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Inflationary Forces and the FRB

By MARRINER S. ECCLES*
Chairman, Board of Governors of Federal Reserve System

Asserting "past experience has demonstrated that maintenance of stable and prosperous conditions cannot be assured by exclusive reliance upon the free play of market forces," FRB Chairman holds inflationary potentials continue, and in view of decontrols, nation must now rely primarily upon self-imposed restraint of management, labor and agriculture. Holds Federal interest rates should not rise, and lays stock market decline to wage-price maladjustments and uncertainty of business profits.

It is ten years since I had the privilege of meeting with you at a bank management conference of the New England Council. The Axis cloud was then just beginning to blacken the skies over Europe and the Orient. Few were aware of its ominous portent. We were still struggling up from the deepest depression in our economic history. A decade ago most bankers and businessmen were worried about the Federal debt, the unbalanced budget and the danger of inflation. The gross national debt had reached nearly $34 billions.


Marriner S. Eccles

No one then could have foreseen the events of the next decade. After the most devastating of all wars, we find ourselves today with a gross national debt of $265 billions, or nearly eight

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*An address by Mr. Eccles before the Sixteenth New England Bank Management Conference, Boston, Mass., Oct. 25, 1946.

Has New Deal Planning Been A Success?*

By BENJAMIN M. ANDERSON, Ph.D.

Dr. Anderson contends governmental economic planning to create full employment began with cheap money policy of 1924 and became intensified in 1933 under Democratic New Deal. Traces statistically effects of New Deal policies and concludes unemployment was not cured and technical progress was retarded through impaired capital equipment. Holds sharp rise in American industry in 1939, compared with 1914, was due to larger slack in use of industrial potentiality in latter year, and concludes that, judged statistically, government economic planning may be condemned as robbing us, year after year, of production we might have had and consumption which we might have enjoyed.

The New Deal, in the sense of governmental economic planning designed to create full employment, began, as a conscious and deliberate matter, in 1924, when the Federal Reserve Banks bought several hundred millions of government securities, manipulating the money market for the purpose of making cheap money, and for the purpose of reversing the rather sharp business reaction of early 1924. The high tariffs which had come in 1921 and 1922 had made grave difficulties for our export trade, and particularly for the export trade in agricultural products. The prices of farm products had had a sharp break in early 1924. If Europe could not sell manufactured goods to us in adequate volume to pay her debts and to purchase our export goods, she could not buy our export goods in adequate volume.


Benj. M. Anderson

The cheap money policy of 1924 coincided with the Dawes Plan, which restored the confidence of American investors in Europe and made possible a great placement of foreign bonds in the United States amounting to approximately a billion dollars, most of which came in

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This article is a chapter on "A Statistical Evaluation of the New Deal's Effect Upon Employment and the Utilization of Our National Productive Powers" from Dr. Anderson's forthcoming book on financial history from 1914 to 1946. Dr. Anderson is Connell Professor of Banking at the University of California, Los Angeles, and Consulting Economist of the Capital Research Co., Los Angeles. He was formerly Economist of the Chase National Bank. He is a member of the Executive Committee of the Economists' National Committee on Monetary Policy.

Interest Rates and Federal Reserve Policy

By J. H. RIDDLE*
Vice President, Bankers Trust Company, New York

Bank executive contends because low interest rates are required by fiscal policy and because there is large amount of idle capital, they will remain low for an extended period. Sees possibility of still lower interest rates as an anti-inflationary measure, but decries fear of severe business depression. Looks for no early government long-term refunding issue and criticizes Federal freezing of short-term rates as encouraging banks to convert holdings into long-term issues and as causing undue credit expansion. Analyzes FRB proposals for greater credit controls, and expresses doubts as to their merits.


J. H. Riddle

The fluctuations in long-term bond yields since the first of this year and the changing moods in Washington have created a number of questions in the minds of investors and warrant a reexamination of the factors affecting the future trend of interest rates. During the early part of this year the Treasury frequently stressed the benefits of low money rates and, together with the Federal Reserve System, followed policies which forced rates lower and lower. Rumor had it that the Treasury would continue to refinance maturities with certificates at 7/8%, or even lower, and would issue no more long-term bonds.

*An address by Mr. Riddle before the New England Bank Management Conference, Boston, Mass., Oct. 25, 1946.

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How High Are Prices?

By EMERSON W. AXE

Investment counsel analyzes price level to weigh justification for prevalent fear that higher prices will check consumption and curtail business. Holds that (1) prices since 1939 have risen less in U. S. than abroad; (2) prices of important individual raw materials are appreciably below world prices; (3) current prices are very low compared with the post-World War I period; and hence concludes a further moderate price advance will not choke demand. Holds that disequilibrium between prices, rather than highness or lowness of the composite level, is harmful.

The Bureau of Labor Statistics wholesale commodity price index dropped rather sharply between the third week in August and the middle of September, entirely as a result of the decline in the price of foods and farm products. A recovery set in around the middle of September which has continued up to the present time. The decline in foods and farm products was the result of the reimposition of controls on meat and the decline was consequently an artificial one—as emphasized by the fact that supplies of meat immediately dried up following it. Other commodity groups showed no reflection of this decline but instead continued to advance. An index of the prices of industrial commodities which I compute has been rising steadily at a moderate pace since the close of last February.

Emerson W. Axe

The paradox of the present situation has been very well summarized by the late Leonard Ayres in his "Business Bulletin" of the Cleveland Trust Company as follows:

"We have great productive capacity. We have more workers employed than ever before. There is ample credit available on easy terms for almost any constructive enterprise that needs credit. We have great accumulated shortages of many kinds of goods, and large numbers of eager buyers competing for opportunities to buy the things they want. It is preposterous that under this combination of conditions the prospects for profits are so dubious that we have had a collapse of security prices."

Prices versus Demand

The difficulties which business has encountered during the past year, and more particularly during the past two quarters, are chiefly a matter of price controls strikes and labor efficiency. There is no question that the labor difficulties are an important deterrent to full business expansion, but it is to be expected that Congress will revise labor legislation and that some restraints will be imposed. Some observers, however,

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Stock Market Break and Holding Company Integration Plans

By ERNEST R. ABRAMS

Author holds alterations in integration plans of many holding companies will be necessary under the changed market conditions. Reviews opinions of SEC with reference to "bundle of rights theory" in allotting values and in distributing assets to senior and subordinate securities of holding companies and concludes that in many instances, present integration plans will have to be revised to reflect lower market values. Holds in cases where holding companies are committed to program of selling assets and retirement of preferred claims in cash, common stockholders will have to bear entire shock of market declines.

What effect will recent stock market declines have on public utility holding company integration plans? Will preferred stockholders now willingly accept payment "in kind" in the retirement of their shares, after having seen other preferred holders receive cash in full to cover both call prices and dividend arrearages earlier in the year? After years of effort and costly legal work, must present integration plans be revised to reflect lower market values? Will the Securities and Exchange Commission "revert" to its "bundle of rights" theory of a few years ago in the unscrambling of utility holding companies? These are some of the questions currently bothering holding company officials and security analysts.

Ernest R. Abrams

That alterations in the integration plans of many holding companies will be necessary under changed market conditons seems obvious. Excluding offerings of less than 100,000 shares, the common stocks of 13 operating utilities publicly distributed during the past six months are, as shown in the accompanying tabulation, now selling at an average of about 17½% under original offering prices. Disregarding bankers' discounts and incidental expenses, holding companies or their operating subsidiaries would have received some $40⅞ million less for their shares at existing market levels than actually accrued to them. It is doubtful, therefore, whether the proceeds of these distributions at present market levels would have been sufficient to accomplish the desired ends.

But any suggestion that the SEC must "revert" to its "bundle of rights" theory bespeaks a lack of familiarity with the philosophy of the Commission as expressed in its published Findings and Opinions. Actually, it was not the SEC but the holding companies and their bankers who disregarded

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Diagnosing the Dip

By MAURICE S. BENJAMIN
Senior Partner, Benjamin, Hill & Co.

Market analyst ascribes drastic stock market break to public's delayed and exaggerated reaction to reconversion troubles. Predicts rise when public comprehends favorable position of many industries, coupled with underlying inflationary stimula. He lists divergent performances of representative issues during the general market's decline since last February, and predicts that similar selectivity will dominate the coming bull market.

The recent decline in the stock market was the severest in nearly five years. Although the average break remained in close proportions to those of past records (approximately 25%) there were critical situations where 50%-60% of values were destroyed. The bad result, besides the shrinkage of security values, is the panic psychology concerning future business prospects. This fear is widespread among investors, and economists are nearly all lending support to it, so that the public is made thoroughly aware of the predicted depression.

Maurice S. Benjamin

Does this stock market break insure bad business? Did the similar stock market situation which came after the first year following World War I foretell the biggest industrial boom in the history of this country? Obviously not. The expansion of the automobile and electric power industries lay immediately ahead, as well as the reconstruction necessitated by the war. Now again, the growth situations are numerous, among them being electronics, radar, television, jet

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Underwriters Encouraged by Caffrey's Red-Herring Plan

Tell "Chronicle" Commission's Proposals Don't Go Far Enough

Underwriters are known to be responding to the appeal of James J. Caffrey, new Chairman of the Securities and Exchange Commission, for a statement of opinion on the suggestions he has incorporated under the heading of Proposed Rule 131 regarding the possible methods which may be used to secure the widest possible distribution of the red-herring prospectus in new security offerings. It is likely that by now Mr. Caffrey's desk is covered with studied replies from many of the leading houses at least in the industry.

The general reaction to Mr. Caffrey's proposal is, in the very words of many underwriters, that "it is a step in the right direction," but, as one of them said, "it is a short step," and, as another put it, "but it doesn't go far enough." The underwriters have ideas of their own as to how the red-herring prospectus should be handled. Some conception of what is in the underwriters' minds can be had from the following opinions advanced to the "Chronicle." To aid in the general discussion of the question, we shall be glad to print such other comment as underwriters may wish to forward to us. All communications should be addressed to the Editor, The Commercial and Financial Chronicle, 25 Park Place, New York 8, N. Y.

Comment No. 7

As it stands at present, Mr. Caffrey's proposal is not very practical. The mere fact that it generally takes 16 days or more for the SEC to get out its first letter of comment practically nullifies any advantage which the new-type red-herring prospectus which Mr. Caffrey suggests the industry use might conceivably provide. It has taken the SEC 21 days to get out its deficiency letter. In such an instance, distribution of a red-herring prospectus of any type within the 20-day

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Margin Trading Prohibition And Disorderly Markets

By WYMOND CABELL*

President, Association of Stock Exchange Firms
Partner, Branch, Cabell & Co., Richmond, Va.

Mr. Cabell scores prohibition of margin trading as causing market disorderliness and discriminating against listed securities. Contends restriction paralyzes right arm of all industry. Points to need of much new corporate financing, which will be hampered because of investors' inability to absorb new issues by cash purchases. Says freezing of debit balances in margin accounts destroys flexibility of investment, and concludes government interference in flow of capital creates not only panicky stock markets but also industrial depression. In Chicago address, Mr. Cabell calls securities industry "the whipping boy" of politicians, and urges all elements in it unite to aid investors and to restore our economy to health.

Wymond Cabell

In September the stock market collapsed. Larger declines occurred in the value of securities in relation to the number of shares which changed hands than at any other time in the history of the organized

*An address by Mr. Cabell before the San Francisco Stock Exchange, San Francisco, Cal., Oct. 28, 1946, and part of another address before Chicago Association, of Stock Exchange Firms, Chicago, Ill., Oct. 24, 1946.

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Slump Ahead!

By STACY MAY*

Director of Economic Intelligence, RCA International Division
Former Director, Planning and Statistics Div., War Production Board

Mr. May holds we are facing a recession, but of smaller magnitude than 1920-'21. Despite some current favorable elements, he regards following destructive notes as controlling: (1) Decline in commodity markets; (2) Slackening of consumer appetite for soft goods and luxury items, which has provided main support of boom; (3) Fading of housing demand; (4) Work stoppages through strikes; (5) Limitation of markets through cost rigidities; and (6) Delay in dismantling government controls. Fears we lack collective wisdom to solve our immediate problems.

At a time when the available indices, of the sort that generally are relied on for business forecasts, so conspicuously point in diverse directions, one must be bold to the point of recklessness to even attempt a reading of them. It is small wonder then, that most commentators on the subject, and their number is legion, resort to a form of double-talk or "gob-ble-de-gook," that adds up to a warning that we must be prepared for inflation on the one hand and deflation on the other.

Stacy May

Such a procedure is relatively safe for the prophet—he always can point, retroactively, to that part of his warning which has been proved to be appropriate. But it is not very helpful to his readers. In fact, the attempt to ride dual positions can be positively dangerous when, as was

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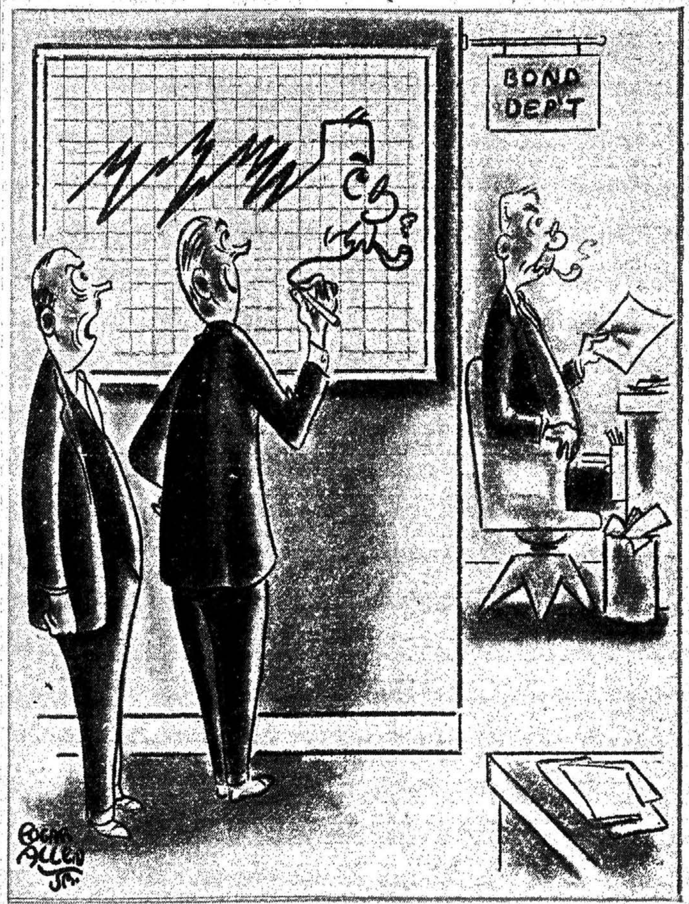
*An address by Mr. May before Cotton Textile Institute, New York City, Oct. 23, 1946.

