Own Income

Self-help has always been regarded as a cardinal principle of the American system. Instead of a situation in which large numbers of people are dependent upon the State or charitable institutions for economic support, we covet a society in which every individual who is not physically or mentally defective shall have the opportunity to *earn* his own living. The poorhouse and the dole, necessary though they may be, are not satisfactory substitutes for remunerative work.

A remunerative occupation appears indispensable to the maintenance of individual self reliance and to the development of latent capacities and talents. It is likewise indispensable to the self respect and personal independence of the individual citizen—so essential to a virile democracy. Without adequate work opportunities our society will deteriorate physically, mentally, spiritually and politically, as well as in terms of material wealth.

These six goals, it is believed, represent the basic economic *objectives* in which the American people are interested. Additional goals will perhaps occur to the reader, but it is believed reflection will indicate that they are embraced by, or are supplementary to, the primary objectives here outlined. In any case, it seems clear that if we could move steadily in the directions indicated we would be enjoying well-rounded economic progress and moving toward the larger goal of economic democracy. On the other hand, to the extent that we lose sight of these goals or adopt policies which prevent their attainment, we are failing to achieve our national objectives.

A clear and precise perception of our national economic aims is the essential first step in the formulation of a national economic program. The goals provide standards or criteria by which to measure the soundness of national economic policies and also the methods employed in carrying them into effect. But before we begin the discussion of national policies we must pause to survey in broad outlines the sources of our economic growth over the past century. The lessons to be drawn from this experience should also be useful in helping us formulate a sound economic program—public and private—designed to realize these goals.

Truman Ends Meat Price Controls

(Continued from page 1939)

ing amendments. In the interest of the people—to prevent legalized runaway inflation—I had to veto that bill.

Price control, therefore, expired on June 30. For weeks we were left with no controls while the same few men in the Congress again debated how they could do lip-service to an anti-inflation program and still scuttle price controls—how they could pass a so-called price-control law and, at the same time, take care of the special interests they wanted to enrich. Prices naturally soared during all this delay. The Congress finally passed a bill which became law on July 25. Even in this second bill, the same Congressional group stripped the OPA of the power necessary for effective price control. I signed this bill because it was perfectly clear that the Congress would do no better.

In this second bill—and this is very important—the Congress directed the removal of price controls on meat and provided that they could not be restored before Aug. 20.

Assails "Selfish Men"

On Aug. 20, the Price Decontrol Board, after a hearing showing the necessity for price ceilings, restored controls on meat. But almost two months had gone by, during which time meat had remained free from all price regulation. This lag of two months was the direct result of the failure of the Congress to pass a proper price-control bill in due time, as I had so often urged.

During this period, selfish men rushed unfattened cattle to the slaughter houses in order to get in under the wire and make high profits. That inevitably caused a shortage later. If price control had been enacted by the Congress in time—if this lag of two months had not occurred—this wasteful slaughter of unfattened cattle would not have taken place.

When I signed this second OPA bill which the Congress had passed, I stated that I did so with reluctance. I said further that it fell far short of what I had hoped for, but that a whole-hearted effort would be made to make the law work.

I have made that effort. I have tried honestly and sincerely to administer this feeble law. All the government agencies have made the same vigorous effort. From the outset, however, the very forces responsible for the weakening of the law in the Congress have demanded the lifting of even the inadequate controls which the Congress had enacted. Besides, many members of the Congress and many candidates have pledged themselves to vote for the removal of price controls as soon as the new Congress meets.

Claims Production Withheld

As a result, many businessmen have held on to the products they would normally sell, gambling on the possibility of the release of price control and the opportunity for greater profits. This has been conspicuously true in the case of meat. The American people will not condone the conduct of those who, in order further to fatten their profits, are endangering the health of our people by holding back vital foods which are now ready for market and for which the American people are clamoring.

The real blame, however, lies at the door of the reckless group of selfish men who, in the hope of gaining political advantage, have encouraged sellers to gamble on the destruction of price control.

This group, today as in the past, is thinking in terms of millions of dollars instead of millions of people. This same group has opposed every effort of this Administration to raise the standard of living and increase the opportunity for the common man. This same group hated Franklin D. Roosevelt and fought everything he stood for. This same group did its best to discredit his efforts to achieve a better life for our people.

Admits Disregard For Law

There are reports of widespread disregard and violations of the price-control law. Experience shows that this leads to a tendency to disregard the sanctity of other laws of our country. I need not point out the danger of such a public attitude.

During these last weeks I have considered many proposed remedies in an effort to find the proper solution of this meat problem. Many suggestions have come to me from responsible officials in government and also from many citizens in all parts of the country. I have considered them all. I have discussed them with my Cabinet, with experts in the field, and with many others who are qualified to advise with respect to them.

Reviews Remedies

It has been suggested, for example, that a price-control holiday be declared for a limited period. This would be politically expedient because it would bring animals to market in large quantities for a short period. But, in the long run, it would be bad for our country because a famine in meat would surely follow the temporary feast. We saw that happen as a result of the two months' holiday this summer. I declined to accept that remedy.

Another remedy proposed was to order a further price increase on livestock. This would be ineffective because the livestock would still be held back in the expectation of the lifting of controls and even higher prices.

Seizure Plan Discarded

Another remedy suggested by many people was to have the government seize the packing houses. This offered no real solution, however, because the seizing of empty packing plants would avail us nothing without the livestock.

Some have even suggested that the government go out onto the farms and ranges and seize the cattle for slaughter. This would indeed be a drastic remedy. But we gave it long and serious consideration. We decided against the use of this extreme wartime emergency power of government. It would be wholly impracticable because the cattle are spread throughout all parts of the country.

It has also been suggested that we import dressed meat from other countries. This would do little good, however, because the amount of exportable dressed meat, not already contracted for, which could be brought to this country is very small in comparison with our demands. Anyway, we would not think of asking for this meager supply for ourselves, because the people of other countries must have it in order to exist. The figures show, for example, that during this year the people in England and France will consume, per person, only a fraction of the meat we consume.

So all these and other proposals and recommendations as alternatives to the removal of controls on meat were carefully weighed and considered. They all had to be rejected.

Only Remedy to Lift Controls

There is only one remedy left—that is to lift controls on meat. Accordingly, the Secretary of Agriculture and the Price Administrator are removing all price controls on livestock and food and feed products therefrom—tomorrow.

In a further effort to increase the immediate flow of beef to market I cause an investigation to be made of the possibility of lifting quickly the present quarantine against cattle from Mexico. The Secretary of Agriculture reports that his investigation of cattle health conditions was completed Saturday and that it indicates that the Mexican border may be opened at once. When that happens a substantial number of cattle from Mexico will come into this country. Most of them will be thin, but they can be sent into the feed lots to replace the domestic cattle which have been sufficiently fattened to be shipped to the slaughter houses.

For many months representatives of the livestock and meat industry have insistently demanded the lifting of controls from their products. They have made the definite promise that the lifting of controls on livestock and meat would bring to market the meat which our people want, at reasonable prices. The American people will know where the responsibility rests if profiteering on meat raises prices so high that the average American cannot buy it.

Decontrol Not An Isolated Transaction

The lifting of controls on meat, however, cannot be treated as an isolated transaction. Meat is so important a part of our cost of living that removing price controls on it may have an effect on our economic structure generally.

The Price Administrator and the Secretary of Agriculture have been lifting controls on thousands of items on their own initiative. Recently, they have been telling me their plans for relaxation of controls in the future. The action which will be taken tomorrow in freeing meat from controls means that their programs of lifting controls will have to be accelerated under existing legal standards. I have directed all the agencies of government to cooperate in speeding up those plans to an extent compatible with our economic security.

This does not mean the end of controls now. Some items, like rent, will have to be controlled for a long time to come. Other items, consisting of certain basic materials and other commodities of which there is now a grave shortage, will have to remain under control until production of them has been greatly increased.

We all recognize the close relationship between wages and prices. If either one rises too high, the other is certain to be affected. Price control and wage control are largely dependent upon each other. As we speed up the removal of price controls, the removal of wage controls will also be accelerated. In this way we shall move steadily—and as quickly as we safely can—toward a free economy and free collective bargaining.

Production Now Increasing

The risk in the action we are taking in removing meat controls is less than it would otherwise be because production in general is now increasing at a significant rate. The constantly growing stream of goods from our factories, our mines and our farms is rapidly closing the gap between demand and supply. There are now 58,000,000 people at work—an all-time high. Industry has provided jobs for 10,000,000 returned veterans. National income, business profits, farm income—all these are at an all-time high. Total production of private industry has also reached a new high level. The improvement in production has been steady and in numerous instances spectacular. As the shortages continue to disappear, the inflationary pressures will ease and the need for government controls will pass. No one is more anxious to get rid of these controls than I am. But before we get rid of them we must be sure that the American people as a whole—not some special interest—will be benefited.

Cautions Against Slowing Down Production

If industry should go on a strike in any commodity and refuse either to make the goods or sell them freely—if by slowing down production, or by hoarding products for higher prices, scarcities should be continued — industry would be courting disaster. On the other hand, if labor should not maintain a high efficiency and productivity—if labor should slow down, or call unlawful or unnecessary strikes or carry on jurisdiction conflicts—labor, too, would be inviting disaster. Abundant production is the only sure and safe road to a free market.

I am certain that neither labor nor industry wants to hurt their country and their fellow citizens. It is plain that the present law does not guarantee prevention of inflation. As we proceed in an orderly but accelerated process of lifting controls, we shall all have to exercise restraint and common sense if inflation is to be avoided and adequate production is to be achieved. I am confident that this can be done if the American people will use the same kind of teamwork that has always carried us through all our problems.

In the long run, that which is best for the nation is best for all the people. Going forward together in that spirit, we can win a sound and lasting peacetime economy, with high production and prosperity such as this nation has never known before.

Business Man's Bookshelf

Communist Infiltration in the United States—Its Nature and How to Combat It—Chamber of Commerce of the United States, Washington 6, D. C.—paper—25c per copy printed 6 x 9 inches; smaller edition 4x9 inches, 10c—quantity prices lower.

Handbook for the Securities Cashier—John S. Thomson—Fleming Publishing Co., 548 South Spring Street, Los Angeles 13, Calif.—fabrikoid — hard covers — $6.00.

Proposals for Consideration by an International Conference on Trade and Employment—J. B. Condliffe — American Enterprise Association, Inc., 4 East 41st Street, New York 17, N. Y.—paper—50¢.

Adams & Co. Adds John Lockett to Staff

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL.—John Lockett has become associated with Adams & Co., 231 South La Salle Street. Mr. Lockett has recently been serving in the U. S. Army. Prior thereto he was with Shields & Co. for a number of years.

The World Bank and Its Securities

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fronted with the same task and aiming at the same object. Their ultimate responsibility is a common one. They fulfill each a different part of the task but they can only succeed together. It is essential therefore that they should understand each other's functions. It is my object today to make you understand ours; we realize that they are complementary to yours.

Functions of International Bank

The International Bank is the twin sister of the International Monetary Fund. It is the task of the Fund "to promote exchange stability and to maintain orderly exchange arrangements among members." It is possessed of ample means to extend short term credit to its members. It is one of its purposes; "to shorten the duration and lessen the degree of disequilibrium in the international balances of payments of its members." The Fund's resources however are not intended to be used for transactions that are not "current transactions." A country that is in need of large imports of a non-current nature, either because it has to rebuild its war-battered economy or it intends to undertake development projects cannot use the resources of the Fund for the financing of such imports. It will have to conclude long term loans for that purpose. In order to obtain such long term loans it has to apply to the investors of those countries that are possessed of surplus productive capacity. There is nothing new about that. The capital market of such countries is, usually, well organized to bring prospective borrowers and prospective investors together. The question arises why it was felt necessary to create a special international institution—an organ of the nations of the world—to help the capital markets fulfill a task which previously used to be fulfilled without such help. The answer is firstly that conditions in the world after the second war are such that, without such help, the capital markets of the "surplus countries" could neither be expected nor asked to provide the financing of the import needs of war-battered countries to the necessary extent; secondly that the experience of the 1920's has taught that in the labyrinth of after-war conditions international lending may without guidance lose its way and, thirdly, that even after the world has settled down, development programs may not be able to find adequate financing facilities through private channels only. The Bank, as is expressly stated in the first article of its statutes, is meant to promote private foreign investment, not to supplant it. If the Bank is successful in fostering the reconstruction of the world it will help create the conditions under which private foreign investment will again take its natural place in the world. Its ultimate task — apart from participating in such foreign investment and acting as a guiding and coordinating factor—will then be focused on economic development of reconstruction. Financing of development is part of its task from the beginning. It will become its major task at a later stage and the knowledge it will gradually acquire in the field of economic development will—it is hoped—enable it to become one of the main promoters of world economic progress.

The member countries of the International Bank have made it their common cause to foster the reconstruction and development of the world. That means that they share the risk of any loan that will be given and are responsible for any obligation the Bank will incur. It means also that they have pledged themselves by their participation in the Fund and the Bank to cooperate in maintaining equilibrium in the international balance of payments — and everybody knows that disequilibrium in the balance of payments has—in the past — been the main cause of default in international indebtedness. Last but not least — no borrower from the Bank is only a borrower; he is always also a shareholder and has as such a direct interest in the soundness of the Bank's lending policy and the good behavior of its borrowers; no borrower can set a bad precedent by his own behavior without risking punishment as a shareholder for the influence his example may have on other borrowers.

Two questions are important to the investor who is asked to participate in international lending through the intermediary of the Bank: to what extent will it be possible for the Bank to avoid or help avoid the errors made in international lending in the 1920's and the catastrophic events that followed in the 1930's?

And what security does the Bank offer to the investor who has confided his money to it if the service of loans it is giving with that money — or which it has guaranteed — is not being paid notwithstanding its efforts to avoid such errors?

Previous International Lending

In answering the first question it is useful to recall briefly the unhappy history of international lending in the inter-war-period. After World War I it took seven years before the major economic and financial dislocation and disturbances that followed the cessation of hostilities were overcome. Around 1925, the depression that followed the after-war restocking boom was over. The currencies of those European countries that had been rocked by inflation were being reestablished on a stable basis. Most countries went back to the international gold standard, that is to an international system of currencies freely interchangeable at fixed "parity" rates of exchange. Confidence in the international economic situation was restored and international lending started to take place on an unprecedented scale. For a very large part this international lending was done on a short-term basis from money markets overflowing with money to money markets where money was in demand. Then, in the wake of the crisis of 1929, the situation in the borrowing countries deteriorated and in 1931, the lenders at short term lost confidence and started to call their money back. The lending on short term had created a semblance of equilibrium in the international balance of payments. The recalling of that money did not *cause* the disequilibrium, it only made it apparent. The world had been living in a fool's paradise and 1931 was its hard awakening. A process of disintegration set in that made some countries "go off gold" and forced others to introduce exchange restrictions. Before long the service of international long term loans became impaired. International trade, already hampered by protective tariffs before 1931, was encumbered more and more severely by a combination of monetary and commercial controls only partly justified by real balance of payment difficulties.

It is not the place here to go into a careful analysis of these unfortunate happenings or to describe how they created a favorable climate for the growth of the totalitarian aspirations that plunged the world into World War II. What asks for our attention in connection with the work of the International Bank are the errors committed before 1931, rather than the consequences of those errors afterwards. If one lesson can be learned from the events of the years after 1931, it is that once an economic and financial crisis has set in there is very little that can be done about it. Once a collapse of that kind has started because nothing was done to prevent it, it can no longer be stopped. The crucial moment for the prevention of the crisis of 1931, would have been the recognition in, or shortly after, 1925, that the fundamental disequilibrium in the world's economic and financial condition was still far from eliminated and that many factors fomenting disequilibrium were still at work. That short term lending took place on such an unprecedented scale was only because there was a fundamental disequilibrium in the balance of payments. If there had been equilibrium no such large amounts of money finding no employment in one country and following to fill the gap in others would have existed. I do not want to say that international bankers on the whole showed any better judgment of the situation than most of the politicians. But even the worst lack of judgment could not have led to international short term lending on such a scale if the situation had been sound; in a sound situation the glut of funds seeking short term investment would just not have been there.

The first requirement to avoid repetition of what happened in the second decade of the inter-war period is therefore a timely recognition of the situation and of the factors causing disequilibrium. Broadly speaking those elements are economic dislocation, caused by war, trade impediments, capital flight and heavy price fluctuations. In creating the two Bretton Woods organizations, the nations have equipped themselves with better instruments for the speedy recognition of such elements than they ever had at their disposal before.

Right Measures Should Be Taken

The second requirement is that the right measures to cure the situation should be taken. The Bretton Woods organizations and the other international organizations existing or being built up under the augury of the U.N.O. should provide the machinery to find the right cure. They should also be able to prevent the application of methods that hide the defects of the situation instead of curing them such as the large scale short term lending that took place between 1925 and 1931. It is wise not to be too optimistic about what international institutions can do to avoid the errors that have been committed in the past. It is especially wise for those who lead such institutions to be diffident of what human insight can teach. Bankers, economists and even politicians should be modest; as the famous saying goes, they have a lot to be modest about. But the sufferings of the last twenty years have opened the eyes to many aspects that seem obvious now and were misjudged at the time. The "awareness" is immeasurably greater and international consultation and cooperation are being organized so as to enable consciousness to make a little more than just cowards of us all. There is reason to believe that, at any rate in the field of international lending, the chance of fundamental errors has been greatly reduced.