BUSINESS BUZZ



"Jenson—Pu-lease!"

Post-war Role of Business Inventories

By D. STEVENS WILSON*

Office of Business Economics, Dept. of Commerce

Commerce Department analyst notes that although business inventories have increased since end of war and are at a new peak level, they are not yet excessive, in view of high rate of sales. Points out, however, composition of inventories is unbalanced, since distributors' stocks are low and manufacturers' supplies are deficient in many important respects. Says buying for inventory accumulation cannot go on indefinitely, and stability depends on whether sales will increase and consumers' demands expand to offset deflationary effects of reduced inventory buying.

Three of the more important immediate problems which many business firms faced with the ending of the war were: (1) Settlement for and disposal of "war" goods upon contract terminations; (2) filling the pipelines for the production of civilian finished goods, and (3) accumulating at least a minimum stock of new goods which were unavailable during the war.

Dr. D. S. Wilson

The inventory trend since the end of the war in manufacturing, retailing and wholesaling have reflected essentially the filling of the production pipelines and the stocking up of newly produced goods. Manufacturers in particular had to fill large deficits in many types of civilian inventories and the demand for goods stemming from this source was a significant factor in the level of and character of industrial output during the past year.

The inventory accumulation has been large throughout the transition, and the recent acceleration

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*Reprinted from the October issue of "Current Business," published by the United States Department of Commerce, Washington, D. C.

International Trade Conference Making Rapid Progress

Clair Wilcox, head of American delegation, reports Conference's surprising success to the "Chronicle." Two main issues confronting conferees are: (a) demands of industrially young countries to protect infant industries; and (b) definition of transition period for retention of import controls. British insist American prosperity and imports are crucial. Compromise needed between proposal by Australians for international industrialization commission, and American preference for subsidies in lieu of tariffs and quotas. Our lend-lease policy on silver viewed as hastening its demonetization.

By Special Cable to the "Chronicle"

LONDON, ENGLAND, Oct. 30—Commenting to the "Chronicle" regarding preparatory trade discussions here, Clair Wilcox, head of the American delegation to the International Trade and Employment Conference and director of the State Department's Office of International Trade Policy, said: "The Conference has made more rapid progress than we had any right to expect before it convened. There are some difficult problems still awaiting solution, but the atmosphere in this third week of the meeting is one of cordial cooperation, and the project of writing the constitution of an International Trade Organization is already well advanced."

Clair Wilcox

Two main issues confront the conference: The demands of industrially young countries for freedom to protect infant industries and secondly, agreement on the definition of a transition period during which member countries may retain quantitative import controls. The former is much on the mind of India, Australia, New Zealand, China, Lebanon, Latin Americas, France and Czechoslovakia. Underlying these questions is the general awareness of instability of any organization built upon the permanent economic stability in America and the wish for an American commitment to buy heavily abroad or invest abroad in slack times.

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"Britain Can't Get It"

By PAUL EINZIG

London observer, calling attention to exhibition in London of goods of British manufacture, called "Britain Can Make It," points out most products are still unavailable to domestic consumers, and exhibition is ill-timed. Says, despite American loan, policy is to divert goods to export markets and, in view of inability to satisfy export demands for years, home markets will suffer. Sees revival of pressure to divert more goods to home market.

LONDON, ENG.—The "Britain Can Make It" Exhibition enjoys deserved popularity among the British public and when the 500,000th visitor crossed the turnstiles there was lively celebration of the event. Even so, many people are inclined to believe that it was a gross psychological miscalculation on the part of the government to have arranged this exhibition at this stage. For the reactions on British opinion are anything but favorable from the government's point of view.

Paul Einzig

Admittedly, the hundreds of thousands of visitors thoroughly enjoy the sight of goods which have long ceased to be visible in the shop windows. Amidst the shabbiness and all-round deterioration that characterizes post-war London, the skillfully organized exhibition at the Victoria and Albert Museum is indeed an oasis. It is gratifying to see once more goods that are not shoddy wartime quality, and it must give satisfaction to see that in spite of the war some considerable improvements have been achieved by civilian industries.

The trouble is that most of the goods which are exhibited are utterly unobtainable by the British consumer. In the circumstances it is most tantalizing to see them exhibited, and to be told that ordinary mortals in this country are not likely to be able to buy them for at least a year or two, if not more. Accordingly, the show has been nicknamed "Britain Can't Get It" Exhibition.

After years of wartime austerity it was hoped that various articles

(Continued on page 2221)

Observations . . . .

By A. WILFRED MAY

UN Is Big Business — The Public's Reaction

Perhaps the public's "complacency" over the General Assembly's session, concerning which high UN officials are recurrently complaining, is primarily founded on the American public's indifference to institutions as compared with personalities. But the intensification of public apathy, ranging even to hostility, is avoidable. To this writer it reflects a bad "public relations job" by the Organization in repeatedly highlighting the *bigness* of its proceedings, expenses and physical requirements; and in its general fanfare. This is particularly so when its pageantry is coupled with the past and present publicity about its dramatic disagreements and failures.

A. Wilfred May

Public criticism has stemmed from the demands for a site, initially set at forty square miles—greatly exceeding the spacious Geneva territory occupied by the League of Nations—and now centering about New York City's offer of Flushing Meadows entailing a building cost of $65 millions. Probably more than the officials realize, the public has been looking askance at the seemingly duplicate expenses arising from the temporary status of the space arrangements followed thus far. For example, Secretary-General Lie has just disclosed plans for constructing an office building to implement the temporary headquarters at Lake Success—at a cost not less than $5,000,000. This new construction will be additional to 100,000 square feet of other office space now being converted at Lake Success, and to two offices plus 64,000 square feet in the Empire State Building in New York City, all being used by the Secretariat.

In addition to the construction requirements for the Secretariat, much publicity has been given to the accommodations and service being provided for the 2500 individuals composing the delegations, their staffs and secretariats, the foreign press, radio, and film correspondents. As a harassed public sees it, they are lifting 1600 hotel rooms out of an already sorely-crowded city.

The transportation facilities likewise are on a grand scale. In the first place, constant shuttle services have to be provided between Flushing Meadows and Lake Success which houses the Secretariat. Additionally there is a large car pool to handle local transportation. 100 U. S. Navy and 150 U. S. Army cars and drivers from all over the United States are being used, the expense being borne by UN.

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Kebbon, McCormick Add

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL. — **Harvey Hawkins Orndorff** has been added to the staff of **Kebbon, McCormick & Co.**, 231 South La Salle Street.

With Riter in Chicago

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL. — **William M. Brennan** and **Sherwin C. Thiele** are with **Riter & Co.**, 134 South La Salle Street.

British Proposals for International Full Employment

(By Special Cable to the "Chronicle")

Text of document submitted by British delegation to Preparatory Commission of International Trade Organization in London. Holds full employment is international problem and recommends separate convention covering employment policy in coordination with United Nations agencies.

LONDON, ENG., Oct. 30.—The following is the text of a memorandum of the British delegation to the Preparatory Commission of the forthcoming International Trade Organization now meeting in London:

Memorandum of United Kingdom Delegation

The maintenance of full employment is a vital element in the policy of His Majesty's Government in The United Kingdom. The objective of maintaining full employment in any one country may well be frustrated unless all other major industrial and trading nations are likewise maintaining full employment. His Majesty's Government therefore fully support the proposition that this subject is one on which international action is necessary.

It is, moreover, the view of His Majesty's Government that unless adequate steps are taken to this end the results hoped for from the reduction of trade barriers will not be fulfilled equally. They hold that without the reduction of trade barriers full employment will not make its maximum contribution to raising standards of living.

The United Kingdom Delegation wish, therefore, to suggest that international action to promote full employment and the measures to be taken if some countries are unable to maintain full employment cover a range of subjects far more comprehensive than that contemplated for the International Trade Organization.

Accordingly we propose that there should be a convention covering international employment policy which might either take the form of a separate convention (signed at the same time and by the same countries as the articles of the Trade Organization) or form part of a general convention which would also establish the International Trade Organization, and contain the specific Articles of Agreement of that organization.

We submit as Annex A draft

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Prosperity—We Can Have It If We Want It

By MURRAY SHIELDS*

Economist and Vice-President, Bank of the Manhattan Company

Mr. Shields expects post-reconversion period to embrace: (1) Production materially higher than in last decade; (2) Intensified domestic and foreign competition; (3) Instability in the economy; and (4) A price level higher than prewar. Consequently advises business to: (a) Re-examine production programs; (b) Follow conservative inventory policies; (c) Fix financial programs on a long-term basis in anticipation of higher interest rates; and (d) Drastically reduce production costs.

The choice of "Operation-Prosperity" as the central theme for the 1946 meeting of the Associated Industries of Massachusetts is an inspiration for it is now clear that, while this nation possesses the resources, labor, capital and technical "know-how" for a great period of prosperity, we shall not have that prosperity unless we do more conscientious, careful and practical planning toward that end than we have in the past year.

Murray Shields

We can have prosperity if we want it, but we have to want it enough to make some long overdue changes in our economic policies. Without these changes "Operation-Prosperity" is likely to fail, in which event we may have to face one of the greatest crises in our history. The choice thus may well be between prosperity and crisis. The greatest industrial power of the world is threatened not simply by another depression but by deep-seated economic and

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*An address by Mr. Shields before the Annual Meeting of the Associated Industries of Mass., in Boston, Oct. 24, 1946.

Banks and Government Bonds

By RUSSELL T. WILLIAMS*

Asst. Vice-President and Manager, St. Louis Office, C. F. Childs & Co.

Forecasting continuation of present pattern of interest rates, Mr. Williams cautions banks that, despite larger commercial lending, they must continue to hold large volume of government securities and must keep an eye on liquidity of portfolios rather than higher income return. Sees no reason, however, why banks should not have part of assets in long-term issues, but warns that maturities of issues should be properly spaced and that speculation in various issues be avoided. Holds commercial and real estate loans will continue to increase, but Treasury will keep interest range on government securities between 7/8% and 2½% and prices will be stable.

I am glad to be here today to talk to you on U. S. Government securities. We are going through a period unprecedented in the history of our National Debt. During the past 15 years of relatively low volume of new corporate financing and of large Federal deficits, Treasury operations have become a dominant factor in the money market. While the Federal deficit has now been drastically reduced and we hope soon to be operating with a balanced budget, the Treasury is still confronted with the task of refunding billions of dollars of maturing obligations. Both the Treasury and the Federal Reserve authorities have indicated they see no necessity to change the present rate pattern established during the war financing. You will recall Secretary Snyder's statements at the American Bankers Association Convention in Chicago and it is interesting to note that on Oct 4, speaking before the New York Financial Writers, he restated certain policies which he feels it is very important for our people to understand. One of these was that it is important to achieve a substantial surplus of taxes over expenditures to apply to debt reduction. He also said that in the management of our national debt, we expect to continue issuing securities to meet investors' needs, while keeping an eye on the potentialities for controlling inflationary forces. He repeated his statement that a continuance of interest rates and government securities at about present levels is, at this time, essential for the maintenance of stability in the government bond market upon which, to a considerable degree, business confidence depends.

By issuing securities to meet investors needs, it is expected the Treasury would bring out new issues, if there is a speculative

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*An address by Mr. Williams before Group 9 of Illinois Bankers Association, Waterloo, Ill., Oct. 24, 1946.

Legal Aspects of Bretton Woods Agreements

By CHARLES P. TAFT*

Chairman, Sub-Committee on Bretton Woods Agreements American Bar Association

Prominent attorney, after recounting need for international cooperation in restoration of trade and business, points out how the Bretton Woods Agreements concern legal profession. Outlines legal status of both International Monetary Fund and World Bank, and maintains that, although Fund cannot be sued without own consent, the International Bank does not have this immunity. Sees need for revision of state laws regarding investments if Bank's obligations are to be marketable throughout nation, and lauds cooperation of all interests, government and professional, in advancing objectives of the new international financial institutions.

The Bretton Woods Agreements for the creation of the International Bank for Reconstruction and Development, and of the International Monetary Fund, are essential elements in the organization of the world for peace. They will undoubtedly have important implications for lawyers, especially those concerned with banks, insurance companies, investment by trustees, and foreign trade.

Charles P. Taft

The restoration of the normal channels of trade involves both reconstruction and the exchange of goods. These two general functions, which will rapidly be indistinguishable, are dependent not only on production in the United States and in any foreign country involved, but they also are profoundly affected by international exchange and available credit. International exchange may well depend in the immediate postwar years upon stabilization loans, as well as loans for reconstruction specifically. Such loans may be available in part from private capital, but the major source for countries where the reconstruction and stabilization is most needed will be the International Bank. Thereafter, the continued stability of exchange relations will depend in large part upon the operation of the Monetary Fund.

These two organizations need

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*A paper read by Mr. Taft before the meeting of the Corporation Banking and Mercantile Law Section, American Bar Association, Atlantic City, N. J.