But however, important that may be to the investor—and it is important to him not only in the negative sense that it will protect the investment he made but also in the positive sense that it enables productive use for his future investments — it is not enough. He has the right to ask what protection there is for him, in case unavoidable errors are committed and what risk he runs if unavoidable disasters occur. He has a right to know in which way the nations that cooperate to foster foreign lending do look after him, not only by their collective judgment but also by their combined financial strength.

Resources of the Bank

To make that clear I have to end this address by "talking balance sheets." The International Bank has an authorized statutory capital of $10 billion. Of this about $8 billion has been subscribed at this moment. Of this 20% will be paid up, in the first half of next year. 2% has been paid in gold or dollars, the remaining 18% are being or have been paid in "local currency." The remaining 80% will only be required to meet the obligations of the Bank. All currencies paid in subscription to capital shall be used or exchanged for the currencies required to meet contractual payments of interest, other charges or amortization in the Bank's own borrowing, or to meet the Bank's liabilities with respect to such contractual payments on loans guaranteed by the Bank "*without* restriction by the members whose currencies are offered."

The Bank cannot lend, participate in loans or guarantee loans to a total exceeding its unimpaired subscribed capital, reserves and surplus. It will create a special reserve to meet its liabilities out of a commission of between one and one and one-half percent per annum charged on all direct and guaranteed loans. This special reserve shall be held in liquid form.

When the Bank has extended its operatons to the fullest possible extent—that is when it has incurerd obligations to the above-indicated limit — its obligations will be covered for 200% by its assets and the claims it has on its shareholders for the non-paid part of their subscriptions. As long as the total obligations remain below that limit—and for several years at least they will not reach it—the coverage will be higher than 200%. Against a total in obligations of $10 billions it would have $12 billions assets and a claim on shareholders of $8 billions. Now part of its assets may consist of subscriptions in local currencies that—notwithstanding the stipulation in the Articles —would prove to be non-transferable and part of the loans given or guaranteed might be defaulting. Also some of the shareholders might not be in a position to transfer the amount of their non-paid subscription when called to do so. But unless the total of such defaults by shareholders and debtors would surpass half of the total, that is $10 billions, the creditors of the Bank would not yet run any risk. Amongst the non-paid subscription of $8 billions $2.540 hundred millions are owned by the United States. Twenty-five percent of the obligations are already covered by this claim and the remaining $7.5 billions are therefore covered by assets and claims totaling $17.5 billions. Amongst these assets a considerable amount will be, of course, held in liquid form in convertible currencies. One must take an extremely pessimistic view of the solvency of all the other member countries and of the sort of loans the Bank is going to give to assume that the obligations of the Bank would not be more than fully covered.

The loans to be given by the Bank will be loans to member governments or guaranteed by member governments or by its central bank or some comparable agency of the member government acceptable to the Bank. They will be for the financing of well defined projects of reconstruction and development. The Bank will not give any loans without careful study of such projects and the use of the money shall be carefully supervised. The Bank is being organized to carry out such studies and will have the best available information at its disposal because of its special structure and its close relations with the International Monetary Fund, other international organizations and the governments of its members.

Wants Investor's Cooperation

It is with confidence therefore that the Bank is going to appeal to the investor and to ask for his cooperation in the carrying out of its task. The Bank is not supposed to undertake the relief of countries. It is equipped with the means to finance reconstruction and development wherever such reconstruction and development can be considered an economically sound undertaking. It can because of its strength and structure do more than the private investor could do directly at this moment. It can take risks the private investor would recoil from because it possesses a greater knowledge and because it is an agency of the nations themselves. Because of this greater knowledge it will on the other hand avoid risks of the kind sometimes taken by private investors in the past. It will not be lured into greater risks by the attraction of high interest rates, detrimental to the debtor and never a real compensation for the risk incurred. If it is successful it will see private international lending taking the field again. By that time it hopes to have established itself as a useful agency that will have its coordinating and constructive task alongside with private lending. It will need the confidence of the private investor then as it needs his confidence now though the relative proportion of the activities of the Bank and of private agencies may be different. As I said in the beginning of this address their aim and object are the same—it is only by the creation of wealth that savings can come into being and that their real value can be preserved. It is only thereby that the standard of living of the peoples of the world can be raised. It is with that object in mind that the Bank must get to work. It is for that object that it is asking your cooperation, conscious of the responsibility it has towards you and confident that it will justify your trust.

Cut in Silver Restored

Restoration of the official quotation to 90⅛ cents an ounce for refinery payments to miners for silver in ore was announced on Oct. 5 by Handy & Harmon, bullion dealers. On Oct. 3, under action taken by the bullion dealers, the New York official silver quotation was lowered 1⅛ cents, marking the first change in the official quotation since Aug. 1, said the New York "Journal of Commerce," when the Treasury lifted its buying price for domestic silver from 71.11 to 90.5 cents in accord with Congressional action. The Oct. 4 issue of the paper indicated went on to say:

"Wall Street opinion yesterday, following the lowering of the price to 89 cents from 90⅛ cents, was split as to reasons for the break, and the possibility of a comeback.

"Belief was expressed in some quarters that the price would rebound shortly. One executive labeled it a 'very extraordinary situation and traced it to quantities of silver that may have been withheld since the Congressional debate on silver last June.'

"These quarters, who assumed that the flow of silver to the market caused the price lowering, added that as soon as the material is 'used up' they expected the price to return to its previous level. In any event, they advised, they did not consider yesterday's lowering as anything more than a temporary move."

Current Tax Issues

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portant innovation that should be retained.

As we move toward a peace time tax structure we must have in mind short term considerations as well as the long range objectives of a desirable tax system. We should, for example, seek to maintain a tax policy which so far as possible aids in the control of the inflationary pressures which still endanger the stability of our economic life. Despite a year of peace, the demand for goods and services by consumers and others is still far out of proportion to available supply, with the result that the upward pressure against prices continues unabated and in some cases with increased intensity. The tax system can help to check these forces by absorbing some excess purchasing power and thus reducing the demand for goods, without at the same time imposing undue hardships taxwise. Consequently, even if for the long run higher personal exemptions and lower income tax rates may be deemed desirable, short run considerations indicate strongly the wisdom of retaining existing levels of taxation for the time being.

And, entirely apart from inflation, it makes little sense to attempt to discuss or advocate tax reductions except in the light of the existing budgetary situation and the government's needs for revenue to meet its requirements. As you probably know, the Administration is bending its every effort in the direction of reducing expenditures without at the same time unduly hampering essential operations — not the least of which, in these troubled times, involves an unprecedented level of peace-time expenditures for national security and defense. The present outlook from a budget point of view, as pointed out by the President in his report to the country early in August of this year, is for a budget out of balance by not more than $2,000,000,000 in fiscal 1947. In fact, even for 1947 the outlook is that on a strictly cash basis the Treasury intake will be nearly $3,000,000,000 in excess of expenditures. In 1948, in the President's own words, it is his purpose "not only to balance the budget but to manage the fiscal program of the government so that a substantial surplus may be used in the reduction of the national debt." The desirability of such a course is beyond dispute. To maintain it in the face of substantial tax reductions would seem highly improbable unless we assume an immediate curtailment of expenditures in the major categories I have mentioned beyond the extent to which such reductions would be either possible or discreet under present circumstances.

The longer run objectives of our tax policy must include strengthening of the forces making for a high level of national income and employment. The tax system must be shaped so as to avoid a repressive effect on the demand of consumers for goods and services and to stimulate investment in productive enterprise which will employ labor, materials, and equipment. Unless we attain this objective, the post-war period may mark a return to the instability, mass unemployment and depression of the early thirties.

In discussing some particular features of the tax system with which much current thinking is concerned, I want to make clear that I am not forecasting the course of probable post-war tax revision, nor am I prepared at present to state for myself or the Treasury how these issues should ultimately be resolved. My principal objective is to stimulate further discussion of these problems. It is pertinent to note that the essential elements of many of the problems to be discussed have been with us for many years. But the war legacy of high rates has made them more urgent. The stakes are larger and the debate more heated.

The Taxation of Corporate Profits

The taxation of corporate profits has been the subject of widespread debate in the last year or two, with particular emphasis upon the so-called "double taxation" of corporate income. Income received by a corporation is first subject to tax at the corporate level, and then such remaining profits as are distributed to stockholders are again subject to tax under the personal income tax. This is the first step in the analysis and up to this point there is general agreement. But whether this actually constitutes double taxation is not quite so clear. If a corporation passes on the income tax to its customers in the form of higher prices or recoups it through lower wages to its employees, there is of course no double taxation. The corporation's profits after tax are the same as they would have been if there were no corporation income tax, and the amount available for distribution to stockholders is also unchanged. Unfortunately, however, there is no convincing evidence which serves clearly to substantiate or to contravene one or the other hypothesis. Even among businessmen themselves, we find differences of opinion implicit in their various views as to the impact of corporate taxes.

The argument that stockholders' dividends are taxed more heavily than other forms of income by reason of the corporate tax is only one aspect of the problem. It considers only profits distributed by a corporation. However, a large proportion of corporate profits earned each year are not distributed to stockholders. This situation has been aggravated by the combination of the high earnings and business uncertainties of the war period. Such retained income frequently has a tax advantage compared with the return on other forms of investment. It is subject only to the corporation income tax, at a rate which may be substantially lower than the personal income tax rate to which at least the major stockholders are subject. Moreover, the retention of profits in a corporation frequently involves more than merely postponing the individual income tax on such profits. Because of other elements in the tax system, such profits may ultimately escape personal income tax altogether, or at least receive the benefit of the limited rate applicable to capital gains.

Prevailing attitudes toward revision of the corporation income tax differ widely among different groups. Some would make no change at all in the present structure, contending either that a corporation has an identity and tax-paying capacity that is separate and distinct from its stockholders, or that the corporation income tax adds a desirable element of progression to the tax structure. Others would eliminate the corporation income tax entirely, ignoring both the windfall profits which would thereby accrue to the owners of outstanding securities and the added incentive toward the accumulation of untaxed profits in the corporation.

Between these two approaches are a number of others. The partnership method of taxing corporations is one. Under this proposal, there would be allocated to each stockholder his proportionate share of the corporation's profits for the year, whether or not distributed to him. He would include such share of the profits in his income and pay personal income tax on it. A major difficulty many find with the partnership method is that the taxpayer may not have the funds with which to pay the tax on that part of the corporation's profits which have not been actually distributed. Great pressure would be exerted by the stockholders upon the management of a corporation to distribute profits, and to an increased degree, the expansion of an enterprise would have to be financed from sources other than retained profits. I am not suggesting that these results would necessarily be undesirable, but am only pointing out that they would inevitably follow from the partnership approach. In any event, if there is a field for partnership treatment it may be found to be limited to relatively small or closely held concerns. Even as so limited, the proposal raises difficult technical problems.

In some quarters the system used in Great Britain for taxing corporate profits has found appeal. The tax paid by the corporation is considered to have been paid on behalf of the stockholders, just as in this country the tax on wages and salaries withheld by an employer is considered paid on behalf of the employee. The British stockholder in computing his tax liability includes in his income not only the net amount of the dividend distributed to him but also the tax paid on his behalf by the corporation. Thus, with a corporation tax rate of 50%, the British stockholder reports two dollars in his personal income tax return for each dollar of dividends that he receives. He then receives as a credit against his personal tax liability the amount of tax paid by the corporation.

Another proposal which would also operate at the stockholder level is the suggestion that dividends be partially exempt from the personal income tax to compensate the stockholder for the corporate tax. This plan is often combined with the idea that the corporation tax rate should be the same as the normal tax rate under the individual income tax, and dividends would be exempt from the normal tax. This latter suggestion contemplates, of course, a substantial increase in the normal tax rate from its present 3%. This plan has a prior history in our Federal tax system. The main weakness of this plan is that it would give a special tax advantage to stockholders where corporations are able to shift the increase of the corporate tax.

In contrast to these methods of awarding a credit or exemption at the stockholder level, is the familiar proposal to allow a corporation to deduct from net income part or all of the dividends distributed to its stockholders. If it distributed all of its profits there would be no corporation tax or it would be at a minimum. You will recall that such a plan was in the law some years ago, not as a substitute for the corporation income tax but auxiliary to it, in the form of the short-lived and much criticized undistributed profits tax. Possibly some of those now endorsing a corporate deduction for dividends as a method of eliminating double taxation would be glad to forget their arguments against the undistributed profits tax.

This brief review of proposals with respect to the corporation income tax indicates the wide diversity of opinion on the problem. Although some of the plans have doubtless been suggested and are being supported by those with particular axes to grind, for the most part they represent sincerely held, although divergent, convictions as to which of various possible devices would contribute most to a smooth and stable economy. The problem is one which deserves and is receiving our careful attention.

Taxation of Small Business

The development of small business has become a matter of wide and increasing interest in recent years. The needs of veterans, who have shown a strong preference to establish their own businesses, and the fact that large industries have acquired disproportionate size and strength as a result of the war, combine to give added importance to the problems of small business. As President Truman has said: "A rising birth rate for small business and favorable environment for its growth, are not only economic necessities but also important practical demonstrations of opportunity in a democratic free society."

Suggestions to stimulate small business have been very numerous in the tax field and elsewhere. To some extent, the suggestions made on behalf of small business are the same as those made for business generally, for example, the elimination of double taxation of dividends, and more favorable treatment of capital gains and losses.

This identity of tax proposals is partly a reflection of one major difficulty in developing special schemes to promote small business. It is almost impossible to define small business in general terms and in such a way as to apply to all types of enterprise. Regardless of whether the definition be couched in terms of asset, size, number of employees, net worth, profits, or sales, a firm that by virtue of the definition would be considered small in one type of industry would be considered large in another. A manufacturing firm with 50 employees might be a small enterprise but a wholesale distributor with the same number of employees might be big business in its field. Similarly unreliable are criteria based upon sales or net worth. And as to income as a criterion, even the biggest enterprises may operate at a small profit or even at a loss for a time.

In evaluating various proposals for assisting small business, there must be reasonable assurance that a particular scheme will accomplish the objective that we seek. We must be certain that the advantage given one type of small business is not at the expense of other types. Small business includes corporations, sole proprietorships and partnerships, and they must all be given a lift together.

Tax Rates and Exemptions

One of the most controversial aspects of post-war tax revision is likely to be the issue of tax rates and exemptions. They represent the clearest element to any taxpayer in the determination of his tax liability, and consequently, the greatest interest seems to lie in this area. And yet, because of the inflationary situation and the need for revenue to finance the still high level of expenditures, the opportunities for reduction in rates and for increases in exemptions seem limited. In arriving at the level of exemptions and rates many influences will have to be taken into account and conflicting factors resolved. The revenue goal is of course a prime consideration, and the yield of the personal income tax is the most important determinant of the over-all tax yield.

On the question of exemptions, some people will urge that the level should be based on a minimum living standard. What that standard should be is itself likely to be highly controversial. Considering the differences in wages and price levels in different regions of the country, as well as urban and rural differences, the translation of such a standard into a uniform dollar exemption would be extremely difficult. To add to the complexity, the standard would have to be adjusted for family units of different size. Other factors to be considered in setting the exemptions are the effect on the volume of consumer expenditures and economic stability, and since the exemptions apply to all taxpayers, their effect on the relative distribution of burdens. Finally, the administrative aspects, particularly the maintenance of the greatly increased simplicity achieved in recent years, must receive careful consideration. On each of these points, we may expect some differences of opinion.

On the question of rates, there will be pressures for a reduction on the low income groups in order to maintain consumer purchasing power. There will likewise be pressures for a reduction on the higher income groups to increase their incentives to invest in risk enterprises. Restoration of an earned income credit or other proposals for special treatment in the field of earned income may also come to the fore as devices to improve equity, and to stimulate further personal effort by executives in expanding their activities and undertaking new ventures.

In opposition to any substantial reductions in the burden of the personal income tax are those who would make it by far the major source of revenue in the Federal tax system, greatly reducing the significance, if not completely eliminating other Federal taxes. If our post-war revenue needs are to be met, this would mean retention of the broad base, that is, low exemptions, and relatively high rates in lowest tax brackets.

Averaging

We have on occasion recognized that the convention of a one-year accounting period is not an entirely rational one for some purposes, and that some other period should on occasion be substituted for it. For example, in the case of ordinary business operations, the net result of operations for a single year has been considered an inadequate measure of tax-paying capacity. Consequently, there is the five-year loss offset provision, under which business losses of corporations are carried back for two years and carried forward for the same period to be offset against the profits of those years. This provision appears likely to be retained in the post-war system in the form of a longer carryforward of losses and without the carryback feature.

The averaging of business losses with business income is only part of the general problem. Fluctuating income represents another part. Because of the progressive rate structure under the individual income tax and for small corporations, the taxes over a period of years on a given amount of total income are likely to be greater if that income is spread unevenly than if it is received in relatively equal amounts each year. To a small extent and in a limited area, existing law takes account of this difficulty. Having a direct interest in it, you are probably aware that lawyers, among others, may choose to average the income received in a given year if it is the product of effort expended over a period of three years or more. The "bunching" of income is perhaps most striking in the case of actors, authors, and other professionals, but it also occurs in the case of businessmen, workers, and others. And so, it has been suggested that the area in which the averaging principle is applied be expanded to include other sources of income besides certain professional earnings.

A more restricted application of the averaging principle is the suggestion that taxpayers be allowed to carry over unused personal exemptions. This plan would be of assistance to those who move from one year to the next between a taxable and non-taxable status. In computing his tax liability for a given year, a taxpayer would add to his current personal exemptions that part of his personal exemptions for some other year which was of no tax benefit to him because his income was not high enough. The practical application of such a proposal must take into account, among other difficulties, that the statutory personal exemptions may change from year to year, that the number of dependents may change from one year to another, and that for some years the taxpayer may not have filed an income tax return because of his non-taxable status.

In developing these averaging plans one logical difficulty that must be faced is the period of time over which the averaging should take place. What logic justifies a carry-forward of business losses of two years rather than one year or three years? If personal income is to be averaged what period should we choose? Should we take our cue from the social security program and adopt an average over the period of the taxpayer's working life? And what shall it be in the case of a corporation that endures for many generations? The answer is probably that conclusions based on a neat system of logic must be tempered by practical considerations. Neither the taxpayer nor the government would be happy under a system where tax liability always remains open to revision.

Averaging devices, it is clear, tend to complicate the income tax. But if they can make a substantial contribution to increased equity among taxpayers and if they can serve to stimulate increased investment in risk enterprises, the increased complexity may well be worth the price.

The Division of Family Income

Under a progressive income tax such as ours, there is a keen incentive for members of a family unit to arrange their affairs so that, for tax purposes, each member of the group will have as nearly as possible an equal share of the total income. With certain minor and technical limitations, the more equal the distribution between the members of the family, the less the tax on the aggregate income of all. Various methods have been seized upon or invented to achieve the desired end. Some have been crowned with success, others have been partially successful, while still others have ultimately proved futile.

Perhaps not unnaturally, the largest area in which income splitting has succeeded has been where the established state system of property law has lent itself to the task. In the income tax field, the community property concept has thus far maintained intact its vitality as a method of income splitting for tax purposes. The attacks made upon the very considerable tax advantages which flow from a division of property and income between husband and wife in community property states have been successfully repulsed wherever they have appeared in the income tax field, at the cost only of surrendering to a legislative onslaught on the estate tax citadel. The importance and continued standing of the community property system income-taxwise is evidenced by the fact that within the past few years a state with an English common law heritage has adopted community property laws whose origin in this country of course goes back to the early Spanish settlements. The success attained in forcing tax recognition of this new state law has given to tax-avoidance-by-statute a far more successful record than has been enjoyed by tax avoidance through more limited and individual devices.

In non-community property states, the division of income between members of the family has been attempted through a variety of property law devices — the establishment of family trusts, assignments of income, gifts of income producing property from one spouse to another and the setting up of family partnerships. Thus far all efforts to divide the flow of earned income for tax purposes have evoked only a judicial frown of disapproval. Efforts to split income from business or investments have met with a larger measure of success. Even in this latter area, however, court decisions in the past few years have eliminated much of the former sanctity that was thought to surround the family trust. More recently, these decisions have written a virtual finish to the triumphant course of tax-inspired family partnerships.

The outcome of all this has not been satisfactory. Endless time and energy have been poured into the creation of various devices and their subsequent defense before the courts. The costly and wasteful litigation thus promoted is hardly compatible with the satisfactory operation of an important revenue system. Moreover and perhaps more important, is the tax inequity which has ensued. There is not only discrimination between families in community property states and those of similar circumstances in other states, but there is also the possibility of more favorable treatment of income from property and investments than that of wage earners and professional groups.

Several unsuccessful legislative attempts have been made to establish greater tax equity between the common law and the community property legal systems. At one time it was proposed to have mandatory joint returns for husbands and wives. At another, it was proposed as an alternative, to tax community income to the spouse having the management and control of it. The criticism aimed at these plans ranged from arguments that the code of family morals was imperiled to the claim that the hard-gained rights of women were being lost.

More recently attention has been focused upon an alternative solution which would seem to offer more promise of success than those advanced before. This proposal would allow married couples in all states to divide their income for tax purposes. The total tax would be twice the amount of the tax on one-half of the aggregate income of both husband and wife, irrespective of the source of the income, and the tax would be proportioned between the spouses either according to their respective incomes or in whatever fashion suited them. This proposal has undoubted attractions. One particular merit of the plan is that its adoption would not swing the balance of tax equity to the point where the community property states might well claim discrimination in some respects, which has been a defect of some of the other proposals. Another attractive feature is that the proposal would tend to eliminate many of the inequities that have arisen within the common law states, particularly as between earned income and investment income.

The proposal does, however, present some difficulties, although they would not appear to be insurmountable. In the first place, it would result in a comparative increase in the weight of the tax burden upon single persons unless separate rate schedules for individuals and married couples were used. This aspect of the problem certainly requires the fullest consideration, although I have not heard it said here in California or in neighboring community property states that the single person is one of the disappearing species in the struggle for tax survival.

Another difficulty arises from the fact that the benefits from the resultant tax reduction would be confined to persons above the first income tax bracket. Again, if the fullest advantage in preventing tax losses from the division of income within the family group is to be gained from the plan, some provision will need to be made to bring minor children within its scope, possibly by treating their income as that of the parents at least to the extent that it is derived from parental gifts. These and the many incidental technical problems are being carefully studied.

Estate and Gift Taxes

Taxes on the transfer of property at death or by gift play a relatively minor role in our tax system. Because of the rather high exemption, the estate tax applies only to one out of every 100 adult deaths in this country. The impact of the gift tax probably is felt in even fewer cases. The level of exemptions and various structural defects result in a combined estate and gift tax yield that is much less than the yield of the tax on cigarettes alone.

The fact that relatively few persons are affected by these taxes may account in part for the rather meager popular attention which they receive. In a sense this is a curious anomaly, for an expansion of this source of revenue would leave more room for contraction elsewhere. On the other hand, these taxes may be regarded more as instruments to retard the growth of huge hereditary fortunes than as sources of revenue and instruments of fiscal policy. The development of a comprehensive and adequate social security program may ultimately have some effect in altering the role of these taxes in the Federal scheme of taxation.

Although the gift tax was intended to complement and reinforce the estate tax, as well as the income tax, it has to a large extent failed at this task. By a judicious transfer of property during life and at death, the total estate and gift tax can be reduced to a small fraction of the estate tax on the total amount of property transferred, and in addition there may be substantial income tax savings. To correct this difficulty the suggestion has been made to integrate the estate and gift taxes so that that they would in effect constitute a single tax, each gift during life being considered as part of the estate.

Another important defect which invites comment is the opportunity to postpone the occurrence of a taxable transfer. It is possible for an individual to establish a trust or succession of life estates under such terms that his descendants, from his living son to his yet unborn great-grandchild, can each in turn enjoy the property although only a single transfer of the property is recognized for estate and gift tax purposes.

Finally, there is the strange anomaly where a transfer of property is recognized as a gift for purposes of the gift tax, but is not so considered for purposes of the income tax, the donor of the property continuing to be liable for tax on the income which flows from the property.

It is obvious from these illustrations that the relationships among the estate tax, the gift tax, and the income tax, are badly in need of overhauling.

Excise Taxes

Excise taxes played an important part during the war first, by yielding large sums of revenue, and second, by tending to discourage consumption of scarce commodities. It seems likely that the excises will come in for careful scrutiny in the development of the peacetime tax structure. Manufacturers and distributors will of course seek the repeal or reduction of excises on specific commodities in which they deal in order to increase their sales. But in a general revision of excise taxes, changes will have to be made with due regard for revenue needs and the relative importance of various taxed commodities to the maintenance of a prosperous economy.

Conclusion

It is reasonable to suppose that our post-war tax structure will differ in many respects from our pre-war structure. In part, some of the changes will be a reflection of attitudes that prevailed long before the war, and continue into the post-war period. In part, however, the changes are likely to reflect a new conception of the role which taxes should play in the economy. There is a growing body of opinion that tax policy can exert an important influence in regulating fluctuations in the volume of business and employment, in controlling booms and depressions, and in building a world of stability and plenty. Given this possibility, it is essential that we should approach the task of post-war revision not as protagonists of narrow group interests, but as defenders of the nation's interest as a whole.

Broker-Dealer Personnel Items

(Continued from page 1938)

(Special to The Financial Chronicle)
DETROIT, MICH.—**Gordon W. Kirk** has become associated with **Charles E. Bailey & Co.**, Penobscot Building. He was in the past with C. G. McDonald & Co.

(Special to The Financial Chronicle)
DETROIT, MICH. — **Julius W. Baldwin** has become affiliated with **Chapin & Co.**, Penobscot Building.

(Special to The Financial Chronicle)
DETROIT, MICH.—**Frederick J. Cady** is now with **Carr & Co.**, Penobscot Building.

(Special to The Financial Chronicle)
DURHAM, N. C. — **James E. Holmes, Jr.** has become affiliated with **First Securities Corp.**, 111 Corcoran Street.

(Special to The Financial Chronicle)
KANSAS CITY, MO.—**John R. Bailey** and **Charles H. Wornall, Jr.** are with **Herrick, Waddell & Co., Inc.**, 1012 Baltimore Avenue.

(Special to The Financial Chronicle)
LA CROSSE, WIS.—**U. Seldon Snellbaker** has become affiliated with **Holley, Dayton Gernon**, State Bank Building.

(Special to The Financial Chronicle)
LINCOLN, NEB.—**Claud W. Roe** has been added to the staff of **John M. Alexander & Co.**, Stuart Building.

(Special to The Financial Chronicle)
LINCOLN, NEB.—**Lee G. Liggett** has become connected with **Ellis, Holyoke & Co.**, Stuart Building.

(Special to The Financial Chronicle)
LOS ANGELES, CALIF.—**Lionel B. LeBel**, formerly with Nelson Douglass & Co., has become associated with **Buckley Brothers**, 530 West Sixth Street.

(Special to The Financial Chronicle)
LOS ANGELES, CALIF—**Geo. W. Pflugfelder** is with **Conrad, Bruce & Co.**, 530 West Sixth Street.

(Special to The Financial Chronicle)
LOS ANGELES, CALIF.—**Joseph L. Huber** is with **Flynn & Levitt**, 411 West Seventh Street.

(Special to The Financial Chronicle)
LOS ANGELES, CALIF—**Lewis E. Sperry** and **Thomas H. C. Thorp** are with **Francis V. Nixon & Co.**, 607 South Hill Street.

(Special to The Financial Chronicle)
LOS ANGELES, CALIF—**Donald G. Webber** has joined the staff of **Wm. R. Staats Co.**, 311 East Colorado Street.

(Special to The Financial Chronicle)
LOS ANGELES, CALIF.—**Ralph C. Morse, Jr.** is with **Bogardus, Frost & Banning**, 618 South Spring Street.

(Special to The Financial Chronicle)
LOS ANGELES, CALIF.—**John S. Newberry, Jr.** is with **Buckley Brothers**, 530 West Sixth Street.

(Special to The Financial Chronicle)
LOS ANGELES, CALIF.—**Marc Parker** has become associated with **Flynn & Levitt**, 411 West Seventh Street.

(Special to The Financial Chronicle)
LOS ANGELES, CALIF.—**Robert L. White** is now affiliated with **Gross, Van Court & Co.**, 458 South Spring Street.

(Special to The Financial Chronicle)
LOS ANGELES, CALIF.—**William W. Speer, Jr.** is with **Paul D. Speer & Co.**, 458 South Spring Street.

(Special to The Financial Chronicle)
LOS ANGELES, CALIF.—**Milton W. Corkran** is with **Mitchum, Tully & Co.**, 650 South Spring Street.

(Special to The Financial Chronicle)
OAKLAND, CALIF.—**John H. Bunce, Jr.** has joined the staff of **Stephenson, Leydecker & Co.**, 1404 Franklin Street.

(Special to The Financial Chronicle)
ORLANDO, FLA.—**Paul C. de Treville** has joined the staff of **Leedy, Wheeler & Co.**, Florida Bank Building.

(Special to The Financial Chronicle)
LEWISTON, MAINE—**Louis B. Gosselin** is with **W. H. Bell & Co., Inc.**

PUEBLO, COLO. — **Henry L. Kirkpatrick** has become affiliated with **Hutchinson & Co.**, Thatcher Building.

(Special to The Financial Chronicle)
QUINCY, ILL. — **Henry J. Thayer** has become associated with **Slayton & Co.**, Illinois National Bank Building.

(Special to The Financial Chronicle)
RALEIGH, N. C.—**Louis du B. Rees** is with **Kirchofer & Arnold, Inc.**, Insurance Building.

(Special to The Financial Chronicle)
ST. LOUIS, MO.—**Natalie A. Weiss** is with **John R. Kauffmann & Co.**, 311 Locust Street.

(Special to The Financial Chronicle)
ST. LOUIS, MO.—**Robert E. Baldwin** has joined the staff of **Slayton & Co., Inc.**, 408 Olive Street.

(Special to The Financial Chronicle)
ST. LOUIS, MO.—**Albert Bresch** has become connected with **Herrick, Waddell & Co., Inc.**, 418 Locust Street.

(Special to The Financial Chronicle)
SAN FRANCISCO, CALIF. — **Julian J. Meyer** is with **J. Barth & Co.**, 482 California Street.

(Special to The Financial Chronicle)
SAN FRANCISCO, CALIF. — **Benjamin Morgenstern** is with **Walston, Hoffman & Goodwin**, 265 Montgomery Street.

(Special to The Financial Chronicle)
SAN FRANCISCO, CALIF. — **Raymond Hornby, Jr.** has been added to the staff of **Dean Witter & Co.**, 45 Montgomery Street.

(Special to The Financial Chronicle)
SAN FRANCISCO, CALIF. — **Forrest Tancer** has been added to the staff of **Sutro & Co.**, 407 Montgomery Street.

Television and Distribution

(Continued from page 1927)

now be multiplied and displayed throughout the vast nation, and, indeed, to overseas buyers as well. Wares must be heralded and shown and demonstrated and sold in thousands of stores. And to reach those multitudinous sales outlets, the product must be directed through representatives or salesmen, distributors or jobbers, retailers and finally sales people, to reach the eventual buyer. How a pair of shoes, say made in New England, can be bought by a cowboy, say in Texas, is typical of the workings of that modern commercial miracle called distribution.

I venture to state that whatever the problems of distribution prior to the war, they were relatively simple compared with those when world industry finds its full postwar production stride. Remember, our productive capacity increased tremendously during the war. We now have many more plants in which to make both old and new things. We have millions of extra workers who must be provided with useful employment lest they be carried on the backs of still-harder-working taxpayers. We have countless brand new products and refined old products. More potential buyers than ever before virtually beg for the comforts and luxuries of modern life. Hundreds of cities must be restored to full usefulness. The industrial life of many countries must be re-established with proper working tools. Millions of new homes must be built; countless partially destroyed homes must be rebuilt; and the normal wear and tear of the past few years must now be matched by overdue repairs.

To climax the staggering demand for goods and services, we have a humanity which, promised a fuller and better life in return for the unparalleled sacrifices of the war, is now ready to collect—or else!

A New Advertising Medium

If I speak in optimistic terms it is because I can now bring to your attention a new advertising medium fully geared to the gigantic task of appealing effectively, thoroughly and economically to a buying audience of world-wide proportions in due time. I refer to television. Our company has pioneered in the development of commercialized television equipment at both transmitting and receiving ends; has operated a television station since 1941 on a regular scheduled program basis, even through the restrictive war years; and is now working with the largest television studio facilities yet made available — the Du Mont John Wanamaker Studios serving Du Mont Television Stations WABD in New York and WTTG in Washington, together with a regular exchange of programs between the two metropolitan centers as the basis of the first television network.

In the television presentation—the instantaneous sight-and-sound presentation of persons, things and events via wire or radio to a remote audience—we have that intimate yet universal contact which can and must bridge the gap between the postwar **manufacturer with the product** and the **public with the sell-me-and-I'll-buy** frame of mind. Therefore, I come to my major theme—Television and the Future of Distribution—which I shall now discuss briefly.

Advantages of Television

Television is the greatest selling medium ever devised. In fact, when Confucius said that "One picture is worth a thousand words," he was simply stating the case for television. By bringing sight to the heretofore blind radio audience, television appeals to the eye as well as the ear, and it is a well-known fact that the eye is many more time more proficient in grasping details. Also, the visual impression is more lasting than the aural. Therefore, if sound broadcasting has proved a remarkably effective advertising medium, the addition of sight and motion to sound, which is television, achieves not only the appeal of the voice and the authoritative spoken argument, but the further qualities of graphic presentation such as arresting attention, clarifying the presentation of any idea, and establishing an image in the mind. The radio commercial becomes many times more effective when the audience sees as well as hears.

Television offers the advertiser the ideal medium for his message. What might require a minute to say through the microphone alone can now be expressed on the television screen in a second. Also, the visual story, supplemented by a few well chosen words or even significant sounds, is many times more effective. And since good advertising is the concise, to-the-point, readily-remembered message or brand name or package identification, television tells the story in minimum time and with greatest effectiveness, thereby maintaining a high degree of interest as against the danger of boredom from the lengthier presentation of words and words and more words.

Any typical radio advertising will illustrate what I mean. For instance, the merits of a given brand of soft drink. The usual radio commercial extols the fine points of Bottoms-Up Soda, with a verbosity frequently extending well beyond the limits of good taste if not the patience of the listeners. But let the television touch be added, and the audience now sees the actual bottle of Bottoms-Up Soda, makes a mental note of its label, shape and other identification; the metal cap is snapped off; the bottle is poured into a glass to the accompaniment of that appealing gurgle of a foamy drink; a couple of tinkling ice cubes are dropped in; and the final touch, as the performer drains the glass and smacks his lips. Now try and describe that same scene in mere words! It just can't be done adequately, regardless how skilled the script writer, how dramatic the narrator, how imaginative the listener even if his attention has been rivetted—and that is questionable.