British Official Calls on U. S. to Increase Imports

Hugh Gaitskell, Parliamentary Secretary of the Ministry of Fuel and Power, points out traditional one-sidedness of Anglo-American trade. Declares U. S., Britain and the other great trading countries must pay for import balances from one country out of exports to others. Terms full employment and national income prerequisites to multi-lateral trade.

LONDON, ENGLAND—Speaking at a lunch given here Oct. 23 by the U. S. Chamber of Commerce, Mr. Hugh Gaitskell, Parliamentary Secretary of the Ministry of Fuel and Power, made a strong plea to the United States to cooperate in promoting multi-lateral trade.

"Anglo-American trade has for long been very one sided" began Mr. Gaitskell. "In 1938 we imported from the U. S. nearly six times as much as she imported from us. Today the discrepancy is even greater.

"In the past we met this deficit partly through dividends from investments in U.S.A." he continued, "but now, owing to sales of investments early in the war, our income from this source is less than what we pay in dividends to American investors in British business. We also met it from invisible exports which we hope to see revive. And finally—most important—we converted the surplus in our balance of payments with certain other countries into dollars.

"Even so before the war when trade restrictions were numerous and currency transfers difficult, we were short of dollars from all these sources, and the gap was closed only by increasing American investments over here.

"Today we have, of course, the great American loan, but we cannot live on this forever," said Mr. Gaitskell. "It is to help us out of our difficulties caused by the war, and we have got to get into a position when we not only have no need to borrow, but can also pay back.

"It is no use pretending that the

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Union Suggests Means To Resolve Impasse in NYSE Negotiations

The New York Stock Exchange has under consideration a proposal made by the United Financial Employees which might possibly serve as a way out of the impasse that has been threatening to develop in the negotiations between the two parties for a new contract to replace the one which expired on October 15 but was automatically extended to November 15.

The union is willing now to permit a cancellation of contract on a thirty-day notice by either party.

The Exchange has made it quite clear that it would consider a contract with the union as meaningless which could, in effect, put the Exchange in the embarrassing position of being forced to put pressure on any member of the Exchange to do business with the union any time such a member might get into an argument with the union. The union, on its part, has made it equally clear that it would not sign a contract which would compel its members to cross its own picket line anywhere in the "Street" including one which might be thrown in front of the Exchange by the striking employees of some member firm.

The controversy arose out of the union's insistence on considering the brokerage industry as a more-or-less indivisible whole.

That some progress was made this last week in the negotiations between the union and the Exchange is evident from the fact that the discussions have proceeded beyond the no-strike clause which the Exchange wanted incorporated in the contract to the subject of wage increases.

Another development of particular interest to Wall Street during the last week was the announcement by the State Labor Board that, at the request of the United Financial Employees, it will peermit argument on the evidence in the union's case against Harris, Upham & Co. at 2:30 p.m. Friday, November 8. Notices to this effect will be placed in the mail by the State Labor Board today. The union is seeking to have the results of the election among the employees of Harris, Upham & Co., which it lost, set aside on the grounds of unfair labor practice.

However, the Financial Employees Guild, United Office and Professional Workers of America, CIO, reported that a meeting of messengers and guards of Wall Street banks called for last Friday at 5 p.m. at the Pulitzer Building was largely attended. At the request of the Financial Employees Guild, the State Labor Board will conduct an election among the maintenance employees of Brown Brothers Harriman & Co. today from 3:30 to 4:30 p.m. on the premises of the firm.

Sees Trend Toward Better Business Halted

Purchasing Agents' survey reports general feeling is pessimistic, despite backlog of unfilled orders and further increases in production volume. Holds industrial buyers are using more caution in keeping inventories in balance with demand, supply and deliveries, or in making forward commitments.

A composite opinion of purchasing agents who comprise the National Association of Purchasing Agents indicates, according to a report released by the Association's Business Survey Committee, headed by George E. Price, Jr., Purchasing Agent of the Goodyear Tire and Rubber Co. of Akron, that "the trend to better business has apparently been halted and the general feeling is pessimistic. Nevertheless, the backlog of unfilled orders still appears to be on the increase. Employment is at a high level, and further increases in production volume are limited only by the shortage of basic materials and operating supplies. Retail sales are generally continuing at a high rate for the preholiday season. Car shortages are beginning to become very serious. Coal and ore mines are having to curtail operations because of this shortage, and more industries will be affected shortly unless the situation improves.

George E. Price, Jr.

"Reports from many areas indicate we may be approaching what might be termed an industrial buyers' strike. Prices, in many cases, are so fantastic that purchases cannot be justified. Buying at any price, to keep a plant running may be approaching an end.

"Shutdowns due to strikes and material shortages are seriously affecting the pay-income of industrial workers, and a drop in buyers' and consumers' demands is bound to result.

"The profit angle still continues to worry many in business. Profits do not appear to be in the percentage required to make business attractive and sound. Many concerns are struggling with the problem of cost because of material scarcities and a lack of proper productive co-operation by labor.

"With the return to production of two of the large steel plants in Canada, general business conditions there take on a brighter aspect.

"Industrial buyers are generally concerned over the duplication of commitments. It is believed there are many such instances; to date, there is no great evidence of cancellations. It is expected, however, that a point has been reached where the trend to cancel out these commitments will accelerate. The opinion is very general that industrial buyers have, or will shortly, scale down their ideas on buying too much and too far ahead.

Commodity Prices

"While the general trend of commodity prices continues upward, there is, for the second successive month, a decrease in the number of reports from industrial buyers indicating higher prices. There are no reports of lower prices.

"Price advances appear more conspicuous in the semifabricated and processed goods field than in the basic raw materials.

"Where permitted, prices continue to break through OPA ceilings. OPA continues to give ground. It is interesting to note that reports indicate some decontrolled items advance only slightly, while some advances granted by OPA are substantial.

"Buyers generally feel that we are in the last wave of increases, although there are indications of another upward surge. If this

(Continued on page 2241)

Public Utility Securities

A Poll on Holding Company Stocks

At a recent luncheon forum meeting of the New York Society of Security Analysts a round table discussion of the utility holding company stocks was preceded by a poll of market sentiment on these issues. In order to make allowance for background market psychology, a vote was also taken on the general market and on utility holding company stocks as a class. Following are the statistical results of what was designated as a "long pull" vote (though it seems possible that some members voted more in accord with their views on the near-term market outlook).

	Bullish	Bearish
General market	23	35
Utility holding co. stocks	23	25
American & Foreign Pwr. second preferred	2	24
American Power & Light	15	16
American Water Works	23	15
Commonwealth & South'n	27	8
Electric Bond and Share	14	9
Electric Power & Light	12	8
Engineers Public Service	38	3
General Public Utilities	42	4
Middle West	29	6
Niagara Hudson Power	33	2
Public Service of N. J.	16	16
Standard Gas 2d pfd.	9	24
United Lt. & Railways	40	1

Allowance for inaccuracies should be made because the poll was taken by a showing of hands instead of by written ballot. It also seems a little inconsistent that, while the vote on holding company stocks as a whole was slightly adverse, the votes on the individual issues were favorable for nine out of 13 stocks, neutral on one issue and bearish for only three stocks. It was also obvious that the voting was quite uneven in character, with many of the large number present withholding votes on individual issues or on the entire list. Only one consistently bearish voter was observed and when asked to comment on his position he stated that it was due to his views on the general market.

William Amos of First Boston Corp. gave a general discussion of the subject. He called attention to the wide variations in estimates of the value of Standard Gas & Electric second preferred stock, ranging from 8 to 80. These variations seemed largely due to different valuations placed on Philadelphia Co. common stock, the latter being taken at the current market price around 11 in one instance, and at an estimated "break-up" figure of 24 in the other extreme case.

Mr. Amos stressed the analytical difficulties in appraising break-up values, due to (1) the shifting market yardstick of price-earnings ratios for operating company stocks; (2) SEC and court delays in approving final plans; (3) the difficulties of estimating 1946 earnings and "normal" earnings due to such factors as (a) amortization of plant account; (b) accelerated depreciation; (c) excess profits taxes for the 1945 portion of interim earnings reports, etc.

Truslow Hyde of Josephthal & Co. took a generally bearish view of the outlook due to rising wages, etc. However, he disagreed with views on American Power & Light expressed by another member to the effect that, with a "10 times" earnings multiplier, there would be little or no equity left for the common stock. He contended that even if the common stock equity might be temporarily "in the red," the courts had ruled that a holding company common stock is nevertheless entitled to consideration because of its claim on potential future earning power. Moreover, he thought that current earnings (figured without respect to preferred arrears) could be estimated in the neighborhood of $3-$5 a share on the common stock.

Another member pointed out that while early this year it was the practice to use a price-earnings ratio of 18; it is now becoming the practice to go to the other extreme and use a ratio of only 10. He felt that the safest method was to compare holding company subsidiary stocks with similar issues already in the hands of the public.

One speaker stressed the following favorable aspects of the utility picture: (1) Capital structures of both operating and holding companies have been greatly improved in recent years, and the holding companies have retired a substantial amount of their senior securities. (2) Earnings should hold up well in 1947 regardless of any letdown in general business, because of the current rapid increase in use of electricity. (3) Interest rates are still low, despite the recent securities decline, and will permit additional refunding. (4) Political conditions reflect a "turn to the right" with respect to the utilities, and this trend may be accentuated by the results of the forthcoming election.

NYSE Governors to Act on Permissive Incorp. Next Week

Interest in the subject among the members of Exchange seen faded. Comments of three more brokers, running pretty much like the others previously reported, are given below. Very few member firms seem to be convinced that permissive incorporation would provide any advantages whatever

The issues of permissive incorporation which is scheduled to come up next Thursday before the Board of Governors of the New York Exchange is considered by most of the partners of the various NYSE firms to be pretty much of a dead issue. It is apparent now all around that interest in the subject has run out, so to speak. Printed below are the comments of three more brokers on the subject. They run very much like the others we have printed. Very few seem to be convinced that permissive incorporation would provide any advantages whatever.

Broker No. 46

I am in a fog on this question just as the whole Street itself seems to be. Except for a few ardent partisans on either side, no one seems to be able to make up his mind on the matter. Some of the big houses—because of the large investment they make—probably favor incorporation for the single reason that it would relieve them of some of the financial responsibility they now must bear. If, as has been frequently reported in the press, there is the possibility that the partnership may be given some tax privileges it does not now enjoy, there could, of course, be no possible advantage to incorporation. Even for instance if the tax on partnerships were to be figured on a basis of 50% as compared with the 38% rate for corporations, it would still be advantageous as far as I am concerned, to preserve the partnership form of organization.

Broker No. 47

I am opposed to incorporation. I am just old-fashioned enough to think that the type of business we do should continue to be carried on in the way that has proved so successful over the years. The tax advantage would seem to me to be the only important reason for incorporation but the experts are not sure there is any such tax advantage. Some argue that incorporated companies now outside the Exchange would buy seats under permissive incorporation and thus bring new business to the floor of the Exchange. I agree that the number of houses that would actively seek seats on the Exchange would increase but I do not agree these companies would bring any more business to the Exchange. Many of these companies would be interested only in drawing on the prestige which membership in the Exchange would bring them, particularly in the smaller communities. Commission business just isn't their business and they would only be looking for leads to prospective purchasers of the securities they can and do sell at higher profit rates.

Broker No. 48

We were originally in favor of incorporation but now we feel differently about it. We do not think that incorporation should be adopted for tax reasons alone. Tax inequities have a way of adjusting themselves in time. We do not feel either that the corporate form of organization is necessary to the continuity of the business. We know that a firm can continue in existence if it adopts a long-term policy and if son carries on where father left off in the business. We do not, in fact, consider the question of permissive incorporation as important at all at this time.

International Regulation of World Trade

By SIR STAFFORD CRIPPS*
President of the Board of Trade, Great Britain

British cabinet officer, asserting nations have had chaotic conditions in world trade long enough, urges them to be prepared to give up old national methods of protecting or regulating their foreign commerce. Stresses importance of assuring full employment in all countries as basis for healthy and expanding world trade, but holds trade of one country should not be expanded at expense of others. Urges international regulation of "economic armaments" as means of preventing wars, and calls for same united policy in economic affairs as led to United Nations victory.

On behalf of His Majesty's Government in the United Kingdom I extend a most cordial welcome to all the Delegates to this Preparatory Committee, and I hope that its deliberations may achieve a fuller mutual understanding of the most complex economic problems which beset our various countries, and may prepare the way for reaching an international agreement which will hold out prospects to the people of all lands of a happier and more prosperous life.


Sir Stafford Cripps

I am sure that all of us who experienced the sequel to the First World War must be determined so far as in us lies to steer world economic policies into safer and saner channels than our predecessors then did.

It is as well, however, to remember that it was not so much the desire as the achievement that was then lacking. The world was full of good intentions but signally failed to translate them into wise actions. There was not then, I think, the same universal recognition, as there now is, of the important part played by the economic relations between nations nor of the influence which they of necessity exert upon political events in the international field. We do now realize—as never before—that there is no security in peace unless we can deal internationally with the major social, economic, political, and I would add, religious questions, and it is to that end that the United Nations have determined to work and have set up their Organization.

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*An address by Sir Stafford Cripps at the opening session of the Preparatory Committee of the International Trade and Employment Conference, London, Oct. 15, 1946.

Our Economic Responsibilities In the World Today

By W. AVERELL HARRIMAN*
Secretary of Commerce

Our New Secretary of Commerce declares preservation of peace is dependent on sound and expanding world economy. Advocates we make large but wise capital investments to develop industry and agriculture in world's backward areas and that we expand our imports. Expressing full faith in American free enterprise, he is optimistic over our ability to handle our business problems, with government assisting in "adjustments." Is confident of settlement of management-labor differences. Stresses role of production.

In the present period of uncertainty there is one thing sure. The preservation of peace on earth is dependent on the establishment and the maintenance of a sound and expanding world economy.