The more complicated the commercial, the greater the advantages accruing to television's visual presentation. The cooking recipe, for instance. In television, the audience **sees** the actual baking of a cake, the making of delicious ice cream or the concocting of the perfect salad. The household appliance or gadget is actually demonstrated, and since "Seeing Is Believing," this sort of commercial is superlatively effective. New clothing styles, requiring hundred of words of skilled reporting to convey the necessary mental picture, can be flashed on the screen in a moment. What is most important, the looker-in **sees for himself or herself** which is something quite different than seeing through other eyes and minds and having to reconstruct a mental picture from mere verbal description.

Printed advertising, highly developed as it is today with its splendid artwork and crisp text, is nevertheless a static presentation. **It doesn't move.** And just as the movie puts motion into the presentation, and thereby tells a far greater story than can the best drawings or still photographs, so television supplies that all-important element of action. **Television is dynamic presentation.**

The printed advertisement presents a new automobile, for example. Various features are shown. Color may be added for greater appeal. But that automobile **stands still** on the printed page. In television, contrariwise, that automobile **is alive. It moves.** Living persons can point to the various features; operate that easy clutch; handle the sleek steering wheel; shift gears at the mere touch of the fingertips; and so on. By means of the movie interlude so often used in television programming, that automobile can be put through its paces—flashing along the main highway at express-train speed, wending its way through dense traffic with the greatest of ease, smoothly negotiating the rough side road leading to the summer camp. Here you have the living, dynamic, **seeing - is - believing** presentation that makes the real and lasting impression on the audience. It is this sort of dynamic advertising—true-to-life presentation — that stirs the latent buying urge to the point of action that spells a sale.

Now television, as is the case with sound broadcasting, in its broadest aspects makes use of the ether or air for disseminating sight-and-sound programs to the scattered audience. And this ether or air really belongs to the general public. It is the people who grant the license to broadcaster or telecaster, for commercial use, and the people expect much in return. Telecasting, as with broadcasting, does not exist merely for the convenience of the sponsor, even granted that the sponsor pays the bill.

Television a Public Service

Unlike the printed newspaper or magazine, selectively bought by the reader, television is a **public service,** rapidly becoming part and parcel of gracious American living. The printed newspaper or magazine is a **private enterprise.** It can have as much editorial and advertising matter as the publisher decides and his readers will stand for. A third to a half of the pages of a popular magazine are devoted to advertising. Even more so with the billboard or electric sign, which exists primarily in the interests of the advertiser. But telecasting, as with broadcasting, belongs to the people. The sponsor or advertiser is given a franchise to perform a public service and raise the entertainment standard of this new medium which reaches into more and more homes. In return for the franchise, the sponsor expects and is expected to make a discreet expression of his own interest but always with the interests of his audience foremost in mind.

Hence we arrive at the premise that public television—the telecast program intended to reach television receivers or telesets wherever they may be installed—in homes, taverns, clubs and other public meeting places, in hospitals, schools, and so on—cannot deal with the television commercial or advertising message alone, but must be coupled in the best of taste with a suitable program of entertainment or enlightenment or even educational merit. Thus television advertising is **show business,** just as with broadcast advertising. The program proper is the **vehicle** for the commercial message. It justifies the license or franchise granted the telecaster. It parallels the editorial matter which justifies the advertising in the newspaper or magazine.

There is another side to telecasting which favors the advertiser primarily. It is a parallel situation to the mail order catalog. Surely anyone requesting a Sears Roebuck, Montgomery Ward or other catalog expects a book filled with sales talk from cover to cover. Such a book is obtained and read in the buying frame of mind. Likewise with television when it deals with a selected audience say in a department store and reached over a private wire system. Then it can deal **entirely with visualized sales talk.** I shall deal with this aspect presently.

Television Adapted to Sponsored Program

Returning again to public television or the telecast program, we have here pretty much the same formula as in sound broadcasting. Inasmuch as the sale of telesets contributes little or nothing to the installation, operation and maintenance costs of telecasting, the telecaster is obliged to seek other sources for his economic support. Just as broadcasting by 1924 had boiled down its feasible sources of revenue to the sponsored program, so telecasting in 1946 is already banking on the sponsored program to make financial ends meet.

Great things are expected of television. As I have previously stated, the sponsor must provide a definite contribution to the sum total of television entertainment or enlightenment or education as the vehicle for his own commercial plug. Already we have many examples of such worthy vehicles. Thus the Madison Square Garden boxing bouts are telecast on an average of once a week, with a safety razor manufacturer as sponsor. Even the leading boxing bouts of national and international import are telecast under one sponsorship or another. Likewise with baseball, football, basketball, track meets, midget auto races and other events. True, the sponsor is not selling these sports, but these sports mobilize an attentive, television audience which does not resent brief interludes during which the sponsor displays or speaks of razor blades or hats or watches or what have you.

Studio features ranging from the variety show to the special telecast drama or comedy, to the interview or the audience participation show, and again to the news commentary with suitable maps and photographs and even movies, are rapidly gaining commercial sponsorship.

It seems strange, perhaps, that the commercial message must be coupled with the show business, but I cannot repeat too often that telecasting is primarily in the interests of the public, so that the show is the thing, and the commercial must be ingeniously slipped in place with the utmost of good taste.

However, because of the visual presentation made possible by television, the commercial can prove far more effective than in sound broadcasting. Documentary films, for example, heretofore limited in their showing to business groups, school and college classes, luncheon clubs, church gatherings and other non-theatre crowds, are finding a logical outlet via television. No end of such films have been telecast and favorably received by the audience. Travel films are telecast on behalf of railroads, air lines, travel agencies, traveler's checks and other organizations tied with travel. The entire presentation becomes the commercial, yet it is in good taste and acceptable to the audience. Various industrial films are being telecast; dealing with the making of various products, research activities and achievements, basic principles of the workings of various devices, and so on. Again the entire presentation is commercial.

Has Extreme Flexibility

As time goes on the specially produced television movie will play a still greater role in telecast programs because of its extreme flexibility in handling any given subject. Instead of being limited to studio facilities, the television movie can be made anywhere and with unlimited facilities. Also the movie can be made at any time, in any handy sequence, and finally edited into the smoothest running presentation. Once the film is made, the presentation is available anywhere and at any time. It can be repeated whenever desired. It can be used as the basis for a network of widely scattered television stations both here and abroad, far beyond any immediate limitations of radio link or coaxial cable tieups.

In this connection it is important to point out that movie recordings are frequently made of usual television programs directly filmed from the television screen. Such films are first of all for the permanent record. Production staff, advertising agency and sponsor can review or study past performances, thereby improving future efforts. Prospective sponsors can be shown how telecast sponsorship works. But best of all, these recordings, as with television films for program purposes, can be presented over and over again.

And now, having dealt at some length with telecasting to the general public, which will always be **show business primarily,** and advertising secondarily, I must touch upon telecasting to the selected group interested in advertising or sales talk pure and simple, after the manner of the public's interest in that mail order catalog found alongside the Bible in many a rural home.

Intrastore Television

I am referring particularly to what we term Intrastore Television. This consists basically of non-broadcast merchandising programs piped from a central studio located in any part of the store, through a special coaxial cable to receivers or monitors strategically located throughout the store. Such programs **are not broadcast.** They are restricted to the outlets connected with the coaxial cables. Therefore no government operating license is required. No public franchise is involved. The advertiser or merchandiser can "go to town."

Already we have had considerable and favorable experience with this form of visual sales talk. In the large department store with its dozens of separate departments it now becomes possible to expose all the buyers within that store to the offerings of each department in turn, via the television presentation. This method positively creates more traffic in the low traffic departments by featuring the products of the erstwhile slower moving departments in the places in the store where traffic is heaviest. Television receivers placed in the show windows are bound to attract more people into the store for merchandise that cannot be displayed in already overcrowded store windows. The Intrastore Television system also permits demonstrations of various products, fashion shows, cooking recipes, household suggestions and other subjects that would otherwise be confined to some overlooked corner of the store or even to an already overcrowded auditorium. A limited stock of goods can be displayed in any number of spots in the store—and outside the store.

This Intrastore Television technique has tremendous ramifications. At present the regular television studio equipment, such as cameras, lights, microphones, monitors and television receivers, is bought or leased by the store and operated strictly within its four walls. But even at this early date, and certainly in the near future, there is nothing to prevent the store from telecasting beyond its four walls to branch stores or outside groups selectively reached by coaxial cables and possibly over ultra-high-frequency radio channels if these should become available for such commercial purposes. It may be that telecast stations may make such facilities available, without detracting or interfering with the major service to the general public. I do not hesitate to predict that branch stores may be tied in with the main store by means of interstore television, thereby featuring a tremendous array of merchandise with a minimum stock involved.

Such commercial television is by no means limited to merchandise. It lends iteslf admirably to visual sales training. The management can show its sales people how to present their wares intelligently. Sales meetings can be held at any time, since the sales heads can address a scattered group in a minimum of time and inconvenience. Television can play a formidable role in the development of a top-flight, alert, aggressive sales organization. Television, I am positive, can readily prove to be the greatest merchandising force ever offered those who live by sales.

And so I return again to my introductory premise — the need for stretching out that simple sign of early Williamsburg until it attracts attention on that main street that runs from one end of the world to the other, while at the same time displaying those wares to the peoples of every land. I believe that television has the answer to that epochal problem. I believe that television, because of its highly concentrated attention value, can present a product or a service as never before. I believe that the public, when exposed to skillfully handled video presentation, will develop an unprecedented buying urge for new and old items alike. And I am told and I believe that the public either has the means to satisfy many of these new desires, or will work that much harder to find the means.

Broader Markets Needed

It is one thing to make things; it's another thing to sell those things. The tremendous production capacity of the postwar era calls for a correspondingly tremendous merchandising capacity. People everywhere must be exposed to the good things of life in order to develop an interest, a taste and finally the buying urge for them. We can no longer think of our ultimate markets in terms of Boston or Dallas, Atlanta or Spokane, Chicago or New Orleans, with all the Main Streets between that go to spell our great American marketplace. We must go overseas again in search of still greater markets, with history repeating the days of the New England Clippers that sailed to the Orient with Yankee wares in exchange for Far East spices and ivory and silks. We must speak to many strange people in a new universal language. And that language is pictures—the thing itself shown in animated terms—television. In due course telecasting service will be operating in every metropolitan area of our country. Even the rural districts will be reached by automatic relay transmitters or other means. And then, just as broadcasting suddenly jumped beyond our domestic boundaries and spoke to and listened to peoples in the four corners of the world, so telecasting will speak in the universal language of pictures to peoples everywhere.

Television is geared to the postwar era of world-wide distribution. It has untold possibilities. The basic framework has already been laid. Much remains to be done. And so television seeks merchandising pioneers of the calibre of Woolworth, and Kresge, Sears and Montgomery Ward, Macy and Gimbel, and others. Gentlemen, I extend to each and every one of you this invitation to utilize the universal sales language of television to the utmost, on behalf of telecasters who are ready with the means if not the ultimate end itself.

Meat and Politics

(Continued from page 1939)

voted against the bill and only 52 voted for it; 157 Democrats voted for the bill and only 22 voted against it. It may be remarked in passing that many of the Republican members who finally voted for the bill announced at the time that they thought meat controls should not be reimposed, and that they were voting for the measure only because they desired to preserve such things as rent controls and a few other restrictions which they believed to be necessary.

The whole tragic business is one more illustration of the complete confusion which prevails in Washington today. It was Mr. Truman's veto of the first price control bill last June—against the advice of all the responsible leaders of his own party in Congress—which permitted price controls to lapse in the first place. Meat ceilings were reimposed early in September. Now it is Mr. Truman's administration which had ordered controls taken off after the damage has been done.

If Mr. Truman's denunciation of "a few men in Congress" is intended to apply to the Democratic majorities in Congress, I am willing to let him settle that issue with those members of his own party. I would like to suggest, however, that by his denunciation the President has provided another powerful argument in favor of the election of a Republican Congress three weeks from today.

Republicans Wanted Decontrol

It must not be overlooked that Republican members of the present Congress warned the Administration long ago that unless a realistic approach was made to the meat problem there would be serious shortages. As long ago as March 30, 1945, Senator Wherry of Nebraska—one of the men singled out for personal mention by the President last night—said in the Senate:

"I have charged on the floor of the Senate, not in the way of destructive criticism, but I have done it constructively, day after day, that the reason why we are not getting meat is the unnecessary regulations, and because of the price ceilings which have been an impediment to the production of meat. I said it was the OPA price veles which were causing the trouble," said Senator Wherry.

There are many other similar warnings from Republican sources which might be cited, but I will not take your time by repeating them tonight. That they were valid warnings is proved by Mr. Truman himself in the action he announced last night.

The President discussed various possibilities. He finally said, as Senator Wherry argued, that the course inevitably to be followed was to take controls off meat. If that is not the right course, why did he take it? Everybody knows that when he vetoed the first price-control bill in June the country got meat. People actually could see it in stores, they could buy it, they could take it home and eat it. The meat was there. Without government controls the producers were glad to sell it in the open market. They will not produce at a loss. You can't ask any business to produce at a loss, for it cannot succeed. It doesn't make any difference whether it's meat or nails; whether it's lumber or soil pipe; whether it's lead for automobile batteries or paint. You cannot by government order repeal the common sense of the American people. Every one of us is dependent upon the free interchange of goods and services.

All taxes, all interests, all wages, all dividends and all earnings come from the American system. When the government steps in and tries to dominate the American economy, each dislocation produces a fresh dislocation until finally we are all bogged down in hopeless snarls of government red tape. The present Administration believes in government control of the American economy and the meat shortage is only one dramatic instance of why these government orders inevitably will fail.

The Republicans are frankly opposed to the Administration's attempts to dominate the American system.

Administration's Technique

The Administration's technique has been to delude the American people through government spending, lending, planning and control. A few weeks before election, the President suspends all control over meat. By Mr. Truman's veto of the first OPA bill in June, he is responsible for the lapse of controls in the first place. Then, a government agency restored controls after the second OPA bill was passed. Now the Executive branch of the government removes these controls again. This is a familiar pattern, before election, whether it's meat or anything else in the field of government control.

I mention this phase of the situation because of the manner in which the Administration has abused such powers in the past. During the late summer and fall of 1944—shortly before the election—the Administration abolished ration controls on canned goods and vegetables and on some meats. With respect to other meats, the ration point values were changed to the purchaser's advantage.

The highest responsible officials of the government announced at that time that this lifting of restrictions was made possible because of an improvement in our food supplies. So, what happened? The election was held and the Administration was returned to power. Almost immediately thereafter it was alleged that there had been some serious errors in the estimates of our food supplies. Controls were reestablished, previous ration point values were reinstated. It was at this stage that Chester Bowles, then Price Administrator, announced that, and I quote, "Supplies of commercially canned fruit have been short for several months," and that civilians' supplies were, and again I quote, "at the lowest point since the war began." But, of course, in the meantime, the election had been held.

I am wondering if we are now to look forward to the prospect of a reimposition of controls upon meats as soon as the election of 1946 has passed into history. That, of course would be possible only in the unlikely event that Mr. Truman's party retains control of Congress after Nov. 5. You may be sure that the Republican Congress which will be elected on that date will never permit that kind of trifling with such an important problem as our national meat supply.

The whole point is that no official in the executive branch of the government should have power to make such far-reaching decisions. Decisions of that nature should be made by the Congress of the United States, the elected representatives of the people themselves. It is only because the Democrat Congresses have abdicated their constitutional powers and duties that it is now possible for Mr. Truman and his bureaucrats to make those decisions.

Don't you see, it isn't only meat? People understand the meat shortage when it comes home to them. But it's everything—it's control of interest rate, it's housing, it's exports and imports, it's labor, it's management. In short, it's the American system that is at stake. The President last night even said that he and his advisers had seriously considered confiscation of livestock on the ranges. Imagine it, he said that step was seriously considered.

Republican Viewpoint

Nothing could more strikingly emphasize the fundamental conflict between control of our economy from Washington and the Republican viewpoint. The Republicans believe that Congress should prescribe the standards by which our government agencies should function. Whoever President Truman's advisers may be they certainly, this time, have served to point up the true issue before the American people.

It is unfortunate that the meat shortage, and other shortages—for meat is only one as any housewife can testify—should have been a political issue. But the President rejected the advice of his own Congressional leaders. It became a political issue because the group of radical advisers to whom Mr. Truman has listened insist upon retaining unjustified bureaucratic controls over our productive system. The fact that Mr. Truman elected to tie up practically all of the radio facilities of the nation to explain his action proved that he realized he was dealing with an explosive political issue. It was not at all necessary for him to go on the air to decontrol meat. That was accomplishred by executive orders issued in Washington and the people would have been very adequately informed of that action through the normal channels of press and radio news. However, since Mr. Truman chose to make a political speech on this subject, I have felt impelled to present the Republican side of that issue. Briefly, that viewpoint is that if the Administration had listened to the advice of Republican members of Congress instead of to the advice of the radical fringe, this present situation would never have developed and, therefore, meat would never have become a political issue. Now, however, the Administration has created a shortage which need not have developed at all. In all probability some time will elapse before we have an adequate meat supply—due to the Administration-created shortage—prices of meats will rise substantially, I am sure that Republicans regret this situation as much as do the Democrats. After all, Republicans are just as fond of meat as any one else.

A Principle at Stake

While you are waiting for hams and chops the unfortunate dilemma gives the American people a chance to recognize that there is a principle at stake. There is an irreconcilable difference between the Republican party and the present Administration, represented by the PAC-Democrat party. The once great political alignment that followed Jefferson and Jackson and Wilson has fallen under control — at the policy-making level—of persons who believe that government should run the people—that our citizens do not have sense enough to govern themselves. That is the philosophy of Wallace and Pepper and Kroll. The old-line Democrats never believed that, but those in control of this Administration do. The Republican party has sought unceasingly to protect the rights of the individual against bureaucratic domination. The Republican party—the real liberal party—in America believes in fighting against encroachment by government and Federal domination over the life of the American people.