W. Averell Harriman

All the arts of diplomacy and all the manifestations of military force will not give us freedom from fear unless at the same time we develop a way to attain freedom from want—freedom from want everywhere in the world.

This presents a tremendous problem in which the vast majority of the people of the world are looking to us for leadership. But we have developed the ability in this country to face great problems and to solve them.

The solution of world economic problems must begin right here at home. There must be prosperity at our own firesides or we shall be of no help to ourselves or to our fellow men in other lands.

Now, we are a nation of 140 million people, and although that is only about 6% of the population of the world we are a vast economic power doing a tremendous percentage of the business of the world. Our industrial production is perhaps more than half of the industrial production of the world. Our national income before the war was about 30% of the income of the world and is certainly greater now. We are such a great force that we have great power for good or for harm in the lives of other nations, dependent on how we handle our affairs both at home and abroad.

Are We Prepared for Responsibility?

Last year, when the war ended, there was a question which I was asked everywhere in my travels in different parts of the world,—"Is the United States prepared to take her share of responsibility in world problems, or will she return to the isolationist policy which she adopted after the last war?" As a result of the clear positions taken by President Truman and Secretary Byrnes, with bi-partisan support, the question is no longer in the minds of the people of other countries as far as political settlements are con-

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*An address by Mr. Harriman before the New York "Herald-Tribune" Forum, Oct. 30, 1946.

What Future for Bank of International Settlements?

By HERBERT M. BRATTER

Special Correspondent of the "Chronicle"

Correspondent reports BIS is threatened with liquidation, in lieu of combining with new World Bank. Opponents charge it with having done business with Hitler, although it claims that it scrupulously lived up to its regulations, limiting itself to operations "above reproach from the point of view of both belligerents and neutrals." Mr. Bratter alleges recent opposition was prompted by desire for approval of Bretton Woods institutions. States Soviet satellites prefer BIS as a non-political banking organization.

Herbert M. Bratter

BASEL, SWITZERLAND—Opposite the main railroad station in Basel in a former hotel which originally had the hopeful name of Hotel de l'Universe, the Bank for International Settlements still quietly carries on its assigned functions while waiting for the world to decide its fate. Is the BIS to be liquidated or is it to be made a branch of the World Bank? Logic would seem to point to the latter course, but emotion if not evidence may condemn the Bank to oblivion because of what Dr. Harry White has repeatedly and publicly called "doing business with Hitler in wartime." The White-Morgenthau feeling about the Bank, which it must be assumed is based on all the informational resources of the American Government, although no documentary facts of a substantiating nature have been disclosed in Washington, probably still survives among some Treasury officials although White and Morgenthau are no longer running the Treasury. So far as an outsider can judge, the criticism of the BIS is based upon its gold transactions with Germany during the war.

Of course, the BIS did business with the Reichsbank through the war years. Also it did business with banks of Allied member countries. But Britain and France, on the Allied side, through their central banks maintained membership in the BIS throughout the war. (The United States, it will be recalled, did not participate through the Federal Reserve banks, but only through a few commercial banks.) In anticipation of the war, and under British leadership, the presidency of the BIS was in the summer of 1939 entrusted to an American, Thomas H. McKittrick, who has recently vacated the post, and there is no evidence the writer has seen that the British and French authorities were in any way dissatisfied with the work of the BIS during the war. The only official criticism has been that of White and Morgenthau while they were in the Treasury.

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Collective Bargaining With a Club

By DONALD R. RICHBERG*

Mr. Richberg condemns coercive tactics of labor organizations in enforcing demands and ascribes unsatisfactory industrial relations to defective Federal legislation which subordinates public welfare to selfish interests. Says present law permits force to be arbitrator and that tyranny of labor boss is just as destructive as any other tyranny. Says unions should not be crippled, but government should maintain democratic balance of power between economic interests. Advocates laws which require peaceful settlement of economic conflicts which affect public welfare.

Labor disputes of any consequence are no longer local disagreements between employers and employees. They have become the skirmishes, the forays and the battlefields in a nationwide war against private business, private property and democratic government.

Donald R. Richberg

A candid military report on the progress of this organized labor war would be that the people of the United States are taking a terrible beating. Defeat after defeat has been suffered on all land and water fronts. We expected a greater resistance up in the air, where government officials are always found. But with more New Dealers out of a job taking to the air every day, radio-active bombs and falling angels have become an increasing menace; and, as prophesied long ago, we have "heard the heavens fill with shouting, and there rained a ghastly dew."

There can be, however, little pleasure to me and little profit to you, in such a review of events with which you are all familiar. Let me paraphrase "Paul Revere's Ride" and say:

You have heard the rest in the press you've read,
How our public guardians fired and fled,
How the strikers gave them bawl and bawl
From each picket line and factory wall.

You know all too well how the battles of Detroit, New York, Pittsburgh and Chicago were lost; how the people were denied food and clothing and fuel time after time until the great minds of Washington could agree on terms of surrender. You know how the Eyebrow King Coal, the lords of the CIO and the Sultans of the AFL massed their armies against our beleaguered cities, while their pink and red partners in crime betrayed their friends and neighbors

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*Extract from speech of Mr. Richberg at Dinner of New York Employing Printers Association, New York City, Oct. 30, 1946. Mr. Richberg is a partner of the law firm of Davies, Richberg, Beebe, Busick & Richardson, Washington, D. C.

Senator Ball Advocates End of Closed Shop

In Baltimore address, says he will introduce measure in next Congress to remove provision legalizing the closed shop in Wagner Act.

According to the Associated Press, Senator Joseph H. Ball (R.-Minn.) told the Baltimore Association of Credit Men that the provision in the Wagner Labor Relations Act which legalized the closed shop deprived the worker of the right to decide whether he could work or earn a living in his own occupation and that he proposed to introduce a bill in the next Congress that would remove this provision from the law. Though approving the provisions of law which guaranteed the right of organization to workers, he criticized the Administration's labor policy, declaring: "Rewriting of labor legislation is the Number 1 domestic problem in the view of the people of this country.

Senator Jos. H. Ball

"The task of revision of labor legislation is the writing of sound legal definitions into the law of rights and responsibilities of employers and employes."

Regarding strikes against the Government, Sen. Ball held: "A government cannot tolerate strikes against it. You have to get a government that's got guts enough to state that principle and stick to it. Then, if a group strikes, fire the people who violate the principle and hire others."

Predicts Another Steel Wage Demand

Philip Murray, President of Steel Workers and of CIO, sees need for "healthy" wage increases. Says industry is making plenty of money and can give wage increases without raising prices.

A despatch to the New York "Times" from Philadelphia reports that Philip Murray, President of the United Steel Workers of America and also President of the CIO, in an address at the convention of delegates representing members of the Union's Philadelphia district predicted that a further increase in wages would be demanded at the forthcoming negotiations with the Steel Companies in January. According to the despatch, Mr. Murray stated that "American industry is making plenty of money and can well afford to give very healthy wage increases now without increasing the price of commodities. If industry, through collective bargaining, stabilizes purchasing power by putting higher pay in the worker's envelope, there's no need for any depression," and he added, "the present inflation cannot be blamed on the measly wage increases afforded labor in 1945 and 1946, but is attributable to the greed, lust and selfishness of American industry and business."

Philip Murray

"They talk about American labor striking, while American industry, by and large, is engaged in the greatest strike that ever took place in America, not only against the government but against the people," he said.

In demanding the defeat of those who voted for removal of price controls, Mr. Murray stated: "If these reactionary Republicans and evil forces in the Democratic party are re-elected, they not only will see that your dollar will buy less in 1947 but that you will get a good dose of anti-labor legislation."

Woolley & Petroski Form New Inv. Firm

James F. Woolley, Jr. and Kenneth R. Petroski have formed Woolley & Petroski with offices at 1 Wall Street, New York City, to act as brokers in State and municipal bonds.

Both were associated with the municipal brokerage firm of Hipkins & Topping for many years, Mr. Woolley more recently has been with Braun, Bosworth & Co., Inc. and Mr. Petroski with Graham, Parsons & Co.

With Kidder, Peabody Co.

(Special to THE FINANCIAL CHRONICLE)

BOSTON, MASS. — **Raymond C. Bryan** has become connected with **Kidder, Peabody & Co.,** 115 Devonshire Street.

Joins F. L. Putnam & Co.

(Special to THE FINANCIAL CHRONICLE)

BOSTON, MASS.—**Roland Bryant** has become affiliated with **F. L. Putnam & Co.,** 77 Franklin Street.

SCHENLEY DISTILLERS CORPORATION

NOTE—*From time to time, in this space, there will appear an advertisement which we hope will be of interest to our fellow Americans. This is number 145 of a series.*

SCHENLEY DISTILLERS CORP.

Survivors

By MARK MERIT

Mr. Allan Bass, field representative of the Social Security Administration's Bureau of Old Age and Survivors Insurance with offices at 11 West 42d Street, New York City, paid us a visit. He was interested in a piece we wrote about one of our faithful employees who had retired to a life of security and ease under the Schenley Retirement and Benefit Plan. Mr. Bass thought that perhaps we would devote a column to the Federal Security Agency—so we're going to tell a little story which we hope will enlighten our readers with a phase of social security which, we are informed, is overlooked or ignored by hundreds of thousands of workers and their families. Here's the story: (Names are fictitious).

Johnnie Jones, a young man, was known to grumble, from time to time, about the "deducts" from his pay check. Social security was far off for him. Sixty-five years of age—retirement age—was thirty or more years away. Well, Johnnie unfortunately lost his life in an accident. Jane, his wife, and Ruthie, aged six, survived. Johnnie had never told his wife very much about Social Security. She had a vague recollection that when Johnnie and she attained the age of sixty-five they would get some checks from the government.

But somebody took an interest in Mrs. Jones and told her the facts. She called on the Social Security Administration in her town (there are more than four hundred offices throughout the country) and made some inquiries. She learned that she and her little daughter, were entitled to checks beginning immediately. These checks will come every month, until little Ruthie attains the age of eighteen. Since Ruthie is now six years of age these checks will come to mother and daughter each month for twelve years. After that, the checks will cease coming but when Mrs. Jones becomes sixty-five years of age, she will again receive a check each month—for life.

This recorder wanted to know if survivors' benefit features of the Social Security Act were generally well known, so he made a survey among his co-workers and was greatly surprised to find so many who didn't know the facts. Do *you*? If you don't, send a post card to Social Security Administration, 11 West 42d Street, N. Y. 18, N. Y. and say, "*Send me, free, your 'survivors' booklet.*" You will receive valuable, thoroughly understandable, information.

MARK MERIT
of SCHENLEY DISTILLERS CORP.
350 Fifth Ave., New York 1, N. Y.

Dealer-Broker Investment Recommendations and Literature

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

Common Stock Yielding Over 5%—A list of 15 common stocks yielding over 5% at current price levels, which also offer price appreciation possibilities — Brand, Grumet & Ross, 55 Broadway, New York 6, N. Y.

Long Term Forecast—J. F. Reilly & Co., Inc., 40 Exchange Place, New York 5, N. Y. Also available are the following: **Executives Tell Us That; The Commercial Shearing and Stamping Co.; Barcalo Manufacturing Co.; John Doe Letter; American Phenolic Corp.; General Machinery Corp.; Golden Crown Mining Co.; Silver Creek Precision Corp.; Plastics Materials Corp.; Higgins, Inc.; Highlights of Wall Street; O'Sullivan Rubber Co.**

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

Opportunities for Tax Saving in the Present Market—Analysis and discussion of establishment of tax loss available to dealers — Kaiser & Co., Russ Building; San Francisco 4, Calif.

Also available is the current issue of **Ideas for Dealers** containing data on a number of interesting situations.

Review of the Railroad Situation and Earnings Outlook—Future of rails discussed—Delafield & Delafield, 14 Wall Street, New York 5, N. Y.

Steel Industry Earnings Outlook—Discussion of improving situation—H. Hentz & Co., 60 Beaver Street, New York 4, N. Y.

Sugar Securities—Discussion of strong basic position—Eisele & King, Libaire, Stout & Co., 50 Broadway, New York 4, N. Y.

Tax Items of Interest—In the current **Newsletter** of the Association of Stock Exchange Firms, New York, N. Y.

Transportation Statistics — ICC Monthly comment—Vilas & Hickey, 49 Wall Street, New York 5, N. Y.

Abitibi Power & Paper Co.—Circular—Ernst & Co., 120 Broadway, New York 5, N. Y.

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

Acro-Chemical Co.—New memorandum—Greenfield, Lax & Co., Inc., 40 Exchange Place, New York 5, N. Y.

Also available is a new memorandum on **United Utilities Specialty Corp.**

Arden Farms Co.—Analysis—New York Hanseatic Corp., 120 Broadway, New York 5, N. Y.

Also available are analyses of **A. S. Campbell** and **Metal & Thermit.**

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.**

Automatic Fire Alarm—Analysis—Mitchell & Co., 120 Broadway, New York 5, N. Y.

Bausch & Lomb Optical Co.—Circular—Adams & Co., 231 South La Salle Street, Chicago 4, Ill.

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

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.

Consolidated Edison Co.—Analysis—Hirsch & Co., 25 Broad Street, New York 4, 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.**

Equity Oil Co. and the **Rangely Oil Field**—New up-to-date circular—Forbes & Co., First National Bank Building, Denver 2, Colo.

Federal Machine and Welder Co.—Study of prewar position, war effort, and postwar development—J. G. White & Co., Inc., 37 Wall Street, New York 5, N. Y.

General Manifold & Printing Co.—Bulletin—H. M. Byllesby & Co., Stock Exchange Building, Philadelphia 2, Pa.

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.**

London Terrace — Circular — Seligman, Lubetkin & Co., Inc., 41 Broad Street, New York 4, N. Y.

Nathan Straus-Duparquet, Inc.—Bulletin—Luckhurst & Co., Inc., 40 Exchange Place, New York 5, N. Y.

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

Northern Indiana Public Service — Memorandum — Buckley Brothers, 1420 Walnut Street, Philadelphia 2, Pa.

Also available are memoranda on **Eastern Corp.** and **Bird & Son, Inc.**

Pan American Airways Corp.—Study—Sills, Minton & Co., Inc., 209 South La Salle Street, Chicago 4, Ill.

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

Pettibone Mulliken Corp.—Bulletin—Doyle, O'Connor & Co., Inc., 135 South La Salle Street, Chicago 3, Ill.

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

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

Railroad Employees Corp. — Analysis—L. Johnson & Co., 40 Exchange Place, New York 5, 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, N. Y.**

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

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

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

Utah Southern Oil Co. — Memorandum—Amos C. Sudler & Co., First National Bank Building, Denver 2, Colo.

James F. Burns Named To Head Slate of Stock Exchange Firms Ass'n

James F. Burns, Jr., partner of Harris, Upham & Co., New York, is slated for the presidency of the Association of New York Stock Exchange Firms. He was nominated for the office at a meeting of the board of governors at Pebble Beach, California, where the association is in convention. There were no other nominations.

Mr. Burns is being returned to the office from which he resigned in September, 1942 when he joined the USAAF. He will succeed Wymond Cabell, who has been the association's president for the past two and one-half years.

Mr. Burns became active in the association at the time of its reorganization in 1941.

Two Conceptions of the International Monetary Fund

By PAUL BAREAU*

Advisor to U. K. Delegation to Savannah Meeting of Fund and Bank Governors

British official reports conflict between American and British concepts of Fund center about degree of its political foundation. Holds British view it, along lines of former Tri-Partite Agreement, as a non-political club of central bankers. Contrastingly, in United States' view institution is inter-governmental rather than inter-central bank; it being thus portrayed in Morgenthau's statements, in the choice of Washington as its site, and in personnel regulations. Predicts Britishers' full cooperation, despite emasculation of their aims.

For several months the two institutions conceived at the Bretton Woods conference, the International Monetary Fund and the International Bank for Reconstruction and Development, have been alive and active in Washington. The board of executive directors of each has since early May been engaged in the process of "continuous session" demanded by the articles of agreement, as defined in the course of the inaugural meeting of Governors at Savannah last March. It would, however, be premature to claim for either institution that it had become a live influence in international financial affairs. It is true that the Bank has formally announced the day of commencement of operations and has made calls for payment of 10% of the members' capital subscriptions. The Fund has only recently sent its member nations a request to notify the parities of their currencies, a move which must precede by some weeks the effective start of operations. These delays are, however, reasonable. It is less than six months ago that the inaugural meeting at Savannah ordered that the blue prints of the Bretton Woods agreements be acted upon and gave these orig-

Paul Bareau

*An article in "Journal of the Institute of Bankers," London, October, 1946.

(Continued on page 2231)

NSTA Notes

DALLAS BOND CLUB


Jesse A. Sanders Jr.

The Dallas Bond Club will hold its annual fall party on Nov. 5, at the Glen Lakes Country Club. The plans call for golf, cocktail party, luncheon, etc. and a number of out-of-town guests are expected to attend.

Members of the committee on arrangements are: Jesse A. Sanders, Jr., Sanders & Newsom, Chairman; E. O. Cartwright, Merrill Lynch, Pierce, Fenner & Beane; Robert R. Gilbert, Jr., First National Bank in Dallas; James F. Jacques, First Southwest Co., and Rogers Ray, Rauscher, Pierce & Co.

SECURITY TRADERS ASSOCIATION OF NEW YORK

The Nominating Committee of the Security Traders Association of New York, Inc. has presented the following slate for 1947.


Michael J. Heaney


Louis A. Gibbs


Frank A. Pavis


T. Geoffrey Horsfield


Wellington Hunter

President—Michael J. Heaney, Joseph McManus & Co.
1st Vice-President—Louis A. Gibbs, Laird, Bissell & Meeds.
2nd Vice-President—Frank A. Pavis, Charles E. Quincey & Co.
Secretary—T. Geoffrey Horsfield, Wm. J. Mericka & Co., Inc.
Treasurer—Wellington Hunter, Hunter & Co.

Directors (two year term):
Abraham Strauss, Strauss Brothers; John M. Mayer, Merrill Lynch, Pierce, Fenner & Beane; Lester T. Doyle, Hardy & Co.

Trustees of Gratuity Fund (two year term):
William K. Porter, Hemphill, Noyes & Co.; Richard H. Goodman, Cohu & Torrey.

National Committeemen:
Charles M. Zingraf, Laurence M. Marks & Co.; Carl Stolle, G. A. Saxton & Co., Inc.; Stanley Roggenburg, Roggenburg & Co.

National Committeemen Alternates:
Thomas Greenberg, C. E. Unterberg & Co.; James D. Cleland, James D. Cleland & Co.; Elmer E. Myers, B. W. Pizzini & Co., Inc.; James F. Musson, B. J. Van Ingen & Co., Inc.; Stanley C. Eaton, Bendix, Lutweiler & Co.

Nominating Committee (four to be elected):
Harold J. Burke, Auchincloss, Parker & Redpath; George V. Hunt, Starkweather & Co.; Milton Van Riper, Mackubin, Legg & Co.; Andrew R. Steven, Jr., Bond & Goodwin, Inc.; Walter Murphy, Jr., Walter Murphy, Jr. & Co.; Walter E. Sullivan, Elder, Wheeler & Co.; Irving Manney, Eisele & King, Libaire, Stout & Co.; Salvatore J. Rappa, F. S. Moseley & Co.; Thomas W. Gleason, Kirchofer & Arnold, Inc.; Jules Bean, Luckhurst & Co., Inc.; Otto A. Berwald, Berwald & Co.; James T. McGivney, Hornblower & Weeks.

Members of the Nominating Committee which presented the slate are:
Richard F. Abbe, Chairman, Van Tuyl & Abbe.; Walter V. Kennedy, Coffin & Burr, Inc.; Leslie Barbier, G. A. Saxton & Co.; Frank E. Mulligan, E. H. Rollins & Sons; Alfred F. Tisch, Fitzgerald & Co.

TWIN CITY BOND TRADERS CLUB

At the annual election and dinner meeting of the Twin City Bond Traders Club held on Oct. 3, 1946, the following new officers were elected to take office immediately:


Kermit B. Sorum


Robert S. McNaghten


Paul E. Matsche


Martin Martinson

President—Kermit B. Sorum, Allison-Williams Company, Minneapolis.
Vice-President—Robert S. McNaghten, Williams-McNaghten Co., Minneapolis.
Secretary—Paul E. Matsche, Paine, Webber, Jackson & Curtis, St. Paul.
Treasurer—Martin G. Martinson, First National Bank, St. Paul.
National Committeeman—William J. Lau, C. S. Ashmun Co., Minneapolis.

Charles Rieger of Jamieson & Company made a report to the club covering the Seattle Convention and other meetings in the West.

Common Sense and Progress

By J. PENFIELD SEIBERLING*
President, Seiberling Rubber Co.

Industrial executive, asserting never before in nation's history was common sense more necessary in solution of problems, calls attention to New Deal failures and contends instead of a more abundant life, there is disillusionment and confusion. Says passing laws to redistribute wealth and income does not make the stupid person intelligent, the lazy industrious, or the profligate thrifty, and that peace cannot be legislated. Holds ordered society is essential to progress and there can be no progress when a small group of labor leaders are permitted to defy the Constitution. Sees standard of living declining because of high wage-less work policy.

I have come here this evening to address you on the subject of "Common Sense and Progress." I have chosen this subject because I believe that never was there a time in the history of our Nation when the application of Common Sense was more necessary to effect a solution to our national and international problems than at present. I am also persuaded that in an era of fine-spun theories and political and economic Humbug and Double Talk, there never was a time when Common Sense in the general thinking would be more helpful in ending the nonsense to which the Nation has been subjected for too many years.


J. P. Seiberling

Furthermore, I am convinced that until Common Sense truly manifests itself in the Nation's thinking there can be no sound progress in solving our major problems, and working our way out of the morass of accumulated evils into which we have been stupidly and at times deceitfully led, step by step, for quite some time.

Think back with me, if you will, to those days when the peoples' hopes, including the Forgotten Man, were directed to that promised land of the more abundant life that was to supply security from the cradle to the grave, with

(Continued on page 2244)

*An address by Mr. Seiberling before the Associated Industries of Alabama, Birmingham, Ala., Oct. 17, 1946.

Personnel Items

(Special to THE FINANCIAL CHRONICLE)
BOSTON, MASS.—Joseph W. Gallant has joined the staff of **Clayton Securities Corp.**, 82 Devonshire Street.

(Special to THE FINANCIAL CHRONICLE)
BOSTON, MASS. — **Damon W. Hall** is now with **Chas A. Day & Co., Inc.**, Washington at Court Street.

(Special to THE FINANCIAL CHRONICLE)
CHARLOTTE, N. C.—**Earl F. Stedman** is now with **Southeastern Securities**, Independence Building.

(Special to THE FINANCIAL CHRONICLE)
CHICAGO, ILL. — **Ralph L. Jacobs** is now with **Patterson, Copeland & Kendall, Inc.**, 231 South La Salle Street.

(Special to THE FINANCIAL CHRONICLE)
DETROIT, MICH. — **Leonard W. Cornell** and **Armour N. Doyle** are with **C. G. McDonald & Co.**, Guardian Building.

(Special to THE FINANCIAL CHRONICLE)
FT. LAUDERDALE, FLA. — **John J. Harbrecht** is with **Cohu & Torrey**, Blount Building.

(Special to THE FINANCIAL CHRONICLE)
MIAMI, FLA. — **Phillip Brooks** has joined the staff of **Frank D. Newman & Co.**, Ingraham Building.

Real Estate Securities

London Terrace First Fee and General Mortgage 3-4% Bonds with Equity Stock Outstanding, $5,083,600

An analysis of the accompanying income and expense statement reveals that for the first five months of the current fiscal year, the London Terrace Corporation earned 4% on the outstanding First Mortgage Bonds and in addition had a surplus of $93,229.52 available for sinking fund purposes. At the present rate of earnings, the company will be able to liquidate its sinking fund deficiency within a year's time, at which point the corporation's income will be distributed as follows:

Earnings for five months ended Aug. 31, 1946	$177,956
Earnings projected arithmetically to March 31, 1946	427,092
Interest requirement at 4% on $4,800,000 par value of bonds which it may be assumed will be outstanding after liquidation of sinking fund deficiency	192,000
Ba'ance	$235,092
Primary sinking fund	55,000
Balance (to be distributed as follows)	$180,092
25% to additional interest	$45,023
25% to additional sinking fund	45,023
50% to corporation, including stock dividends	90,046
	$180,092

This distribution will permit a payment of approximately 5% on the bonds, with a surplus of $100,000 available for sinking fund purposes.

STATEMENT OF INCOME AND EXPENSE

	—Month of August—		Five Months to Aug. 31,	
Income:	1946	1945	1946	1945
Apartment rentals	$60,532.93	$59,336.35	$301,395.01	$296,179.60
Stores and concessions	7,787.08	7,310.94	43,860.64	37,710.86
Other income	3,468.34	3,574.23	8,533.75	10,720.78
Total income	$71,788.35	$70,221.52	$353,789.40	$344,611.24
Deductions:				
Operating expenses	11,646.00	10,572.97	56,664.78	52,109.11
Heating	1,350.90	912.41	6,616.45	6,279.85
Repairs and maintenance:				
Apartments	3,426.33	4,768.96	12,026.67	11,091.99
Buildings	567.83	1,597.79	6,826.68	4,955.20
Furniture	1,381.99	2,653.67	6,783.34	5,771.32
Administrative expenses	7,141.39	7,412.11	40,737.81	44,028.61
	$25,514.44	$27,918.11	$129,655.73	$124,236.08
Gross operating profit	$46,273.91	$42,303.41	$224,133.67	$220,375.16
Real estate taxes	9,235.50	9,530.25	46,177.50	47,651.25
	$37,038.41	$32,773.16	$177,956.17	$172,723.91
Fixed interest at 3%	12,709.00	13,226.25	63,545.00	66,131.25
	$24,329.41	$19,546.91	$114,411.17	$106,592.66
Income interest at 1%	4,236.33	4,408.75	21,181.65	22,043.75
Available for sinking fund	$20,093.08	$15,138.16	$93,229.52	$84,548.91

Sinking fund deficiency Aug. 31, 1946 (giving effect to $95,000 payment to sinking fund in October, 1946), approximately $149,000

John D. Faison Dead


John D. Faison

John D. Faison, Bankers Bond Co., Inc., Kentucky Home Life Building, Louisville, Ky., died suddenly. Mr. Faison was President of the Bond Club of Louisville.

Ocean Bank Service Supplied by British Bk.

Three offices of the Midland Bank Limited provided a full banking service for all passengers on board the Queen Elizabeth when she sailed on her first voyage as a passenger liner on Oct. 16. Atlantic branches were inaugurated by the bank in 1920, being first established on the Mauretania, the Aquitania and the Berengaria. The bank states that later similar facilities were provided on the Queen Mary from her first voyage. By the outbreak of war the bank branches had made just over 1,500 transatlantic crossings. The branches on board were none the less on British territory, thus continuing this bank's policy of confining branch representation to Great Britain. The bank also says:

When war broke out the operations of Atlantic bank branches were suspended but as the liners return to civilian transport, the bank is resuming activities on the Queen Elizabeth and on the Queen Mary. During the postwar voyages the Atlantic branches will have to contend with all the problems of exchange control, and upon these as upon all other banking matters a full service for all passengers will be available on every voyage. Included among members of the Atlantic staff are several who made scores of Atlantic crossings as bank officials in prewar years.

On Slayton & Co. Staff

(Special to The Financial Chronicle)

CHICAGO, ILL. — **James V. Galloway** has become connected with **Slayton & Co., Inc.**, 135 South La Salle Street.