There is only one way you can preserve a voice in your own government; that is by electing to Congress those who really believe in the American system. Let's restore the government of the United States to the American people. Let's elect a Republican Congress Nov. 5.

UFE Threatens

(Continued from page 1935)

attempt to run the affairs of the union. The question that is posed by the union is put this way: "Is Mr. Schram or Mr. Keefe President of the union?"

The Exchange, however, feels that a contract with the union can have little meaning without a solid guarantee from the union that, in exchange for generous concessions on its part, the union will tolerate no work stoppage by its members for the entire duration of the contract. Going a little further, too, the Exchange holds that it is as incumbent upon the union as upon itself to observe faithfully the terms of the contract, not some of the terms, but all of them. The Exchange points out, for instance, that last summer, despite a no-strike provision in the contract, the union pulled its walkout.

The union threatens to affiliate with some large national labor body—such as the CIO, the AFL or even John L. Lewis' United Mine Workers—in the event it runs into any real difficulty with the Stock Exchange or its member firms. Mr. Keefe has promised that he will let nothing interfere with the unionization of Wall Street.

The Exchange presented its counter-proposal to the union's demands at a meeting with the union last Friday afternoon. At the request of the union officials, the Exchange agreed to permit members of the union to attend the session of the negotiators as interested spectators. There were about 100 members of the union, it is reported, who took advantage of the invitation. The union officers met Monday evening to consider the Exchange's counter-proposals and another meeting between the union and Exchange negotiators, to which members of the union are again invited, is scheduled for next Monday afternoon.

The Exchange has offered as a basis for a new contract—in addition to its no work stoppage proposal—increases in pay ranging from $3 to $5 a week over and above the approximately 15% increase given voluntarily on July 1, 1946, a three-week vacation for employees with 15 years or more of service and double-time pay to those whose work exceeds 12 hours in any one day. The union is seeking a 25% increase in pay across-the-board, a seven-hour day and a five-day week. Twenty-seven points in all are included in the union's demand.

At the request of the UFE, the State Labor Board will conduct an election to determine collective bargaining agent for the employees of A. M. Kidder & Co. on the premises of the firm today from 3 to 6 p.m.

Another union, trying desperately to get a foothold on Wall Street—Local 96 of the Financial Employees' Guild, CIO—won two elections last week among the employees of the Merchants Bank of New York. It won 42 to 5 in a vote among the bookkeepers and stenographers but it won by the narrow margin of 19 to 18 in a vote covering the tellers, personal loan and travel department. There was a void ballot in the poll covering the tellers, personal loan and travel department which, could it have been counted, would have made the vote a tie. The union and the bank will have five days from this day, however, in which to file objections with the State Labor Board, the Board has announced.

At the request of this same CIO union, too, the State Labor Board will conduct an election among the employees of the Irving Trust Company on Monday. The union has also filed an application with the State Labor Board for an election at the People's Industrial Bank.

Tomorrow's Markets Walter Whyte Says—

By WALTER WHYTE

Inflation is now in the saddle. It can carry stocks to unbelievable levels. Suggest waiting for reaction to buy stocks named below.

It's a hold-on-to-your-hats-boys-here-we-go-again market that seems ahead now. The first signs of it were seen Monday. Confirmation came Tuesday. The spark that set it off was Truman's removal of meat controls. Whether justified or not, this removal has given the stamp of approval to inflation and all it signifies. It is ironical to note that the exponents for removal of controls consistently argued that controls stopped the normal processes of supply and demand. Remove the artificial obstacles and there would be ample supply of meat at reasonable prices, they said.

I recall that dairy products are not controlled. So butter is more than a dollar a pound and eggs about a dollar a dozen. If I feel strongly about such things it is because I can't see how a market can sustain itself on public buying while necessities of life drain its buying power.

When I wrote last week's column I said that as long as the averages stayed above 164 the market was okay. What I neglected to remember was an old trader's rule which says that stocks make bottoms and averages make tops. The truth of this was seen during the break of last week. While the averages were confirming a bear market, individual stocks were resisting the trend. A resistance to trend in itself is interesting but not significant. It becomes significant when the stock in question shows an ability to pull away from the lows every time the market itself dries up. This was seen in Bethlehem, Anaconda, Standard of New Jersey and a few others.

Unfortunately these signs didn't become apparent until late Thursday and Friday. The column was already in print and there was nothing that could be done about it.

Monday's market is now history; so is Tuesday's. It was Monday's action which forecast Truman's speech of that night. But the wild buying which followed the next day had all the earmarks of ending as soon as the first flush is over.

Monday's market had bottom signs all over the tape. I harp on that day's action because Tuesday's market was full of public buying. I'm not against that sort of buying. But it's most always confusing, made up as it is of a cross-section of hopes and wishful thinking. Yet it is this kind of buying that can upset all the carefully laid plans. A public on the rampage can do practically anything. Anybody who fights it is a potential aspirin and sleeping pill customer.

I list a few stocks below which I now suggest buying. These stocks and their prices were computed as of Monday's close. I realize that some of the levels will look silly by the time you read this. If that happens I prefer to wait until there is some kind of set back.

Buy Anaconda 35 to 37 with a stop at 34. Standard of New Jersey between 65 and 67 with a stop at 62. I had also intended adding Bethlehem to Jersey, however, I think you are still long of both the steel and the oil stock bought some weeks ago.

I also like Dresser Manufacturing 17 to 19 with a stop at 15; Gulf, Mobile and Ohio around 12 with a stop at 10; International Paper 41-43 with a stop at 38 and last Boeing 23 to 25 with a stop at 21.

E. H. S., South Pasadena, Cal. I use every tool ever devised to arrive at market conclusions. If a ouija board or tossing a coin were feasible I would use those too. Actually I depend mostly on tape action.

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.]

Unsettled Investment Banking Problems

(Continued from page 1931)

ing 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."

Personally, I do not think we could justly ask for a fairer or more reassuring statement from one officially charged with the administration of the Federal Securities laws and I think it also affords substantial grounds for hope that, cooperatively, the business and the Commission should be able to achieve great improvements in the machinery and techniques of the capital markets within the frame-work of those laws as so administered.

I also found another aspect of Mr. Caffrey's speech significant which I think tends to bear out the hope I have just expressed.

Disseminating Information in Waiting Period

As all of you know, his talk dealt principally with the subject of "Dissemination of Information Under the Securities Act" and more particularly with the problem of disseminating information during the waiting period. He also outlined certain proposals under consideration by the Commission which are designed to effect the dissemination, during the waiting period, of more information by underwriters and dealers than is now the case. The proposed regulations have just been released and we are now studying them in anticipation of discussions with the Commission. The significant thing to me is that he was frank enough publicly to acknowledge that the law in this respect is not now functioning as it was intended to by the Congress and that the Commission is, of its own volition, seeking a workable solution to this admittedly very difficult but important problem. But he also very rightly pointed out that the Commission cannot succeed in this endeavor without the full cooperation of all other interested parties, and the group in this room represents a large segment of these "parties" in interest. I am very hopeful, therefore, irrespective of the outcome of the discussions which are to be held on this subject, that he and his associates will find that all of us are willing to cooperate fully with the Commission.

In addition, I should like to add, on this point, that, in my personal opinion, we shall never find a completely satisfactory solution to this problem without a change in the law. But, being realistic, I don't think we can reasonably expect such a change in less than a year, and perhaps not even so soon. It seems to me, therefore, that even a partial solution, if it can be worked out under the existing law, is highly desirable, because if we are to break the present log jam of equity and, particularly, new money financing, and supply to industry the additional risk capital which it will need in the next few years, we shall have to make a real selling effort to market securities. To be able to disseminate information with reasonable safety, during even the latter part of the waiting period would aid materially in that undertaking.

Employee Relationships

The next problem I want to mention is one to which I do not have a ready solution, and, indeed, as to which I doubt that there is any single solution applicable to our respective firms, and that is the matter of employee relations within our industry. We have all witnessed over the past decade or so the spectacular developments in this field in other industries and because, deservedly or otherwise, we have been much more fortunate than most in the past, I am inclined to believe that we have not been giving this problem the attention which it deserves. We have recently seen several interesting developments in this field in our own industry, which should be recognized as warnings of things to come. Certainly it is our responsibility to give prompt and careful consideration to ways and means of preserving the loyalty and the harmonious relations which we have for so long enjoyed.

The Margin Restrictions

Since our last meeting we have witnessed a sharp decline in market prices which has focused our attention upon the propriety of the recent margin restrictions. In my opinion, the prohibition against the use of credit in the purchase of securities is discriminatory when no such restriction exists against purchases of real estate or commodities. Such a regulation should be rescinded unless it is all-inclusive. If all-inclusive then it should be soundly and fairly administered as long term policy and not invoked or relaxed in an attempt to control fluctuating prices, for prices must result from the operation of free and unhampered markets based upon supply and demand.

We have also recently suffered substantial losses from underwritings. Certainly we would be less than realistic if we did not recognize that both issuers and underwriters are in some part to blame for flooding the market beyond its apparent saturation point.

We cannot, and should not however, accept all of the blame, or even a major part of the blame. The really tragic aspect of this situation is that the inordinately large back-log of new financing is merely one symptom of the unsettled if not chaotic condition of our while economy, and for this condition I do not believe business is responsible. Rather, it seems to me clear that business in every field wants now, and has wanted ever since the close of the War, to go forward and to expand its activities and production even though it fully realizes the risks involved and the obstacles in its path. Certainly the large number of new money issues awaiting distribution in itself, indicates a belief on the part of business in the future prosperity of this country and a willingness to assume the very real risks so necessary to its economic growth.

In my opinion, the present condition of our economy is the result of a wage and labor policy which have all but halted our economic machinery and a price control policy, the failure of which is now apparent even to its own creators. Never has there been clearer evidence of the inability of government to control a free-enterprise economy or of the dangers involved in such control.

Government Control vs. Private Enterprise

This brings forward my final concern which transcends in importance these immediate problems of our own business. The great battle of Government Control versus Private Enterprise, begun thirteen years ago, although somewhat obscured during the war years, is once more clearly drawn into the open.

I firmly believe the future of this country — indeed of the world, for the world desperately needs a strong virile United States — depends upon the resurgence and firm establishment of the system of free enterprise and the open acknowledgement of the soundness and propriety of the profit motive generated by hard work; a philosophy of encouragement and opportunity rather than vindictiveness and "something for nothing."

And, yet, we in business, who not only have a great stake in these United States, but who, in effect, are trustees for our families, our employees, our stockholders and our successors, show an amazing apathy toward all things political. Frankly, I sympathize with that Senator, Representative, Governor or State Legislator who publicly supports our system of free enterprise, for, subjected to terrific pressure from powerful groups opposed to our system or seeking only special privileges, he seldom receives substantial encouragement from any of us. The facts are that in promoting our respective causes our opponents have done a far better job than we have. We are too prone to dismiss our individual political responsibilities by sending a campaign check.

It is our duty to know our Senators, Representatives and Legislators and to be willing to help them with their problems. It is not enough to elect them and then forsake them until the next election. They need our constant support because they are called upon to fight on our behalf against a smart, well organized adversary. We cannot send them into battle with only a pat on the shoulder — we must be forever alert and at their service.

Politically it is not so much a contest between Democrats and Republicans as it is a question of the fundamental philosophy of each individual candidate. Above all we should vote in the coming election and encourage all citizens to do likewise, but before we do so we should know the basic beliefs of our candidates — not their campaign lip service to the basic issues but their actual convictions — and I hope we would support only those who are sincerely interested in the preservation of the United States as a land of private initiative and individual opportunity.

Regulating Canadian Security Markets

(Continued from page 1934)

section of mass thinking and appraisal of the future. Actions of people with money for investment, be it in large amounts or small amounts speak more accurately than mere words.

A View of the Future

I suspect that you may have some interest in asking me to do a little crystal gazing at this time. I shall try to oblige but with the injunction that the views I express are personal and not official. There is little doubt in my mind that we are coming into a new era but with pronounced birth pains. Prices are going up inevitably and will continue to go up until production of consumable goods comes nearly to equalling demand and money supply. It would be my opinion that prices will not recede in the future to what we were accustomed to before the last war. We shall have with us two relatively permanent increased costs — wages and raw material costs, particularly farm product costs. Technological improvements will offset to some extent but not in any revolutionary way as some optimists seem to expect. Interest and dividend rates to attract capital investment, with money bound to become less cheap as time goes on, will likely tend to move upward. New issues will likely continue to attract the investor for some time to come. Business is almost sure to continue the process of becoming concentrated in large corporations whether we like it or not, with a relatively permanent increased cost structure that is more or less inevitable. There is, of course, a wide difference of opinion as to whether the recent recession in market prices is the beginning of a prolonged bear market or a corrective interlude in a generally bullish one. I incline to the latter viewpoint. I should expect the market generally to move up but in no spectacular way for some time to come.

Position of Investment Dealer

Now, having made that venture into the field of crystal gazing, I come to problems which are less hazy, more tangible and more easy to grapple with—namely the position of the broker and investment dealer in the immediate future. First of all may I say that I think government regulation in this field is here to stay. The extent and degree of it depend on the brokers and dealers themselves. If they organize together to establish sound ethical codes and discipline themselves as is done in some of the professions, we shall have little to fear from overmuch bureaucracy. If they don't, we shall have a great deal to fear. In that connection I may say, I think without breaking confidence, that The Toronto Stock Exchange and the Investment Dealers Association are working towards such ends at the present time. As to others in the business, I have seen little evidence of similar activity. If they don't organize as has been suggested on more than one occasion, I am afraid they will have to take the consequences of having a fairly stiff regulatory body acting in the public interest.

I have said on more than one occasion that the number of offenders against decent sales practices is comparatively few. By far the great majority of our files on brokers and dealers are quite thin. Some have been in business for upwards of a quarter of a century, without a single complaint. We have a comparatively small number of very thick files full of complaints, some of which did not go back beyond five years. In the past few months a fair proportion of these have been relegated to the room for dead files. Generally speaking, we in the Commission entertain quite a considerable degree of pride at the way most of our houses carry on their businesses. It is a pride however, which is constantly tinged with a certain degree of wariness and caution as well. We have not been in office long enough to have become altogether complacent.

Manipulation

Not all of the frauds perpetrated upon the public have their origin in direct misrepresentation and high-pressure selling. Manipulation of markets on securities listed on the Exchange have the same result. At the present time the Commission is engaged in an investigation into a specific situation of this kind. We have some evidence that the public is anxious, I think I can say over-impatient, for our report. I think perhaps it is not realized what a colossal task an investigation of this type really is. In the particular case in question we have already conducted a great many examinations under oath. In order to ascertain we, in conjunction with the Toronto Stock Exchange, had to conduct an extensive audit into Exchange records and almost a score of brokerage houses in Toronto alone. People who take part in the manipulation of markets do not employ simple methods. Whether it is in conscience they realize they are doing something wrong or whether it is they try to cover up the trail for other reasons, they do not do things in a way calculated to help the investigator. In addition to what was necessary to be done in Toronto, we have had to do partial audits in a number of houses in New York and also in Montreal. At the present time an investigation under oath in Vancouver is in course of being done. With our mining engineers, we have also had to conduct an investigation on the ground in Yellowknife. I tell you all this so that at least some of the public will realize that they, like ourselves, will have to be patient in matters of this kind while we ourselves must be very industrious as well.

I should say in this connection that we have no complaints in conection with the cooperation we have received from the various witnesses who have been examined to date. The Governing Committees of both the Toronto and Montreal Stock Exchanges have fully cooperated as well. The fact is that there appears to be a general sentiment in brokerage circles that this manipulation business must stop as it is harmful to the brokerage business generally and in the particular case we are investigating is very harmful to the mining busines as well. Without anticipating the report, I might say that it has become rather apparent to the Commission that the Criminal Code is inadequate insofar as manipulation of markets is concerned. While it covers conspiracy to manipulate, it fails to make the manipulation itself, what is known as "rigging the market" up or down, an offense unless the element of conspiracy can be proved beyond a reasonable doubt. We don't think the Commission should have any power or authority against the ordinary, general economic forces which effect the security market but we do think we should have the tools available to see that artificial manipulation is punished, whether it is accomplished by individuals acting by themselves or in conspiracy with others. After all, it is a bit illogical to define conspiracy to do a thing a crime when the thing done is a lawful act if conspiracy is not present.

Lauds Cooperation

I have told you of the efforts being made by The Toronto Stock Exchange and The Investment Dealers Association to cooperate with us. I might also say that we are getting the same kind of cooperation from the Association of Professional Engineers and from the Institute of Chartered Accountants. All of these various organizations are keen to see that the job of selling securities is kept on a clean and clear cut basis. The real thing to be accomplished is to develop an informed and intelligent public. An alert member of the investing public should not be taken in by high-pressure. Before investing he always has the opportunity of consulting a good adviser. The advice of good lawyers and bank managers is always available. No man is so much on his own that he cannot consult a friend—and no woman either.

I think we are reaching a stage where most decent people are taking a real interest in the security business and that is a most healthy sign. As far as the Commission is concerned I can only paraphrase Mr. Churchill—"Give us the tools and we'll try to do the job."