With Stranahan, Harris

(Special to The Financial Chronicle)

CHICAGO, ILL. — **Carl J. Menzer** has been added to the staff of **Stranahan, Harris & Co., Inc.**, 135 South La Salle Street. He was previously with J. P. Blaney & Co.

The Road to Abundance

By DR. ZAY JEFFRIES*

Vice-President, General Electric Co.

Industrial executive, urging we put our house in order, decries attacks on big business and profit incentive. Points out average of $6,000 capital is required to employ one worker, and that both wages and prices must be kept in balance with profits. Describes changing economic phases in last two decades and asserts if wages had been increased and prices reduced three years before 1930, there would not have been a severe depression. Says methods tried to cure depression were faulty, and that under Wagner Labor Act unions have become too powerful. Concludes that despite trials and tribulations, our free enterprise system is sound, but cautions it needs proper soil and environment.

The world is dislocated more than at any time in the memory of living persons. There is great unrest in all countries and among all peoples; millions of men are under arms; whole populations have insufficient food; countries which worked in harmony to win the war are at odds in planning the peace; and great adjustments are having to be made throughout the world.


Dr. Zay Jeffries

Our own country is confused and seemingly unable to cope with the current problems. Although there are many elements which need critical examination and evaluation, I shall deal mainly with our business economy. This is important because unless we can work out a healthy economy, many of the other things we cherish will fall like houses of cards. Furthermore, we cannot establish adequate relations with other countries until or unless we put our own house in order. Restoration of a healthy business structure will do more to accomplish this than any other one thing.

We need now especially to take a square look at certain aspects of business because there has been an insidious attack on it for nearly a dozen years. It is implied that there is something sinister in making a profit. Bigness in business has been attacked as some-

(Continued on page 2240)

*A commencement address by Dr. Zay Jeffries, Doctor of Science, at Lehigh University, Bethlehem, Pa., Oct. 20, 1946.

Turn Right!

By WILLIAM HURD HILLYER*

Economist, contending that America has always turned to the right and and will turn the same way again, lists as evidence of this: (1) abandonment of "the purchasing power" fallacy in fiscal policy; (2) abandonment of price controls; (3) failure of theory that wages can be raised without increasing prices; and (4) relaxation of principle that big labor and big government are uniformly benign, and businessmen and farmers are at mercy of private banks. Attacks Treasury's low interest policy and government financing through short-term and demand loans, but lauds proposals for budget balancing. Holds we cannot expect continuation of boom times and urges emphasis on sales promotion.

Unfortunately Nature has endowed me with one of those "financial" faces that does not fully reveal the joy I have at being with you. We economists, who spend our days digging up and writing down, listening between whiles to the screeds of amateurs (nobody hesitates to practice our profession without previous study) are only too glad of a chance to do a little talking ourselves. This evening I've brought along a few notes as a safeguard against undue optimism. I'm habitually on the opposite side of popular opinion. Pessimism is in style just now so I'm inclined to be optimistic. Therefore we'll stick right to the facts.


William H. Hillyer

The other day I literally bumped into a British friend whom I hadn't seen for some time. We both tried to occupy the same piece of sidewalk at the same moment before apologies became friendly greeting.

"Why the deuce is it," he asked, "that everytime I come to the States I have this same trouble? I can't walk a block without being banged against by a dozen people."

Of course, it was very simple, as I pointed out. In America we turn to the right. My friend had

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*An address by Mr. Hillyer at a dinner-meeting of the Sales Managers Club of New Haven, New Haven, Conn., Oct. 17, 1946.

Ohio IBA Group Elects Officers

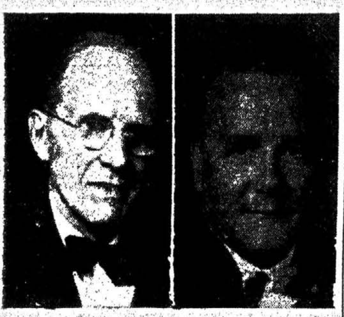
CINCINNATI, OHIO—Ewing T. Boles, President of the Ohio Company, Columbus, Ohio, has been

Ewing T. Boles J. G. Heimerdinger

re-elected Chairman of the Ohio Valley Group of the Investment Bankers Association of America,

Dale F. Linch Wm. J. Coniiffe

it has been announced. The election of Investment Banker officers took place at a meeting of



J. Edward Sohn, Jr. Thomas Graham

members of the Ohio Valley Group in Cincinnati.

Other officers of the group are: Marion H. Cardwell, of J. J. B. Hilliard & Co., Louisville, Vice-President; John G. Heimerdinger, of Walter, Woody & Heimerdinger, Cincinnati, Vice President; Dale F. Linch, of Berwin T. Moore Co., Louisville, Secretary-Treasurer.

In addition to the officers, the following members of the executive committee were chosen:

William J. Conliffe, of Merrill Lynch, Pierce, Fenner & Beane, Louisville; Lyman Greer, of Fifth-Third Union Trust Co., Cincinnati; Harry R. Niehoff, of Well, Roth & Irving, Cincinnati; J. Edward Sohn, Jr., of Lincoln National Bank, Cincinnati.

Thomas Graham of the Bankers Bond Co., Louisville, is governor of the Ohio Valley Group, which includes investment banking firms in central and southern Ohio and northern Kentucky.

Air Transport Meeting

Airline representatives of 35 countries were scheduled to gather at Cairo, Egypt, from Oct. 29 through Nov. 2 for the Second Annual Meeting of the International Air Transport Association, it was announced by the IATA Head Office at Montreal. The IATA roster comprises virtually every airline in the world interested in scheduled international air transport and the session will be the largest meeting of world airline operators ever held.

"Business Speaks"

By DONALD M. NELSON*

President, Society of Independent Motion Picture Producers
Formerly, Chairman of War Production Board

Former War Production Board head points out war restored prestige of American Business, which in previous decade had lost its assurance, poise, and leadership. Says we are now in a postwar period of uncertainty and confusion both in domestic and foreign affairs, and present strife between labor and management is a national disgrace. Calls present collective bargaining, "collective bullying," and asserts no single group can seize an unequitable amount of power without disturbing the entire economy. Holds enlightened self interest for employers is to pay maximum wages and for employees to give maximum production, and calls upon Americans to cease babbling about dangers of Communism and work for world economic unity.

Depression and the Businessmen's Prestige

Rightly or wrongly, we as businessmen must acknowledge that for a decade prior to the war, business has lost its assurance, its poise, its leadership. The ground swell dating from Black October, 1929, discredited American business with the public and this is not a personal opinion but a fact supported by 12 years of ballot-casting by the American people.

Donald M. Nelson

However, when the chips were down and our lives, our liberties and our substance were riding on every chip, the nation turned to business. I know perhaps better than any man alive how business responded to this appeal.

When President Roosevelt made the announcement to the world that the United States was going to become the "Arsenal of Democracy" and that we were going to produce 50,000 planes, 10,000,000 tons of shipping and other paraphernalia of war in proportion, everyone including the Germans—especially the Germans—thought that this was a piece of outrageous and transparent effrontery. But business and industry got together and underwrote this grandiloquent promise and the result staggered civilization. It is not an oversimplification to say that American business, groggy from the onslaughts of every hot-eyed demagogue physically able to climb on a soap-box, changed the course of world history. This is a fact recognized and stated everywhere on the planet. It is the solidest fact of the war. It cannot be denied.

I am not going to oppress you with a lot of figures but I like to remember that within a period of three years starting almost from scratch, American industry built 300,000 war planes, 100,000 tanks, 2,400,000 trucks and other

(Continued on page 2226)

*An address by Mr. Nelson before the New York Board of Trade, New York City, Oct. 23, 1946.

Bureaucrac A National Menace

By HON. KENNETH S. WHERRY*

U. S. Senator from Nebraska

Asserting bureaucracy in Federal government is a serious menace to our freedom and economy and perverts our political ideas, Senator Wherry points to retention by Administration of wartime powers as indicating aim is to centralize power in Executive and destroy republican government. Calls growth of bureaus appalling, and attacks deficit spending as instrument in maintaining bureaucratic controls. Contends Congress has surrendered its treaty making powers and that our whole internal economy and our society are dictated to by external commitments to foreign countries. Warns forces of tyranny have been set in motion, and calls for a new leadership.

Bureaucracy has become a national menace. This is the danger to which you are already alert and about which I shall speak. Bureaucracy now threatens to destroy what remains of our constitutional representative government, and our free enterprise system.

Sen. K. S. Wherry

Surely we are agreed that our boys did not lay down their lives and pour out their blood to help America go totalitarian. If we are to secure for the future our American way of government, economy, and society, we must now mobilize Americanism.

America is at the crossroads. At the end of the road we are traveling, lies further concentration of power in the Federal Government, and the final surrender of our traditional liberties to an insidious totalitarian power, which is only an ancient tyranny lurking behind a modern mask. Down the other road, which is still open to us, lies a return to a free economic system, free institutions, free labor, and the restoration of our constitutional representative republic.

The basic issues involved in these decisions cannot be understood by bandying about such political catch-words and phrases as progress versus reaction, liberalism versus conservatism, isolationism versus internationalism, or even socialism versus capitalism. These are the stock-in-trade catch-words of propagandists, whose sole purpose is to confuse the American mind to the point of frustration and chaos.

These economic planners and propagandists, themselves the blackest reactionaries, claim to be the greatest liberals, the greatest champions of liberty, the greatest humanitarians, the self-anointed saviours, the men of peace. Their chorus of self-acclamation has now become a meaningless chant. Logical discussions become lost in pandemonium. The American people are in such a state of con-

(Continued on page 2232)

*An adress by Sen. Wherry before the National Paper Trade Association, Chicago, Ill., Oct. 17, 1946.

Railroad Securities

Securities of Missouri Pacific and its affiliated companies have come in for a substantial amount of speculative interest during the past week. This interest has extended all the way from the highest ranking bonds in the system down to the old stocks of Missouri Pacific which in reorganization plans approved by the Interstate Commerce Commission have been eliminated as having no value nor equity in the properties. The announcement that no appeals had been made on the court approval of payment of interest on the various senior mortgage bonds was in part responsible for the recent reawakened speculative interest in system securities. Probably more important, however, have been the reports that a revised plan is under discussion.

It has long been recognized by parties interested in the Missouri Pacific that the plan now in the courts has become obsolete. It had been hoped that the whole thing would become academic through enactment of new reorganization laws such as the Wheeler-Reed bill. When the bill was vetoed by the President, however, and even though it is expected that a substitute bill will be presented in the new Congress when it convenes, it became apparent that some steps would have to be taken independently in the case of Missouri Pacific to give recognition to the many changes that had taken place subsequent to formulation of the present Interstate Commerce Commission plan.

The most obvious necessity for a change in the plan arises from the fact that in the interim since it was drawn up the company has paid off in cash a number of the senior claims, including the Iron Mountain bonds and the bank and RFC loans. It is contended, and with considerable logic, that inasmuch as the capitalization originally set up by the Commission was thoroughly sound there was no reason why it should be further reduced by these retirements. Securities originally allocated to these retired claims should be reallocated to the claims which still remain outstanding. Furthermore, it was obvious in view of general market conditions that a 4% coupon was not justified on the new first mortgage bonds. Other roads emerging from reorganization with 4% first mortgage bonds had been able to refund them with 3% coupons.

A reduction in the coupon rate on the new first mortgage bonds would naturally allow the distribution of a substantially greater face amount of the bonds to old security holders without increasing the fixed charges above the level considered sound by the ICC. Adding to this the securities released by payment in cash of senior obligations would naturally allow far more liberal treatment of all of the old securities in a revised plan. Talks along this line, as well as discussions as to the feasibility of utilizing additional cash further to reduce claims by calls for tenders of outstanding bonds, were started among the major bondholder interests of the Missouri Pacific, International-Great Northern and New Orleans, Texas & Mexico some time ago.

The details of the discussion have not as yet been made public. Nevertheless, it is an open secret that considerable progress has been made in these negotiations and that at least a general pattern has been set up. Apparently it has definitely been decided that a 3½% coupon will be put on the new first mortgage bonds and, also, that the new fixed charges will be kept within the limits proposed by the ICC in its reorganization plan. Holders of the Missouri Pacific first and refunding 5s will be expected, as in the earlier plan, to compromise a portion of their claim for interest. Present plans are to offer the first and refunding 5s $100 in cash, $650 in new first mortgage 3½s and $550 in series "A" income bonds.

First mortgage bonds of the controlled New Orleans, Texas & Mexico are to be offered their back interest in cash and par for par of principal in a serial issue of the new blanket first mortgage. Holders of the Missouri Pacific secured 5¼s (secured by New Orleans, Texas & Mexico stock) are expected to be offered $200 in cash and practically all of the balance of their claim in $1,500 of new income bonds. Presumably this income bond would rank junior to the income bonds to be offered the Missouri Pacific first and refunding 5s. According to most recent reports the Missouri Pacific general 4s would be allocated 7½ shares of new preferred stock and 6½ shares of new class "A" common. By this method of allocation of securities it is anticipated that room will be found in the new capitalization for participation of the old Missouri Pacific stocks, presumably through issuance to both the preferred and common of new class "B" stock. It is expected that the full details of the new proposed compromise plan may be made public shortly.

New Deal in Railroad Management Demanded

Editor, "Commercial & Financial Chronicle":

As a stockholder in several railways, I was much concerned with the extremely pessimistic views recently expressed publicly by the presidents of the New York Central and Illinois Central and a Vice-President of the Pennsylvania. In the days of the Roosevelt depression we were told by railway officials that volume of traffic would solve all their problems. Now, it appears, their problems have more than kept pace with their traffic, and the greatest volume of business in all history cannot produce a profit for the stockholder.