French Dollar Bonds Drawn for Redemption

J. P. Morgan & Co. Incorporated, as sinking fund administrators, on Oct. 15 notified holders of the Government of the French Republic external loan of 1924 25-year sinking fund 7% gold bonds due Dec. 1, 1949, issued under loan contract dated Nov. 22, 1924, that $3,983,300 principal amount of these bonds have been drawn by lot for redemption on Dec. 1, 1946, at 105%. The announcement states that the drawn bonds will be redeemed and paid on and after the redemption date, in United States dollars, at the office of the sinking fund administrators, 23 Wall Street, New York City, subject to the issuance of licenses under Executive Order No. 8389, as amended, permitting the disbursement of funds for the purpose, upon presentation and surrender of the bonds and of all appurtenant coupons maturing after the redemption date. Interest will cease on the drawn bonds after Dec. 1, 1946. The advices also state:

"The Government of the French Republic is notifying holders of the drawn bonds that payment will be made either (a) upon presentation and surrender at the office of J. P. Morgan & Co. Incorporated, together with evidence required by French law as regards residence and non-enemy interest as follows: to holders not resident in the franc area, payment will be made in United States dollars; to holders resident in the franc area, or to a bank in France designated by such holders, payment will be made at the office of Morgan & Cie. Incorporated, Paris, upon their receipt of advice of presentation and surrender in New York, in the French franc equivalent of the dollar amounts, calculated upon the basis of the official rate of exchange for the dollar in France on the date of maturity; or, (b) until further notice, upon presentation and surrender by bankers, brokers or financial institutions at the office of Morgan & Cie. Incorporated, Paris, in the French franc equivalent of the dollar amounts, calculated upon the basis of the official rate of exchange for the dollar in France on the date of maturity."

Lays Inflation to Cheap Money Policy

(Continued from page 1933)

70% as much as it would have bought just a few years ago.

"Inflation robs everyone but none so cruelly as that substantial portion of our population which is living on fixed incomes from life insurance proceeds. These bid fair to become the forgotten people in our present economy. They are not organized. They have no power of collective bargaining except through us who are their trustees. To speak for them with all the authority which we can muster is more than our right, it is implicit, nay it is imperative, in our duty.

"The problem of inflation is inextricably interwoven with the cheap money policy inaugurated by the Treasury and supported by the manipulatory mechanism of the Federal Reserve. The vast portion of war loans financed by selling bonds to the banks monetized a huge section of the public debt and thus created an enormous expansion in the supply of money and credit. Much of this was bubble money blown out of thin air. Of course it was cheap money. It was designed to be cheap money in order that the Treasury could borrow cheaply. Perhaps the policy was wise, perhaps it was necessary, but the price was inflation.

"Now everyone affects to be against inflation just as everyone is opposed to sin. Many, however, are seeking an easy road to virtue. We are told by some that we must fight inflation yet maintain a cheap money policy. Such a program stultifies itself. It involves a contradiction of terms and reveals a confusion of purpose. We cannot have our cake and eat it too, fiscally or otherwise. We cannot stop inflation at the nozzle. It must be controlled at the pump. This policy is of a piece with the fallacies that prices can be held regardless of cost and production maintained regardless of price. Prices and interest have functions to perform in our economy which cannot be prevented without incurring a penalty proportioned to the folly of the abortive attempt. We cannot whip inflation with cheap money because inflation is cheap money and cheap money is inflation.

"A test of statesmanship now is the formation of a fiscal policy which will lead us down a safe declivity to normalcy, instead of one which will sooner or later push us over a precipice from the heights of inflation to the depths of depression. Recent developments have been somewhat encouraging. A near miss at least at a balanced budget, the stress which the Administration is laying upon governmental economy, the use of a big Treasury balance to reduce the unduly large short-term debt, the abolition of the preferential rate to banks borrowing in order to purchase government bonds, the very slight but still helpful stiffening of interest rates in the market are all constructive steps. The direction is right. We hope for greater strides.

"It is no radical program which we propose. It is to the interest of the Treasury itself, as well as for the good of the country. The time is more propitious than it may be for a long time to refund at least a reasonable portion of the dangerously preponderant short-term obligations in an orderly way upon a favorable basis with non-inflationary holders. Such a program would help to drain from the banks more of that monetized segment of the public debt still inordinately large which constitutes the dangerous inflationary potential. At the very best, it necessarily would be sufficiently gradual to avoid precipitous and destructive deflation. It can now be accomplished gradually to the benefit of the whole economy. Delay may well necessitate a much more radical readjustment in the future at a far greater ultimate cost. Such a program involves a slight increase in the cost of carrying the public debt. That is the unavoidable but exceedingly moderate price of controlling inflation. It would be insignificant compared to the national budget. It would be infinitesimal compared to the cost of inflation to the country. I mean the inflation which we have now.

"Life insurance does not appear as a special pleader upon the subject of fiscal policy. We are asking no subsidy for our policyholders. If we were operating in a free investment market we would have no problems or, if we had them, they would be solely our individual responsibility.

"However, rigid monetary controls were employed and inflationary devices were resorted to in order to finance the war. These controls still exist in our peacetime economy. They are the keys which will open or lock the doors upon inflation. How they will be used should be determined by sound considerations of public policy. We respectfully submit that in approaching a decision upon this momentous matter of the utmost importance to the entire nation, the effect of monetary policy upon the life insurance saving of 70,000,000 Americans is a consideration which cannot rightfully, or wisely, be ignored."

Britain Irked by Truman Palestine Demands

A public statement by President Truman sent to Prime Minister Attlee of Great Britain and released on Yom Kippur regarding the Palestine Conference in London urged the opening up of Palestine by Great Britain to Jewish immigrants from Europe immediately. The statement, according to Associated Press advices from Washington on Oct. 4, also endorsed the Jewish Agency's plan for the creation of a Jewish State in an "adequate area" of Palestine and rejected outright the plan for an Arab-Jewish division of the Holy Land which Britain and many of Mr. Truman's own advisers have been supporting. The President reaffirmed his support for the earliest possible immigration of 100,000 Jews into Palestine, but urged that "substantial immigration" should begin at once before winter brings new suffering to the masses of Jewish homeless in Europe. In this projected endeavor he promised American assistance in the form of shipping and other economic aids.

Mr. Truman's statement brought open opposition on the part of Arabs and British officials, London advices stated on Oct. 5, which added that on receipt of the President's communication Mr. Attlee had requested that publication be delayed pending study by British officials. A spokesman for the Prime Minister said, "This request was not complied with." He went on to say that the "British Government has been conducting negotiations with both Jews and Arabs and these negotiations have not been broken off. Consultations with the Jewish representatives are in fact going on at this moment.

"It is therefore most unfortunate that a statement of this kind, which may well jeopardize a settlement of the most difficult problem of Palestine, should be made at this time."

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. Offering temporarily postponed.

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 debs. for payment of an indebtedness to Bankers Trust Co., New York. Balance, will be added to working capital. Offering postponed.

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.

● **Air Lanes, Inc., Portland, Me.**

Oct. 9 (letter of notification) 15,000 shares each of preferred and common. Offering price, $10 a preferred share and 1 cent a common share. If offerings are made in the State of Maine, they will be made by Frederick C. Adams & Co., Boston. To complete plant and equipment and to provide working capital.

American Brake Shoe Co., New York

Aug. 16 filed 199,101 shares (no par) common. **Underwriting**—No underwriting. **Offering**—Shares are offered for subscription to common stockholders of record Sept. 13 in the ratio of one additional share for each four shares held at $35 per share. Rights expire Oct. 21. Unsubscribed shares will be sold to other persons including officers and employees. Price, $35 a share. **Proceeds**—Net proceeds, estimated at $6,915,285, will be used to defray part of the cost of its plant expansion and improvement program.

American Broadcasting Co., Inc., N. Y.

June 27 filed 950,000 shares ($1 par) common stock. **Underwriter**—Dillon, Read & Co. Inc., New York. **Offering**—A maximum of 100,000 shares may be sold by company to persons, firms, or corporations with whom the corporation had network affiliation agreements on March 31. The remainder will be offered publicly. Price by amendment. **Proceeds**—To prepay notes payable to acquire radio station WXYZ, to construct broadcast transmitter for station KGO at San Francisco and for working capital.

American Cladmetals Co., of Pittsburgh

July 8 filed 196,500 units comprising 196,500 shares of voting common stock ($1 par) and 589,500 shares of non-voting common stock ($1 par), each unit consisting of 1 share of voting common and 3 shares of non-voting common. **Underwriters**—None—the company intends to distribute its common stock directly to the public. **Offering**—Price $6 per unit. **Proceeds**—Net proceeds estimated at $1,179,000 will be used to pay a mortgage on plant, pay accounts payable, purchase equipment, for building alterations and working capital.

American Colortype Co., Clifton, N. J.

Aug. 12 filed 30,000 shares ($100 par) cumulative preferred stock. **Underwriter**—White, Weld & Co. Price by amendment. **Proceeds**—Net proceeds initially will be added to general funds, however, the company anticipates it will use the funds for its building and expansion program. Offering date indefinite.

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 70,000 shares of common (50c par) and warrants for 50,000 shares of common stock to be sold to underwriter at 5c per share warrant and exercisable through Oct. 1, 1951 for purchase of common at $1 per share. **Underwriter** — Amos Treat & Co. **Offering**—To the public in units of one share of preferred and one share of common. **Prices**—$7 per unit of one share of preferred and one share of common. **Proceeds**—To retire bank loans of approximately $100,000, to purchase wood-working machinery and for working capital. Temporary 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 100,00 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.

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.

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, Sivalls & 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.

Borchardt (E. H.) & Co., Belle Glade, Florida

Sept. 23 (letter of notification) 27,000 shares Class A stock (par $10) and 27,000 shares of common stock (par $1). **Underwriter**—Blair & Co. **Proceeds**—Working capital.

Boston Store 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

NEW ISSUE CALENDAR

(Showing probable date of offering)

October 18, 1946

Leader Enterprises Inc.____________Pfd. and Com.
Lime Cola Co. Inc.____________________Common
Morrison-Knudsen Co., Inc.__________Pfd. and Com.

October 21, 1946

Dumont Electric Corp.___________________Common
Polish Review Inc.______________________Common
Sharab-May Co.__________________________Common

October 22, 1946

Delaware, Lackawanna & Western RR.
12 Noon (EST)________________Equip. Trust Ctfs.
Excelsior Insurance Co. of N. Y.__________Common
Helicopter Digest Publishing Co.____Pfd. and Com.
Konga International Inc.________________Common
Maltine Co.____________________________Preferred
Red Rock Bottling Co. of Youngstown____Common

October 23, 1946

Gulf Mobile & Ohio Ry.__________Equip. Trust Ctfs.
Stereo Pictures Corp._______________Pfd. and Com.

October 24, 1946

Baltimore & O. RR. 12 Noon (EST)___Eqp. Tr. Ctfs.

October 29, 1946

Atchison Topeka & Santa Fe
Noon (CST) ___________Cond. Sales Agreements
Central of Ga. Ry. 12 Noon (EST)___Eqp. Tr. Ctfs.

November 4, 1946

Films Inc. _________________Class A and Common

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. Offering date indefinite.

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.

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.

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 indefinitely 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.

Cameron Aero Engine Corp., New York

Oct. 2 (letter of notfication) 60,000 shares of common. **Offering**—Price $2 a share. **Underwriter**—R. A. Keppler & Co., Inc., New York. **Proceeds**—To demonstrate the Cameron Engine by flight tests in company-owned plane.

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.

Carscor Porcupine Gold Mines, Ltd., of Toronto, Ontario

June 24 filed 400,000 shares of common stock. **Underwriter**—Registrant will supply name of an American underwriter by post-effective amendment. **Offering**—To the public at $1 a share in Canadian funds. **Proceeds**—For a variety of purposes in connection with exploration, sinking of shafts, diamond drilling and working capital.

Central Electric & Gas Co., Sioux Falls, S. D.

May 29 filed 35,000 shares of $2 cumulative preferred stock, series A (no par), but with a stated value of $50 a share, and 175,000 shares of common stock (par $1). **Underwriter**—Paine, Webber, Jackson & Curtis, Chicago. **Offering**—The stocks will be offered to the public at prices to be supplied by amendment. **Proceeds**—To pay off $3,000,000 loan from First National Bank Chicago and Harris Trust and Savings Bank, Chicago, balance working capital. Offering deferred indefinitely.

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 7⅓ shares held. Unsubscribed shares will be sold to underwriters. Price by amendment. **Proceeds**—Working capital, etc. Offering indefinitely postponed.

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

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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. Price of preferred $10 per share; price of common $4 per share. 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 59,585⅓ shares for subscription to present common stockholders of record Aug. 6 at $4.50 a share in the ratio of one share of preferred for each share of common held. Rights expired Aug. 20. The offering to common stockholders excluded the two principal stockholders who waived their rights to subscribe. The remaining 90,414⅔ shares and shares not subscribed to by common stockholders will be offered to the public through underwriters. **Price**—$5 a share. **Proceeds**—Approximately $55,000 for payment of Federal taxes; $250,000 for payment of a loan; $50,000 as a loan to Palmer Brothers Engines, Inc., a subsidiary, balance working capital.

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 Hotels, Inc., Los Angeles

Aug. 9 filed 97,363 shares ($25 par) 4½% convertible preferred stock and 150,000 shares (50c par) common. **Underwriter**—Lester & Co., Los Angeles. **Price**—$25 a share of preferred and $9 a share of common. **Proceeds**—Of the total, the company will receive proceeds from the sale of 851 shares of preferred. The remaining shares of preferred and all of the common are being sold by Ben Weingart, President and director. Company will add the proceeds to working capital.

Consumers Power Co., Jackson, Mich.

Aug. 9 filed an unspecified number of shares (no par) common stock. **Underwriters**—To be determined by competitive bidding. Probable bidders include Morgan Stanley & Co.; Lehman Brothers; Shields & Co.; Harriman Ripley & Co. and The First Boston Corp. (jointly). Price by amendment. **Sale Postponed**—The company on Sept 19 postponed indefinitely the sale of the stock. Bids were advertised for Sept. 24.

Continental Motors Corp., Muskegon, Mich.

July 8 filed 250,000 shares 4¼% cumulative convertible preferred stock, Series A ($50 par). **Underwriters**—Van Alstyne, Noel & Co. **Offering**—Price by amendment. **Proceeds**—For rearrangement and expansion of the company's manufacturing plants, acquisition of additional tools and facilities, and for additional working capital requirements. Offering temporarily postponed.

Continental-United Industries Co., Inc.

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.

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. Offering date indefinite.

Delta Chenille Co., Inc., Jackson, Miss.

Oct. 2 filed 300,000 shares (20¢ 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.

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. Date of offering indefinite.

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 (10/21)

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.

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.

Empire Millwork Corp., New York

Aug. 28 filed 50,000 shares of $1.25 cumulative convertible preferred stock, (par $25) and 150,000 shares of common stock (par $1). **Underwriters**—Van Alstyne, Noel & Co. **Proceeds**—Corporation will receive the proceeds from the issuance of 50,000 shares of the common stock which will be used to increase productive capacity, add new lines of products and expand the business. The remaining 100,000 shares of common stock and the preferred shares will be sold by present stockholders. Offering temporarily postponed.

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.

● **Excelsior Insurance Co. of New York (10/22)**

Oct. 15 (letter of notification) 20,000 shares of common stock. Underwriter, none. To be offered at $10 per share for subscription by stockholders of record Oct. 22 in ratio of one new share for each four shares held. Rights expire Nov. 15. Of the proceeds $100,000 will be added to capital and $100,000 to surplus.

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.

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.

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.

Films Inc., New York (11/4)

June 25, filed 100,000 shares ($5 par) class A stock and 300,000 shares (10 cent par) common stock, of which 200,000 shares reserved for conversion of class A. Each share of class A stock is initially convertible into 2 shares of common stock. **Underwriters**—Herrick, Waddell & Co., Inc., New York. **Offering**—To be offered publicly at $8.10 a unit consisting of one share of class A stock and one share of common stock. **Proceeds**—$201,000 for retirement of 2,010 shares ($100 par) preferred stock at $100 a share; remaining proceeds, together with other funds, will be used for production of educational films.

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.

● **414 East 74th St., Inc., New York**
Oct. 8 (letter of notification) 260 shares of no par common. **Offering**—The building which the company owns will be converted into 21 apartments, 20 of which will be leased under proprietary leases to the purchasers of shares to be offered. The prices will vary between $2,500 and $6,000 a unit. **Underwriters**—R. A. Knight and E. J. Knight, who also will receive proceeds under terms of contract whereby they transferred title of land and building now owned by the company.

Fownes Brothers & Co., Inc., New York
Aug. 6 filed 100,000 shares ($1 par) capital stock and warrants for 30,000 shares of capital stock to be sold to underwriter at 10c per share warrant and 5,000 shares of capital stock to be purchased by Milton Gluckman at $9.50 per share for investment. **Underwriter** — Van Alstyne, Noel & Co., New York. **Proceeds**—Shares are being sold by Ivens Sherr, President and A. I. Sherr, Executive Vice-President, who will receive proceeds. Registration statement effective.

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.

General Bronze Corp., L. I. City
July 26 filed 115,000 shares of cumulative convertible preferred stock ($25 par). **Underwriters**—W. C. Langley & Co. and Aronson, Hall & Co. Price by amendment. **Proceeds**—To pay cost of acquisition, construction and equipment of new plant, and for working capital. Indefinitely postponed.

Glen Industries Inc., Milwaukee, Wis.
July 31 filed 50,000 shares of $1.25 cumulative convertible preferred stock series A ($20 par) and 150,000 shares (10c par) common, all issued and outstanding and being sold by eight selling stockholders. **Underwriters**—Van Alstyne Noel & Co. Price by amendment. **Proceeds**—To selling stockholders. 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.

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. Temporary postponed.