It is a rule in other important industries that when a chief executive cannot solve the problems of his company he is retired or asked to resign by the directors, and his place is taken by a younger man who can see the opportunities as well as the difficulties, and who believes he can solve the latter and realize the former. This plan might be adopted by the railways with good results. Another disadvantage of the rails is that the President is usually quite old; it has taken most of his life waiting for other men to die; while with industrial corporations, younger men who show conspicuous ability are often advanced rapidly to chief positions.

Still another disadvantage of the roads is that the chief executives usually have but little financial interest in the properties they manage, and lack the personal incentive that ownership affords. No man with an important financial stake in his business could possibly be so publicly pessimistic as some of the old men in the railway business have been.

Perhaps the Interstate Commerce Commission should extend its jurisdiction still further, and insist on the retirement of any railway president when he ceases to be an optimist on the railway business.

E. E. ROGERS.

Redwood City, Calif.

Letter to the Editor:

Dept. of Justice Finds It Is Not Easy to Prove Underwriters Are Violating Anti-Trust Law

By EDMOUR GERMAIN

Investigators themselves may have own ideas on subject, but find it difficult to gather kind of evidence to bolster their position that will stand up in court. Department has spent years trying to build up an airtight case against certain alleged monopolistic practices, centering around what it believes to be highly restrictive price-fixing, throughout underwriting industry. Grand Jury now assisting in investigation. Now appears earliest Department can come to any decision regarding what it should do regarding practices in the underwriting field is around first of year.

The Anti-Trust Division of the Department of Justice is painstakingly gathering a mountain of evidence on the practices of the underwriting fraternity in an effort to discover, if possible, whether monopoly in any of its phases exists anywhere in the field.

It is becoming plainly evident that though the investigators themselves may have their own notions on the subject, it is not at all easy for them to gather the kind of evidence to bolster their position that will stand up in court. The Justice Department has spent years trying to build up an airtight case against certain alleged monopolistic practices, centering around what it believes to be highly restrictive price-fixing, throughout the underwriting field. Patience is one thing certainly that the Department of Justice has in great abundance and, if ever it feels itself able to institute suit, the unhappy victim or victims of its action will undoubtedly have to face a heavy legal barrage which will probably include a lot of the irrelevant along with the relevant. After all, much that transpires in the investment banking field is subject to a wide latitude of interpretation. As yet, however, there are no clear signs the Department of Justice has made any appreciable headway in its work on Wall Street and other underwriting circles.

The investigation has now reached the Grand Jury stage

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Status of Savings Bond Program

By HON. JOHN W. SNYDER*
Secretary of the Treasurer

Treasury Secretary, after outlining objectives of savings bond program as: (1) a wider distribution of the public debt and (2) as an aid against inflation, states that although in first three-quarters of year purchases exceeded redemptions by $900 millions, sale of E Bonds fell short of redemption by about $800 millions due mainly to liquidation by small denomination holders. Ascribes declines in sale of E Bonds to disturbed conditions and to shifts in employment, and urges more emphasis on payroll plan.

The savings bond program of the Treasury Department is very close to my heart. It is a program that I am always happy to discuss.

John W. Snyder

But, first, I want to express my sincere appreciation of what you people and the organizations which you represent are doing to forward this program, and to thank the business concerns of this community which are continuing active payroll savings plans. Often at considerable expense to themselves, these concerns are performing a patriotic service and, at the same time, are doing their employees a real favor.

The Treasury Department has two main objectives in promoting the sale of savings bonds. The first is to continue and, if possible, to further the wide distribution in the ownership of the public debt. In doing this, we maintain an important element of stability in our economy.

We all have many ties linking us with our country. We are citizens and we are taxpayers. Most of us are voters. Many of us have fought as soldiers. When we are also bondholders it adds another strong, enduring tie to those already existing. It gives us another common interest. It makes for better citizenship and for a more thoughtful consideration of national problems. Keeping the ownership of the public debt widely distributed is, therefore, one of the major objectives of the savings bond program.

The second major objective of the savings bond program is to aid in combating inflation. It does this by drawing purchasing power off the market at a time when goods are scarce—saving it for a time when they will be abundant. The purchase of savings bonds defers spending from the present, when it would contribute to inflationary pressures, to the future, when it will help to maintain full employment.

Buying bonds now is like storing up the waters of a spring

(Continued on page 2247)

*An address by Sec'y Snyder at Savings Bond Rally for industrial workers, St. Louis, Mo., Oct. 23, 1946.

Future of Textile Decontrol

By JOHN D. SMALL*
Administrator, Civilian Production Administration

CPA chief asserts production controls will be relaxed just as fast as possible, consistent with well-being of nation. Contends, although textile production has been on upgrade, there is still shortages both in industrial and consumers' goods, and heavy demands for textile will continue. Warns producers against seeking inordinate profits because of shortages, and defends textile exports in face of domestic shortages, on ground they obtain for us needed foreign materials. Sees no basis for business slump in future and concludes best way to convince people controls are no longer needed is to produce and sell a maximum of fabrics mostly needed.

You have asked me to speak on the future of controls in the cotton textile industry. My position on that subject is so well known I hardly need repeat it. I believe wholeheartedly in relaxing controls just as fast as possible consistent with the well-being of the nation. So long as I am Administrator of CPA, that will be my aim. This very week we are revoking the women's style order, L-85. You can rest assured that the other textile controls are being continuously re-examined so that none of them will be retained beyond the point of actual need.

J. D. Small

Of course, we may disagree about what this "point of actual need" means. What is useful to you might not be useful to a farmer in Kansas, a workman in Pittsburgh, or a housewife in Peoria. CPA must consider these matters from the standpoint of all groups in the nation and make its decisions according to the best interests of the largest number of people.

I'm glad to be able to tell you, however, that the recommendation made by our consultants from the cotton textile industry for at least partial lifting of the loom controls in Order L-99 has been receiving careful study. A proposal outlining their recommendations is circulating this week among the various other government agencies concerned with textile problems, and I hope that concrete action will be taken very soon.

Background of Controls

Let me sketch briefly the background of the controls which now affect your industry. L-99, the loom freeze, first came into being in April of 1942 when shortages of specific fabrics for military uses first began to be felt seriously. The early Japanese successes in the Far East, and the drop in burlap shipments which resulted, forced the government to establish its first production

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*An address by Mr. Small before Cotton Textile Institute, New York City, Oct. 23, 1946.

Johnson President of Dime Savings Bank

At a meeting of the Board of Trustees of The Dime Savings Bank of Brooklyn, George C. Johnson was elected to the Office of President to fill the vacancy recently created by the sudden loss of the late Mr. Philip A. Benson.

George C. Johnson

Mr. Johnson has been associated with "The Dime" since 1917, and has served in various official positions including that of Secretary from July, 1929 to January, 1932, Treasurer from January 1932 to June 1946, and Executive Vice President since June 1946. Mr. Johnson has also served as a member of the Board of Trustees since January 1932.

Active in civic, philanthropic and financial circles for many years, Mr. Johnson now is Executive Vice President and a member of the Board of Regents of The Long Island College Hospital and is serving at the present time as General Chairman for Brooklyn of the United Hospital Campaign. He is Treasurer of the Polhemus Memorial Clinic and a Director of the New York Congregational Home for the Aged.

He is a former Chairman of Group V of the Savings Bank Association of the State of New York, and has held various other chairmanships in banking and real estate circles.

The Dime Savings Bank of Brooklyn, is the largest savings bank in Brooklyn, and the fourth largest in the United States, serving over 260,000 despositors with deposits of more than $385,000,000. Total resources exceed $440,000,000.

Young to Stay on CAB

The reappointment by President Truman of Clarence M. Young as a member of the Civil Aeronautics Board was announced in Washington on Oct. 24, according to advices from the Associated Press.

The Battle of Industry

By LT. COL. RALPH K. STRASSMAN*
Vice-President, Ward Wheelock Company

Asserting indifference and lack of understanding are responsible for many past and present troubles, Col. Strassman urges business should sell itself to the public, and not be merely satisfied with making and selling things. Attacks rule-or-ruin trade-union policy and promotion of class and group dissensions that stifle individual initiative, and contends business has been blamed for dislocations and hardships produced either by abnormal conditions or unrealistic government policies. Defends past and present record of business and concludes industry must battle against ignorance.

The contribution which I would like to make to your thinking about the present and future problems of American business deals primarily with a fundamental aspect of economics—the human element. This is an item which does not appear on a balance sheet or a profit and loss statement, but which ultimately affects them.

Lt. Col. Strassman

Indifference to and lack of understanding of the importance of the human element are directly responsible for many of our past and present troubles. What we do about it now is going to determine the fact of the free competitive system, and therefore the fate of individual and political liberties in America.

Since I have spent most of my life in the editorial, advertising and public relations fields, it is natural for me to be especially conscious of human realities in relation to economic theory and business practice, and to feel the necessity for integrating the techniques of these operations with all phases of business activity. Publicity is not merely the icing on the business cake—it is the basic ingredient which has made possible the mass production and distribution of the tangible goods and the intangible ideas which make up what we thing of as the American standard of living.

We are inclined to visualize this in terms of the material comforts and conveniences which sharply differentiate average Americans from the rank and file of other countries. But even more important, to my mind, is the idea of the individual's right to aspire to self-improvement and self-advancement through his own efforts as a free man—not as a tool of state or party.

The development of production and distributive techniques alone cannot create mass markets. There must also be mass purchasing power plus a widespread knowledge of and desire for more and better goods and services. Product advertising has proved to be a successive and economical tool for giving information and stimulating the wish to buy. In the same way, institutional or goodwill advertising has influenced human attitudes and beliefs.

Business Should Sell Itself to Public

It is ironical that American business has, to date, made little use of this trustworthy instrument to sell itself to the public. The story of how our business system works—what it has done and what it can do in the future for the average family—must be presented so that all can understand.

The science of economics and the operations of what we call the profit system are intimately associated with human realities—the getting of a living, the founding of a home, the educating of

(Continued on page 2239)

*An address by Col. Strassman at the Fifth Annual Conference of the Institute of Internal Auditors, New York, Oct. 7, 1946.

Bank and Insurance Stocks

By E. A. VAN DEUSEN

This Week — Bank Stocks

As we approach the close of 1946 it is of interest to examine the trend of significant bank assets and other bank figures during the first three-quarters of this year and to compare them with similar figures during the same period last year.

In Table I aggregate figures for a group of 15 leading New York City banks, as reported on their quarterly statements of condition for 1945 and 1946, are presented.

TABLE I
Fifteen New York City Banks

Date—	Deposits	U. S. Govts.	Loans & Discounts	Total Earning Assets	Cash
		(000,000 Omitted)			
12-31-1944	$25,155	$15,780	$5,416	$22,451	$4,678
3-31-1945	23,717	15,195	4,608	21,120	4,587
6-30-1945	26,514	15,967	6,629	23,990	4,541
9-30-1945	24,599	14,947	5,534	22,034	4,664
Quarterly average: 1945	$24,996	$15,472	$5,547	$22,399	$4,618
12-31-1945	28,163	16,003	6,878	24,362	6,151
3-31-1946	25,790	15,033	6,953	23,468	4,569
6-30-1946	25,808	14,232	6,086	21,762	6,261
9-30-1946	23,960	13,133	5,836	20,514	5,599
Quarterly Average: 1946	$25,930	$14,600	$6,439	$22,526	$5,645
Per cent change	+3.7%	—5.6%	+16.1%	+0.6%	+22.2%

It will be noted that, despite the decline in deposits since the end of 1945, their average quarterly volume thus far in 1946 is 3.7% higher than was the case in 1945. The decline in government holdings this year has been uninterrupted, and has resulted in a quarterly average 5.6% below last year. This loss, however, has been offset by an increase in loans, as is indicated by average loans and discounts being 16.1% higher, and this has carried through to total earning assets, which are 0.6% higher. Cash also is higher this year, which would imply that the banks have not been quite as fully invested as in 1945. This implication is substantiated by the fact that average total earning assets represented 89.6% of average deposits in 1945, whereas thus far in 1946 the ratio of these averages has been 86.9%.

Further study of the comparative position of the banks this year vs. 1945 is afforded by Table II, which presents figures as reported by New York City Member Banks, on dates nearest to the even quarterly dates.

TABLE II
New York City Reporting Member Banks

Date—	U. S. Government	Commercial Loans	All Loans	Total Loans Investments
		(000,000 Omitted)		
12-27-1944	$15,060	$2,464	$5,521	$21,724
3-28-1945	14,948	2,346	4,463	20,524
6-27-1945	15,481	2,241	6,247	22,824
9-26-1945	14,824	2,301	5,361	21,434
Quarterly average: 1945	$15,078	$2,338	$5,398	$21,626
12-26-1945	15,849	2,838	6,838	23,817
3-27-1946	14,869	2,971	6,796	22,765
6-26-1946	14,289	2,865	5,845	21,182
9-25-1946	13,108	3,433	5,657	19,940
Quarterly average: 1946	$14,529	$3,027	$6,284	$21,926
Per cent change	—3.6%	+29.5%	+16.0%	+1.4%

It will be observed that average government holdings are 3.6% below 1945, compared with —5.6% for the 15 banks. Commercial loans are 29.5% higher, but "all loans" are 16.4% higher, which compares with the 16.1% of the 15 banks for loans and discounts. Total loans and investments are 1.4% higher as compared with 0.6% for total earning assets of the 15 banks.

One would conclude from these figures that net operating earnings of New York City banks should, in most cases, be at least as favorable in 1946 as they were in 1945. Operating expenses are higher, but a greater proportion of earning assets this year are represented by commercial borrowings, which net more profit to the banks than do government "borrowings." For example, in 1945 governments held by the 15 banks represented 69% of their total earning assets, while this year they represent 64.5%; loans and discounts, on the other hand, represented 24.3% in 1945, compared with 28.5% this year.

Turning to the member banks, it is found that in 1945 governments represented 69.5% of total loans and investments, and 66.5% in 1946; commercial loans represented 10.8% in 1945, but represent 13.8% this year.