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.

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.

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 date indefinite.

● **Harris (J. E.) Co., Worcester, Ohio**
Oct. 7 (letter of notification) $150,000 of 12-year 4½% sinking fund secured debentures due 1958. Offering price, 100. **Underwriter**—The Ohio Co., Columbus. For payment of notes and additional working capital.

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.

● **Helicopter Digest Publishing Co., Inc. (10/22)**
Oct. 15 (letter of notification) 10,000 shares of preferred stock (par $5) and 10,000 shares of common stock (par $1). **Underwriter**—Frank P. Hunt, 42 East Ave., Rochester, N. Y. **Price**—$6 per unit of one share of each. **Proceeds**—Purchase of machinery, paper and working capital. **Business**—Publishing.

Holt (Henry) & Co., Inc., New York
June 28, 1946 filed 20,000 shares of 4½% ($25 par) cumulative convertible preferred stock and 33,884 shares ($1 par) common stock. **Undrewriters**—Otis & Co., Cleveland, Ohio. **Offering**—Company is selling the preferred shares and stockholders are selling the common shares. **Price**—$25 a share of preferred. 'Price for the common by amendment. **Proceeds**—Net proceeds will be added to general funds. Offering date indefinite.

● **Horseshoe Basin Mining & Development Co., Inc., Bremerton, Wash.**
Oct. 8 (letter of notification) 490,000 shares of common. Offering price, 25 cents a share. No underwriting. For mine development.

● **Howey (W. J.) Co., Howey-in-the-Hills, Fla.**
Oct. 4 (letter of notification) securities evidenced in part by warranty deeds and in part by development contracts used together in connection with the sale of land planted to citrus trees in Lake County, Fla. Offering price, a total of $300,000, or from $600 to $1,200 per acre. No underwriting. For general corporate purposes.

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.

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.

● **Konga International, Inc., New York (10/22)**
Oct. 15 (letter of notification) 50,000 shares of common stock. **Underwriter**—John J. O'Kane, Jr., & Co., New York will act as broker. Price, $4.25 per share. Proceeds expansion of business, manufacture and sale of beverage extract, beverages and other products.

Lake State Products, Inc., Jackson, Mich.
Aug. 27 (letter of notification) 100,000 shares ($1 par) common for benefit of issuer. **Underwriter**—Keane & Co., Detroit. **Offering**—Price $2.50 a share. Proceeds for working capital to enable issuer to produce its product, an automatic dishwashing machine in commercial quantities. Offering delayed due to market conditions.

Langevin Co. Inc., New York
Oct. 3 (letter of notification) 39,000 shares ($4 par) convertible Class A stock and 19,500 shares (10c par) common on behalf of the company and 19,000 shares of ($4 par) Class A and 9,500 shares of the common on behalf of Carl C. Langevin, President of the Company. **Offering**—Price $5.125 a unit consisting of one share of Class A stock and one-half share of common. 3,000 units are reserved for sale to certain officers and employees of the company. **Underwriter**—Hill, Thompson & Co., Inc., New York. **Proceeds**—For payment of indebtedness and to increase working capital.

Leader Enterprises, Inc., New York (10/18)
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 (10/18-21)
June 28, 1946 filed 225,000 shares (10 cent par) common stock. **Underwriters**—Newburger and Hano, Philadelphia, and Gearhart & Co., Inc., New York. **Price**—$4.50 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.

● **Maltine Co., New York (10/22)**
Oct. 15 (letter of notification) 2,900 shares of 4½% convertible preferred stock (par $100). **Underwriter**—Eastman, Dillon & Co. **Price**—$100 and dividend. Proceeds together with funds from loans, will be applied to construction cost of new plant and laboratories at Morris Plains, N. Y. **Business**—Engaged in manufacture distribution and sale of pharmaceutical, medical and biological products.

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.

Michigan Gas & Elec. Co., Ashland, Wis.
June 24 filed $3,500,000 of series A first mortgage bonds, due 1976; 14,000 shares ($100 par) cumulative preferred stock and 120,000 shares ($10 par) common stock. **Underwriters**—To be determined by competitive bidding. Probable bidders include Blyth & Co., Inc.; Kidder, Peabody & Co.; The First Boston Corp.; Harris, Hall & Co. (Inc.); Merrill Lynch, Pierce, Fenner & Beane, and Ira Haupt & Co. **Offering**—New preferred will be offered on a share for share exchange basis to holders of its

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outstanding 7% prior lien, $6 no-par prior lien, 6% preferred and $6 (no par) preferred. Of the common stock being registered, company is selling 40,000 shares, Middle West is selling 57,226 shares and Halsey, Stuart & Co. Inc., New York, is selling 22,774 shares. **Proceeds**—Michigan will use net proceeds from bonds to redeem $3,500,000 3¾% series A first mortgage bonds, due 1972, at 106.75 and interest. Net proceeds from sale of common and from shares of new preferred not issued in exchange will be used to redeem $375,000 3½% serial debentures, due 1951, at 101.2 and interest. It also will redeem at 105 and accrued dividends all unexchanged shares of prior lien and preferred stocks.

Michigan Steel Casting Co., Detroit
June 27 filed 100,000 shares ($1 par) common stock. **Underwriters**—Cray, McFawn & Co., Detroit. **Offering**—To be offered publicly at $8.25 a share. **Proceeds**—Purchase additional facilities, expansion, etc. Offering indefinitely postponed.

● **Middle East Co., Cleveland, Ohio**
Oct. 4 (letter of notification) 1,335 shares each of no par $5 cumulative preferred and no par common. Offering price, $101 a unit consisting of one share of each. No underwriting. For working capital.

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.

● **Mormon Basin Mines, Inc., New York**
Oct. 9 (letter of notification) 50,000 shares ($1 par) common. Offering price, $1 a share. **Underwriter**—For the present, Henry Hartmann, President of the company, a registered broker-dealer, will offer the stock for sale. **Proceeds**—for property payments, construction of buildings, purchase of machinery and equipment, working capital and other expenses.

Morrison-Knudsen Co., Inc., Boise, Ida. (10/18)
July 22 filed 249,550 shares ($10 par) common and 70,000 shares of ($50 par) 4½% cumulative convertible preferred. **Underwriter**—Blyth & Co., Inc., and Wegener & Daly, Inc. **Proceeds**—Selling stockholders are offering 149,550 shares of the common and will receive proceeds from these shares. The company's proceeds, together with funds to be provided from the sale of $2,000,000 of 3½% debentures, due 1961, will be used to retire its certificates of indebtedness, outstanding preferred stock and a portion of its bank loans. It also will use the funds for investment in preferred stocks of subsidiaries. **Price**—Preferred, $50 per share; common, $16 per share.

Mountain States Power Co.
June 6 filed 140,614 shares of common stock (no par). **Underwriters**—To be determined by competitive bidding. Probable bidders include Blyth & Co., Inc.; Kuhn, Loeb & Co. and Smith Barney & Co. (jointly); Harriman, Ripley & Co.; The First Boston Corp. **Offering**—Shares, are owned by Standard Gas & Electric Co. and constitute 56.39% of the company's outstanding common. **Sale Postponed**—Standard Gas & Electric Co. asked for bids for the purchase of the stock on Sept. 4, but the sale has been temporarily postponed.

Muehlebach (George) Brewing Co., Kansas City, Mo.
Sept. 25 filed 41,327 shares ($25 par) 5% cumul. 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 4¾% preferred stock at $109 a share plus dividends. Indefinitely postponed.

National Alfalfa Dehydrating & Milling Co., Lamar, Colo.
June 28 filed 28,960 shares of 4½% cumulative preferred stock ($100 par), 250,000 shares of common stock ($1 par) and warrants for 28,960 common shares (attached to preferred stock). **Underwriters**—Stone & Webster Securities Corp., and Bosworth, Chanute, Loughridge & Co. Price by amendment. **Proceeds**—Shares are outstanding and are being sold by stockholders. Temporarily postponed.

National 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.

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.

● **National Tile & Mfg. Co., Anderson, Ind.**
Oct. 7 (letter of notification) 50,000 shares ($1 par) stock. **Offering** to stockholders for subscription at the rate of 1 share for each 2½ shares held. **Price**—By amendment. No underwriting. For additional working capital.

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.

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. The SEC has extended to Nov. 30 time within which refinancing may be carried out. 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.

● **Nicholls (Walter J.) & Co., Spokane, Wash.**
Oct. 7 (letter of notification) 250,000 shares (5c par) common. Offering price, 10 cents a share. No underwriting. For mine development.

Northern Engraving & Mfg. Co., La Crosse, Wis.
Aug. 29 filed 70,000 shares ($2 par) common stock. **Underwriter**—Cruttenden & Co. **Offering**—All shares are issued and outstanding and being sold for the account of present holders. **Price**—$16 a share. **Proceeds**—To selling stockholders. Indefinitely postponed.

Northern Indiana Public Service Co.
Aug. 28 filed maximum of 384,016 shares of common stock. Underwriters by amendment as shares will be offered under competitive bidding. Probable bidders include Blyth & Co., Inc.; The First Boston Corp.; Stone & Webster Securities Corp., and Harriman Ripley & Co., Inc. (jointly). Of the shares registered, 182,667 are being sold by Midland Realization Co.; 54,426 by Midland Utilities Co., and 146,923 by Middle West Corp.

Northwest Airlines, Inc.
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 of record Oct. 15 in ratio of one additional share for each two shares held. Rights expire Oct. 28. Unsubscribed shares will be sold to underwriters. **Price**—By amendment. **Proceeds**—To pay bank loans; purchase of additional equipment and facilities.

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.
Sept. 11 filed $3,250,000 of first mortgage bonds, 2⅞% series, due 1976; and 35,000 shares (no par) $2 cumulative preferred. **Underwriters** — Paine, Webber, Jackson & Curtis and Stone & Webster Securities, both of New York. **Offering**—Of the preferred being registered, 21,000 are being sold by the company and the remaining 14,000 are being sold by General Telephone Corp. **Price**—By amendment. **Proceeds**—Net proceeds to the company will be use to redeem its $1,770,000 of 3½% first mortgage bonds, due 1970, at 107½%; to repay $1,450,000 in bank loans; to pay General Telephone Corp. $937,518 in retirement of its 6% cumulative preferred owned by General and to reimburse its treasury for funds previously expended.

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.

Pacific Gas & Electric Co.
Oct. 4 filed $25,000,000 2¾% 1st and ref. mtge. bonds Series P due June 1, 1981. **Underwriters**—Names by amendment. Probable bidders include The First Boston Corp., Blyth & Co., Inc.; Halsey Stuart & Co., Inc. **Proceeds**—To finance part of construction program.

Pacific Power & Light Co., Portland, Ore.
July 10 filed 100,000 shares ($100 par) preferred stock. **Underwriters**—By amendment. Probable bidders include Blyth & Co., Inc., White, Weld & Co. and Smith, Barney & Co. (jointly); The First Boston Corp., W. C. Langley & Co.; Harriman Ripley & Co. **Offering**—Company proposes to issue the 100,000 shares of new preferred for the purpose of refinancing at a lower dividend rate the 67,009 outstanding preferred shares of Pacific and the 47,806 preferred shares of Northern Electric Co., in connection with the proposed merger of Northwestern into Pacific. In connection with the merger, the outstanding preferred stocks of Pacific and Northwestern will be exchanged share for share, with cash adjustments, for the new preferred stock of Pacific, the surviving corporation. **Offering price**—To be supplied by amendment.

Pal Blade Co., Inc., New York
June 28, 1946 filed 227,500 shares ($1 par) capital stock. **Underwriters** — F. Eberstadt & Co., Inc. **Offering** — 225,000 shares are outstanding and are being sold by 10 stockholders, and 2,500 shares are being sold by A. L. Marlman to all salaried employees. Indefinitely postponed.

Palmetto Fibre Corp., Washington, D. C.
August 16 filed 4,000,000 shares (10¢ par) preference stock. **Underwriting**—Tellier & Co., New York. Price 50 cents a share. **Proceeds**—The company will use estimated net proceeds of $1,473,000 for purchase of a new factory near Punta Gorda, Florida, at a cost of about $951,928. It will set aside $150,000 for research and development purposes and the balance will be used as operating capital.

Pantasote Plastics Inc., Passaic, N. J.
Sept. 27 filed 60,000 shares ($25 par) 4½% 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 ⅖ 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 shares of Astra common. It is proposed that underwriters will offer publicly a maximum of 60,000 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.

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 (11/25)
Aug. 27 filed 60,000 shares of preferred stock ($10 par) and 75,000 shares of common (par 50c). **Underwriter**—Herrick, Waddell & Co., Inc. **Offering**—Company is offering the preferred stock to the public, while the common is being sold by certain stockholders. **Prices**—Preferred, $10 a share; common, $4 a share. **Proceeds**—Proceeds from sale of preferred will be used to purchase equipment, pay bank loans, and other corporate purposes.

● **Polish Review, Inc., New York (10/21)**
Oct. 14 (letter of notification) 2,495 shares of common stock to be sold at $10 per share. Proceeds, to increase circulation of Polish Review, Inc. and other legitimate business purposes.

● **Pomona Mining Co., Inc., Hereford, Ariz.**
Oct. 7 (letter of notification) 15,000 shares ($10 par) common stock. Offering price, $6 a share. No underwriting. For retirement of lease and bond, mill construction, equipment and labor.

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 shares of $100 par common was changed into 100 shares of $1 par common, which exchange was consummated Sept. 23.

Portland (Ore.) Transit Co.
June 14 filed (as amended) 60,000 shares of 5% cumulative convertible preferred stock (par $25) and 300,000 shares of common stock, of which 80,000 shares will be sold to Pacific Associates Inc. at $6 per share, also an undertermined number of common shares for conversion of preferred. **Underwriters** — First California Co.; Scherck, Richter & Co.; Weeden & Co.; Allen & Co., and Rauscher, Pierce & Co. Offering price, preferred $26.50 per share; common, $7.50 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.

● **Pueblo (Colo.) Amusement & Recreation Corp.**
Oct. 8 (letter of notification) 2,000 shares ($100 par) 6% cumulative preferred and 750 shares ($100 par) common. Offering price, $100 a share. No underwriting. For equipment, working capital and other expenses.

● **Randall Graphite Products Corp., Chicago**
Oct. 15 filed 100,000 shares ($1 par) common. **Underwriter**—White, Noble & Co. and Smith, Hague & Co., Detroit. **Price**—$3.50 a share. **Proceeds**—Net proceeds go to selling stockholders. **Business**—Graphite bronze bushings and other products.

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, Ohio (10/22)
Aug. 16 (letter of notification) 199,000 shares (50c par) common and warrants for purchase of 125,000 additional common. **Offering**—Price $1.50 a common share and one cent a warrant. **Underwriters**—Frank C. Moore & Co., New York; and Euler & Co., Philadelphia. For payment of plant mortgage, purchase of additional equipment and for working capital.

● **Reed-Prentice Corp., Worcester, Mass.**
Oct. 11 filed 120,300 shares of common stock (par $2.50). **Underwriter**—Tucker, Anthony & Co., New York. **Price**—By amendment. **Proceeds**—The shares are being sold by stockholders who will receive proceeds. **Business**—Production of plastic injection molding machines.

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 Aviation Corp., Farmingdale, N. Y.
Oct. 9 filed 100,000 shares ($50 par) convertible preferred stock. **Underwriters**—Hayden, Stone & Co., and Kidder, Peabody & Co. **Price**—By amendment. **Proceeds**—Proceeds, together with bank loans, will be used to increase working capital. Such funds are deemed necessary in view of the additional facilities that company intends to acquire and its large backlog of peacetime business.

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 $434,384. The company is offering to repurchase these securities with interest and reoffer them to the public. The purpose of the recission offer is because the earlier securities were not registered with the SEC. **Price**—The notes will be sold at 100, the preferred at $100 a share, and the common at 10 cents a share. **Proceeds** — Proceeds will be added to general corporate funds.

Republic Pictures Corp., New York
Registration originally filed July 31 covered 184,821 shares of $1 cumulative convertible preferred ($10 par) and 277,231 shares (50c par) common stock, with Sterling, Grace & Co. as underwriters. Company has decided to issue 454,465 shares of common stock only, which will be offered for subscription to stockholders of record Sept. 5 to the extent of one share for each five held. Issue will not be underwritten.

Reynolds Pen Co., Chicago
May 4 filed 400,000 shares of common stock (no par), of which 100,000 shares are being sold by company and 300,000 by stockholders. **Underwriters**—Names by amendment. **Offering**—Terms by amendment. **Proceeds**—Net proceeds to the company will be added to working capital.

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.

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**—Of the total being offered company is selling 155,000 shares of which 9,524 shares are reserved for possible sale to F. G. and P. F. Searle on or before April 30, 1947, at $10.50 per share and the remaining 20,000 shares are being sold by two stockholders. Price to the public $12 per share. **Proceeds**—Working capital, purchase equipment and plant, etc.

Scripto, Inc., Atlanta, Ga.
Aug. 7 filed 25,000 shares ($10 par) 5% cumul. convertible preferred stock and 244,000 shares ($1 par) common stock. **Underwriters**—Clement A. Evans & Co., Inc., Atlanta. Price of preferred $10.75 per share; price of common, $5.625 per share. **Proceeds**—Company is selling the 25,000 shares of preferred to the underwriters at $10 a share and stockholders are selling 244,000 shares to the underwriters at $5 a share. The registration stated that 24,000 of the 244,000 shares of common are being reserved for a period of four days following the effective date of the registration for sale to employees, officers and directors at $5 a share. The company also is selling 200,000 stock purchase warrants to executives of the company at 50 cents a warrant. Company will use its proceeds for general corporate purposes. Offering date indefinite.

● **Sharat-May Co., Inc., New York (10/21)**
Oct. 15 (letter of notification) 90,000 shares of common stock (par 25c). **Underwriter**—Hautz & Engel. **Price**—$3 per share. **Proceeds**—To pay outstanding debt to its factors, balance for expansion. **Business**—Formed in 1942 to take over and continue the foreign business of Butler Brothers.

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.

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. Offering postponed.

● **Southern Arizona Mines, Inc., Casa Grande, Ariz.**
Oct. 9 (letter of notification) 4,400 shares ($10 par) capital stock. Offering price, $10 a share. **Underwriters**—Walter Hurt, Tulsa, Okla., and George A. Lee, Chicago, Ill. **Purpose**—For mine development.

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.

● **Springfield (Mo.) City Water Co.**
Oct. 16 filed 8,827 shares ($100 par) series E 4¼% cumulative preferred. **Underwriters**—H. M. Payson & Co., Portland Me. and The Moody Investment Co., Springfield. **Offering**—Stock will be offered for exchange to holders of series C 6% preferred and series D 5% preferred on the following basis: For each share of series C stock one share of new preferred plus 50c in cash and for each share of series D stock one share of new preferred plus $1 in cash and a $1.25 dividend payable Jan. 1, 1947. Shares not issued in exchange will be sold to underwriters for public offering at $104 a share. **Proceeds**—Will be used to retire the series C stock at $103 plus dividends and series D stock at $105 plus dividends. **Business**—Public Utility.

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.

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.

● **Stereo Pictures Corp., New York (10/23)**
Oct. 14 (leter of notification) 2,985 units of stock, each unit consisting of one share of $6 cumulative (no par) non-voting, non-convertible, preferred stock and one share of common stock (par 50c). **Underwriter**—Ayres Barley & Associates, Inc., (165 Broadway, Suite 1717) New York. **Price** — $100 per unit. **Proceeds**—for working capital, machinery, equipment, etc.

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.

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.

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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.

● **10 East 78th St., Inc., New York**
Oct. 8 (letter of notification) 124 shares of no par common. Offering price, the price of each unit, which vary in the number of shares, will be between $6,000 and $11,000. The issuer owns land and building which it proposes to convert into 14 apartments which will be leased under proprietary leases to the purchasers of the shares to be offered. **Underwriters**—Rachelle A. Knight and Edward J. Knight, both of New York. **Proceeds**—Proceeds will accrue to R. A. Knight and E. J. Knight under terms of a contract whereby they transferred title to the land and building now owned by the company.

United Benefit Fire Insurance Co., Omaha, Neb.
Oct. 7 filed 50,000 shares ($10 par) common. **Underwriting** — None. **Price** — $30 a share. **Proceeds** — The company stated that $500,000 of the $1,495,000 proceeds will constitute the capital of the company, and after deducting $5,000 estimated expenses, it will classify $995,000 as surplus.

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 postponed indefinitely.

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. Offering date indeterminable at present.

Valsetz Lumber Co., Portland, Ore.
Oct. 4 filed 14,000 shares ($100 par 2% cumulative Class A preferred and 2,000 shares ($100 par) 2% cumulative Class B preferred. **Underwriters** — None. **Offering** — Stocks will be offered for sale to customers and former customers of the Herbert A. Templeton Lumber Co. with whom the registrant has an exclusive sales contract whereby all the lumber produced by the registrant will be sold to Templeton. **Price**—$100 a share for each class of stock.

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.

● **Warwick Apartments, Inc., Red Bank, N. J.**
Oct. 8 (letter of notification) 39,948 shares of capital stock. Offering price, $3.45 a share. **Underwriter**—Ray H. Stillman, Eatontown, N. J., will act as selling agent. **Purpose**—To acquire all of the equity in Warwick Gardens, Inc., which owns certain improved real estate at Red Bank, N. J.

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.

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 ⅛ 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.

West Virginia Water Service Co.
Aug. 6 filed 46,400 shares (no par) common. **Underwriter**—Shea & Co., Boston. Price, by amendment. **Proceeds**—Shea & Co. is selling 26,400 shares for its own account and the remaining 20,000 shares are being sold by Allen & Co., New York, with Shea as underwriter.

Wheeler, Osgood Co., Tacoma, Wash.
Oct. 7 filed 80,000 shares ($5 par) 50c cumulative convertible preferred stock and 100,000 shares ($1 par) common. **Underwriter** — Names by amendment. **Price** by amendment. **Proceeds**—Will be used to redeem $625,000 4% bonds and $638,600 first and second debentures; balance for working capital.

White's Auto Stores, Inc.
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.

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—Due to the paper situation, 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 can be reported in previous issues. We regret the necessity for this action and will resume the usual complete tabulation as early as circumstances permit.]

● **American Telephone & Telegraph Co.**
Oct. 16 stockholders voted to create a new issue of $351,000,000 2¾% convertible debentures due 1961, and approved an increase in the authorized common shares from 25 million to 35 million. Debentures are to be offered to shareholders of record Nov. 8 in proportion of $100 debenture for each six shares held. Up to 2,800,000 shares of stock may be issued and sold to employees.

● **Atchison Topeka & Santa Fe Ry. (10/29)**
Bids will be received by F. G. Gurley at 80 E. Jackson Boulevard, Chicago, up to noon (CST), Oct. 29, for the lowest interest rates at which bidders will provide funds for financing the acquisition of railroad equipment under conditional sale agreements, in five lots, viz.: (1) not to exceed $2,904,000; (2) not to exceed $927,800; (3) not to exceed $2,352,000; (4) not to exceed $2,024,000, and (5) not to exceed $2,744,400.

● **Baltimore & Ohio RR. (10/24)**
Bids for the purchase of $7,620,000 equipment trust certificates, series R, to mature in 10 equal instalments of $762,000 each on Nov. 1, 1947-1956 will be received up to 12 noon, Oct. 24, at company's office, 2 Wall Street, New York. Probable bidders include Halsey, Stuart & Co. Inc., and Salomon Bros. & Hutzler.

● **Blauner's, Philadelphia**
Oct. 8 stockholders voted (1) to refund the $3 cumulative preferred stock with a new issue of 150,000 shares of convertible preferred, to be issued in series; (2) changed the par of the common from no par to $3 par; (3) split the common on a two-for-one basis. An initial series of 30,000 shares of preferred may be offered publicly to refund the $3 preferred and to provide working capital. Probable underwriter, Van Alstyne, Noel & Co.

● **Central of Georgia Ry. (10/29)**
Bids for the purchase of $2,300,000 equipment trust certificates will be received by the trustee, Merrel P. Callaway, up to 12 noon (EST), Oct. 29, at main office

of Chemical Bank & Trust Co., New York. Probable bidders include Salomon Bros. & Hutzler; Halsey, Stuart & Co. Inc.

● **Chicago & North Western Ry.**
Oct. 10 company applied to ICC for authority to issue $10,140,000 equipment trust certificates, to be dated Dec. 1, 1946, and due serially in equal annual instalments. Dividend rates to be specified in bids. Probable bidders include Otis & Co.; Salomon Bros. & Hutzler; Harris, Hall & Co. (Inc.); Halsey, Stuart & Co. Inc., and Middle West banks.

● **Circle Wire & Cable Co.**
Oct 16 early registration of common stock expected, with First Colony Corp. as underwriter.

● **Delaware Lackawanna & Western RR. (10/22)**
Company will receive bids for the purchase of $4,250,000 equipment trust certificates up to 12 noon EST Oct. 22 at office of J. G. Enderlin, Treasurer, Room 2008, 140 Cedar St., New York 6, N. Y. Interest rate is to be specified in the bid. Probable bidders include Halsey, Stuart & Co. Inc. and Salomon Bros. & Hutzler.

● **Gulf, Mobile & Ohio RR. (10/23)**
Bids for the purchase of $2,400,000 equipment trust certificates, dated Nov. 1, 1946 and due serially Nov. 1, 1947-58, will be received by the company up to Oct. 23. Dividend rates are to be specified in the bids.

● **Illinois Cities Water Co.**
Oct. 16 J. G. White & Co., Inc. has organized this company to purchase from Illinois Power Co. the property supplying water to Mt. Vernon, Ill. and has contracted to purchase the company furnishing water service in Edwardsville, Ill. Financing plans not yet announced.

● **Interstate Power Co.**
Oct. 9 amended reorganization plan, with two alternative proposals filed with SEC under altered plan, company would issue initially $19,400,000 new first mortgage bonds and 3,000,000 shares ($3.50 par) common stock to be sold under competitive bidding. Probable bidders, The First Boston Corp.; Halsey, Stuart & Co. Inc. (bonds only), and Dillon, Read & Co. Inc. (stock only).

● **Kingdom of the Netherlands**
Oct. 4, Dr. Pieter Lieftinck, Minister of Finance, was reported as stating that the Netherlands Government would like to float a bond issue in the United States as soon as market conditions are satisfactory. The matter has been discussed with investment bankers in New York and the reaction has been favorable, he said. The total amount reported is in neighborhood of $50,000,000 and Kuhn, Loeb & Co. are mentioned as possible underwriters.

● **Lithomat Corp.**
Oct. 14 William W. Garth, Jr., informed stockholders that corporation is going to need additional capital. When, and how much, cannot be determined at this time, he stated.

● **New York State Electric & Gas Corp.**
Oct. 10 company advised the SEC that it proposes to issue $13,000,000 1st mtge. bonds due 1976, interest not to exceed 2⅞% and $12,000,000 preferred stock, dividend rate not to exceed 4%, the proceeds to be used to retire $13,000,000 3¾% bonds and $12,000,000 5.10% preferred stock. Plan also provides for issuance of an additional $3,000,000 preferred to be applied against cost of new construction. Probable bidders include Blyth & Co. and Smith, Barney & Co. (jointly); the First Boston Corp. and Glore, Forgan & Co. (jointly) and Halsey, Stuart & Co. Inc. (bonds only).

● **Philadelphia Electric Co.**
Oct. 14 reported company ready to undertake new financing in amount of $60,000,000, to be divided into $30,000,000 bonds and $30,000,000 preferred stock, to be sold under competitive bidding. Probable bidders include The First Boston Corp.; Halsey, Stuart & Co. (bonds only); Morgan Stanley & Co.; W. C. Langley & Co., and Glore, Forgan & Co. (jointly), and White, Weld & Co. (bonds only).

● **Safe Harbor Water Power Corp.**
Oct. 4 company announced that it plans to refund $19,131,000 4½% bonds through a new series of bonds and serial notes. The new issue of bonds is expected to be sold through competitive bidding. Registration expected about Oct. 25. Probable bidders: Lee Higginson Corp.; Blyth & Co., Inc.; Halsey, Stuart & Co. Inc.; Dillon, Read & Co. Inc. and Harriman Ripley & Co.

● **South Jersey Gas Co.**
Oct. 28 hearing scheduled before SEC on proposed merger of Peoples Gas Co. and Atlantic City Gas Co. (both subsidiaries of Public Service Corp. of New Jersey). New company, subject to satisfactory market conditions, would sell $3,000,000 new first mortgage bonds for refunding purposes.

● **Studebaker Corp.**
Nov. 20 stockholders will vote on authorizing the issuance and sale of up to 200,000 shares of preferred stock for the purpose of increasing corporate capital. Probable underwriters include Kuhn Loeb & Co., Lehman Brothers and Glore, Forgan & Co.

Our Reporter's Report

The market success which attended the recent offerings by Pacific Telephone & Telegraph and the H. J. Heinz Co. has reacted like a spring tonic on the investment banking fraternity. The turnabout in the market, of course, has exerted its influence too.

Rapid absorption of the Coast telephone company's $75,000,000 of new money debentures, and of the preferred and common shares of the big food processing firm brought considerable lifting of fagging spirits through the industry.

Reversing the Field

Sale of Duluth, Missabe & Iron Range Railway's $19,200,000 of new serial bonds, on Tuesday, brought a situation unprecedented in the annals of competitive bidding for securities.

When tenders were opened it appeared that a group headed by Halsey, Stuart & Co., Inc., had entered the successful bid showing an interest cost basis to the road of 2.2958%, while through an error the bid of a second group headed by Morgan Stanley & Co. was figured as 2.298% interest cost.

The first-mentioned group, figuring it had captured the issue, proceeded with reoffering only to encounter a snag some hours later.

It developed that upon recalculation of the bids, that of Morgan Stanley & Co. worked out actually to a cost basis of 2.2945%. Accordingly the bonds were awarded to the latter group which then reoffered them at 100 to yield 1.15 to 2.50% according to maturity.

Philadelphia Electric

This company is reported pushing plans for new financing which is expected to run to about $60,000,000 in new securities, but date of prospective issuance is not yet definitely set.

Plans are said to call for the sale, in competitive bidding, of $30,000,000 of new bonds and $30,000,000 of new preferred stock. Ordinarily well-informed sources say that the undertaking will be done in two separate operations.

Getting an Earful

The Securities and Exchange Commission should really get an earful when it receives the comments of firms concerned with regard to its proposed change in rules governing the use of the "red-herring" prospectus.

Only a Few of the Younger Men of the Larger NYSE Firms Favor Permissive Incorporation

Few indeed are members of New York Stock Exchange who are willing to stand up and be counted among those in favor of permissive incorporation of member firms. Few, too, are proponents of plan who do not qualify their stand. To facilitate healthy exchange of ideas on subject, the "Chronicle" will be glad to continue publication of such comment as the various partners of the Stock Exchange firms may like to make on the question.

Few indeed are the members of the New York Stock Exchange who are willing to stand up and be counted among those in favor of the permissive incorporation of their firms. Enthusiasm for the proposition which is scheduled to come up before the Board of Governors of the NYSE for further consideration on Nov. 7 is lacking even among such members as are inclined to view the proposal with some favor. Usually the proponents of the plan qualify their stand. They are in favor of permissive incorporation—but—it is generally the younger men of the larger firms who support the move for incorporation.

To facilitate a healthy exchange of ideas on the subject, the "Chronicle" will be glad to continue the publication of such comment as the various partners of the Stock Exchange firms may like to make on the question. All opinion — both pro and con — is solicited. 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 comment received by the "Chronicle" follows:

Broker No. 41

The majority of the partners of this firm are opposed to incorporation because, in the first place, they can see no particular advantage to incorporation and, in the second place, they believe incorporation would mean a loss of business. Some corporations which are now good customers would, they think, probably take out Stock Exchange seats themselves if corporations were allowed in. It is my own view that the question should not be smothered, however. Periodically, it should be brought up for reconsideration. It seems to me that the Stock Exchange loses by the fact that such corporations as the First Boston Corporation and Blyth & Co. are not members. Large corporations would undoubtedly bring a lot of business to the floor of the Exchange which is not brought there today.

Broker No. 42

Our firm would like to incorporate. The way we see it, incorporation increases a firm's chances for continuity. The good will which a house may develop through the years is preserved over long periods of time by the corporate form of organization. Incorporation also tends to keep a labor force intact even in the face of major changes in the management. A corporation can build up a reserve in capital out of earnings, too. Incorporation thus tends to give greater stability to the business structure.

I believe that the Stock Exchange has weakened the case for incorporation by insisting on the inclusion of the provisions in the proposed plan requiring Stock Exchange approval of stockholders and limiting participation by outsiders to 45% of the stock. In view of the close supervision which the Stock Exchange would exercise over the make-up of the corporate body of the member houses, the tax authorities are almost certain to look upon incorporate houses as merely another form of partnership.

I think the force of tradition unduly influences Stock Exchange rules, decisions and thinking. In fact, I would like to see all present Stock Exchange regulations and procedures re-examined and re-appraised. I feel that it is entirely unnecessary for one partner of Stock Exchange firm to be required to perform the functions of a mere clerk on the floor of the Exchange, for instance. Partnerships are too loosely held together. Corporations would allocate authority and responsibility to very definite persons. The limited financial liability of the corporation is without particular significance, too, in view of the quarterly accounting of the books of the various member houses by the Stock Exchange itself and the annual reports of financial statements which the SEC requires.

Broker No. 43

I am opposed to incorporation if for no other reason than that it could be used as an opening wedge by the various governmental regulatory bodies — and the courts — to impose additional controls and restrictions on the securities industry. It is my belief that if incorporation is made permissive a lot of houses will live to regret the day they were ever in favor of the move.

Broker No. 44

Incorporation might benefit a large firm with five or six million dollars of capital by giving some degree of continuity to the business; that is, it would tend to give proper support to capitalization as large as this where it exists. However, a small firm like ours prefers the partnership form of organization for the very opposite reason — that it would preserve the flexibility in the relationships of partner to partner that prevails now. We ourselves believe that the advantages of the partnership far outweigh those of the corporation.

Broker No. 45

I don't see what all the excitement is about. I fully expect the Board of Governors of the New York Stock Exchange to turn the position down and so I haven't given too much thought to it myself. However, I think many of the fears which the proposal has aroused in many sections of the industry are without basis. Nor can I see what difference it would make whether banks are admitted as members of the Exchange. I don't see, either, just how incorporation would make it any easier for a house to continue in business after the death of a large owner.

Stripped of all its fine phrases, incorporation boils down to being pretty much a tax matter. If incorporation is made permissive, our firm would probably petition the Board of Governors for the permission to set up a sort of subsidiary to handle all our non-brokerage business. We do some underwriting but we would want to keep our brokerage business in partnership form. Of course, we could form an incorporated underwriting house now but we would want the Board of Governors to recognize the assets of the incorporated subsidiary as part of the capital of the brokerage end of our business.

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