It is pertinent to note further that since Sept. 25, 1946, commercial loans of member banks have moved from $3,433,000,000 to $3,574,000,000 on Oct. 23, 1946.

The 15 banks used in this study are: Bank of Manhattan, Bank of New York, Bankers Trust, Central Hanover, Chase National, Chemical Bank & Trust, Corn Exchange, First National, Guaranty Trust, Irving Trust, Manufacturers Trust, National City Bank, New York Trust, Public National and United States Trust.

Underwriters Encouraged by Caffrey's Red-Herring Plan

(Continued from page 2203)

waiting period is, of course, meaningless.

We would like the SEC to grant the underwriters permission to issue a red-herring prospectus, based on the information contained in the original registration papers, immediately on registration. We would make use of the document mentioned by Mr. Caffrey for the purpose outlined by him but we do not think it necessary to attempt to reach all persons who might possibly have received a copy of the red-herring prospectuts. In the very first place, there is no way of knowing really just who did actually get the red-herring prospectus. A red-herring prospectus can have a circulation unknown to the underwriting house. Persons who receive a red-herring prospectus pass it on to others and trace of it is lost. Underwriters should very definitely have the responsibility of making sure that a copy of the document reaches every person being solicited to buy or who himself seeks to make a purchase. No practical point is served by attempting to get copies of the document except to those who are actually interested in buying.

It is also inconsistent for the SEC to insist on the widest possible distribution of the red-herring prospectus, as Mr. Caffrey proposes, and at the same time to prohibit an underwriter or dealer from soliciting business. The widest possible distribution of a red-herring can only be interpreted as solicitation.

We realize, of course, that it is not always the SEC's fault if delays develop in getting out the first letter of comment in time for an early distribution of the red-herring prospectus. Congress has saddled upon the SEC the responsibility of administering six Congressional Acts. But the SEC does make its job more difficult than it needs to by the various surveys it undertakes and the numerous reports it issues from time to time without Congressional order.

We feel that the part of Mr. Caffrey's proposal pertaining to the possible use of a summary should be dropped altogether. A summary is something about which there should be no legislation. Just what is a summary, anyway? It was not the intent of Congress to prevent the use by underwriters of "other means" of disseminating information aboot coming new stock issues to prospective customers. A summary is too much in the "twilight zone" to be anything very definite. Underwriters should be able to reply to business questions of their customers without the necessity of first having the text approved by the SEC.

Comment No. 8

Mr. Caffrey's proposal is a very definite step in the right direction but it does not go far enough. I think that, just as the IBA suggested to a Congressional committee five years ago, underwriters should be permitted to discuss a new issue with any one of the customers they feel would be interested—short of executing any actual contract or sale—anytime within the 20-day waiting period.

As the system works now, out-of-town investors especially get little if any chance at all to participate in new offerings. Issues that are sold out in 15 minutes, for instance, do not become available to the man who, being some distance from the active market, doesn't hear about it in time. And hearing about it involves receiving a copy of the prospectus! Many investors are literally frozen out of desirable markets in this way. The thing just doesn't make sense. The SEC has had numerous complaints from these investors and so understands the situation thoroughly.

Just as the IBA argued before the Congressional committee, I, too, feel that any company whose securities are listed on an Exchange should not be required to state anew the nature of its business and to divulge details of its financial condition. The SEC pointed out at that time that a revised statement was necessary because the business conditions of a company can change with the years. However, most if not all these companies issue regular statements of financial condition and investors can obtain all the data they want from them now. Besides, just who does read all the statistics put out by any reliable company floating a new issue? Investors just take it for granted that their business affairs are all in order.

It doesn't appear to me that Mr. Caffrey was too serious in suggesting the possible use of a summary in connection with a red-herring prospectus since he practically answers his own question in the negative by citing what he thinks are disadvantages to its employment. I believe the SEC has the legal right to permit the use of the red-herring prospectus as suggested by Mr. Caffrey—or in some other modified form—without any change in the law.

I always did think that eventually the SEC would change its attitude toward the underwriters. For too long now, there have been too many people in Washington and Government circles generally who thought that the underwriters were a lot of crooks. Morality is something that can not be legislated. But if the truth were known the average level of morality in business conduct among the underwriters is higher than the average for Washington. All that Washington has been able to see is the spread, representing the so-called profit, of our business. Washington has thought that just no effort at all had to be expended to get this money. In its calculations, it did not give sufficient consideration to the frequent losses which the underwriters themselves must bear.

Comment No. 9

The SEC should permit syndicate managers to make specific arrangements regarding the exact participation which all houses are to take in any new issue once it is registered. This has a bearing on what Mr. Caffrey is proposing in that each of the various members of a syndicate group would then know in advance just how far it should go in distributing the red-herring prospectus which it is ready to pass out.

Comment No. 10

Mr. Caffrey's proposal is a short step in the right direction. As I see it, by the time the SEC forwards its first letter of comment, very little opportunity remains to distribute the red-herring prospectus in the thoroughgoing manner Mr. Caffrey would like to see it done. Our Boston office is preparing a letter to Mr. Caffrey in which, among other things, the desirability of permitting the use of a summary in advance of a red-herring prospectus is pointed out. This summary, we feel, should be distributed at the time of registration. In general, though the proposition advanced by Mr. Caffrey does not go as far as we would like, we are inclined to go along with it. This is the time for all underwriters to study the question and to make recommendations from their experience. Firms which neglect to give consideration to this matter now will have little basis for complaint later.

Comment No. 11

Stating my position as a dealer, I want to say that the public just isn't interested in a prospectus. Consequently, I can't see just how Mr. Caffrey's proposal makes a particle of difference one way or the other. Customers tend to rely on the good judgment and integrity of the dealers. The dealers themselves, of course, should have such information as the customers may want, but it is not easy for even the dealers, despite their store of knowledge of the business, to interpret the data in the average prospectus. Ideally, the waiting period should begin with the day the red-herring prospectus comes out. In this way the customer would have ample opportunity to learn all the details about a coming offering. However, this is impractical because market conditions can change, sometimes over night. Perhaps the summary idea makes more sense. The chief difficulty in this whole matter, however, is that investors disregard even the unfavorable data that is made very plain to them. A recent prospectus gave the book value of the security of the company as near $2. The issue sold at $5 a share and jumped in value on the market shortly afterward to around $8. Now it is down to $2.50. So often all the information covered in a prospectus is readily available in better form elsewhere. It is difficult to gauge in advance a public's interest in any given issue. Our shelves are full of prospectuses which people never asked for and yet, on the other hand, we keep getting repeated calls for prospectuses of issues that have long been sold out.

Free Enterprise and Anti-Trust Laws

By HON. TOM C. CLARK*
U. S. Attorney General

In defending and extolling free enterprise, Atty. Gen. Clark points out anti-trust laws were enacted to protect our system. Attacks private monopolistic practices and cites recent instances such as suppression of inventions, illegal patent licenses, division-of-territory agreements and other cartel arrangements. Holds, however, most businessmen play game squarely, but insists "we must untrack the trend towards concentration of economic power." Concludes American businessman who plays game according to American rules has nothing to fear, and, with removal of price controls, it is expected business will not substitute private controls for government regulation.

Free enterprise is the American way.

In Massachusetts, your heritage of freedom stems from the Pilgrims who rebelled at restraint. And in my State of Texas, the plainsmen knew the free life.

Tom C. Clark

Freedom of opportunity is great American heritage.

In our free enterprise system, every man has the right to start his own business. He has the right to put his ideas and money together, to take a chance on making money or losing it. He is limited only by his imagination, his industry and his daring. But he also has the further right to expect that the market will not be rigged against him and that his competitors will not be permitted to combine to destroy him.

This is deep-rooted American tradition. It is our duty, our privilege, to guard and to defend it.

We Americans believe that the free enterprise system is the best way to encourage and to develop new industries, to advance art and science, to raise the American standard of living, to distribute the most goods to the greatest number of people at the lowest cost, and to assure the preservation of our democratic form of government. We have never waivered in this belief.

The antithesis of free enterprise leads to government domination of business. We have seen tragic examples of this.

(Continued on page 2224)

*Address by Att. Gen. Clark before Associated Industries of Massachusetts, Boston, Mass., Oct. 24, 1946.

Advertising

By ROGER W. BABSON

Mr. Babson, in pointing out function of advertising as creating demand, calls attention to its responsibility for many labor troubles and unnecessary strikes. Holds weeklies and papers of small circulation may be better advertising mediums than large dailies, and advocates special tax reduction on five-year advertising contracts as one means of keeping advertising constant and preventing depressions.

Advertising which started in a very simple manner (largely by patent medicine manufacturers) has become of great national and economic importance. In fact, it has become a part of the employment cycle which requires greater advertising appropriations to cause a demand for goods which, in turn, will hold up, or increase, the number employed so that they will buy more goods and keep the ball rolling.

Roger W. Babson

Advertising vs. Labor Troubles

The above economic theory has, however, one difficulty which is largely responsible for many labor troubles today. In order to have advertising attractive to make people buy and thereby hold up employment, this advertising must make people dissatisfied with what they now have as well as want things which they do not now have. This requires that families must have more money in order to fulfill their desires.

In studies which I have made, it is evident that the wage worker himself often has been satisfied with his wages; but his wife and children have so prodded him for more money to buy more things that he has been an easy prey of unprincipled labor agitators. Therefore, although I see no remedy for the situation, advertising is probably directly responsible for many labor troubles and unnecessary strikes.

Circulation Not Everything

There is a tendency among advertising agents to talk too much about the circulation of the newspapers in which they place advertising. Of course, it is very much easier for an advertising agency to bill each month one large city newspaper than to bill twenty small papers to get a given circulation. I insist, however, that this is unfair to the advertisers who are employing the agencies. Twenty small city papers may be worth to an advertiser far more than one large city paper with the same circulation.

It is better for an advertiser to distribute his products over a large number of cities rather than concentrate on one city. Also, the small papers are read more thoroughly. The average large city newspaper has so many pages that the reader goes through them hurriedly and does not give sufficient consideration to the advertisements. Advertising agencies and newspapers have performed wonderful feats, but they have not increased by one small second the available time each day which readers have.

Remember the Weekly Newspapers

Statistics show that the reader of small city papers has more time and gives more consideration to the advertisements. I will not say that weekly papers are seven times as valuable as daily papers of the same circulation, but surely they have some advantages. No one reads a daily paper the day after it is issued, but the weeklies are read during seven days.

Small town papers will become more-and-more important. Many large cities have reached a maximum in population. Whether or not there is a World War III, the Federal Government must prepare for it by encouraging decentralization and the building up of the small interior communities. One of the best investments today should be a small town daily, or weekly, paper in a self-contained agricultural community.

Advertising and Taxes

Notwithstanding the importance of advertising in keeping up employment, statistics show that employers spend the largest sums for advertising when more employment is not needed, while they cut down advertising expenditures when there is much unemployment. The average employer seems to do the wrong thing, at the wrong time, when spending money for advertising.

One of the best ways to avoid the "boom or bust" policy would be for the government to allow a special tax reduction on five-year contracts for advertising expenditures. Then, instead of spending their surplus on advertising this one year, with very little left for lean years, the advertising appropriations would be spent over a five-year period. This would do much to prevent a depression during the next few years.

Hinsch & Co. Incorporates

CINCINNATI, OHIO—Charles A. Hinsch & Co., Union Trust Building, is now doing business as a corporation. Officers are Charles A. Hinsch, president; Emery Eyler, first vice-president and secretary; and Neil Ransick, vice-president and treasurer. All were previously partners in the firm.

Craig Hallum Inc. Formed

Craig Hallum Inc. is engaging in the securities business from offices at 156 East 52nd Street, New York City. Officers are John P. Robinson, president and treasurer and J. M. Robinson, secretary. Mr. Robinson was formerly connected with Louis H. Whitehead Co.

Explains Excess Profits Tax Settlements

Peter Guy Evans, member of Excess Profits Tax Council, tells of work of reviewing upwards of 40,000 claims for refunds. Urges taxpayers check carefully amounts of relief claimed and pleads for more and sincere cooperation with the Council.

The newly established Excess Profits Tax Council consisting of fifteen highly qualified attorneys, accountants, and economists, expects to function in such a manner as to reduce needless Tax Court litigation by settling cases under its own procedure, Peter Guy Evans, member of the Council, and lecturer on Taxation and Finance at Columbia University, stated Oct. 24 at the Fifth Annual Institute on Federal Taxation of Rhode Island State College at The Providence Plantations Club.

Peter Guy Evans

The Council, said Mr. Evans, is entrusted with the gigantic task of reviewing the countless issues contained in some 40,000 claims already filed by 18,000 taxpayers. With claims yet to be filed, he predicted that their total may reach 60,000 or perhaps even 75,000.

An administrative and technical body, the Council has full authority to interpret the law, to recommend changes, and to establish its own rules and procedures, Mr. Evans declared.

He pointed out that field committees, made up of local revenue agents with highly specialized experience, qualified background and training in excess profits tax relief cases, will play an important role in the settlement of these claims. The Council is most desirous of promoting good relations and better understanding between the taxpayers and the committees, he asserted.

It is the Council's earnest hope to attain as close an approximation as is possible to the intent of Congress in enacting the special tax relief provisions. He added, that claims are now being processed and refunds will be made to claimants with meritorious and qualifying tax relief cases.

The Council will not, Mr. Evans warned, consider poorly prepared cases. However, taxpayers will be given an opportunity to correct and complete claims already filed in rough and skeleton form. Groundless claims, he urged, should be withdrawn in order to devote time and effort to the meritorious and qualifying claims.

Where a field agreement cannot be reached, procedure is provided for taxpayer's appearance before the Council. This is the last step in the consideration of claims within the Bureau of Internal Revenue, he advised. Of course, where a taxpayer does not agree with Council's decision, it still can take its case to the Tax Court.

He stressed the fact that the Council will make every effort to settle claims on reasonable grounds, so as to avoid unnecessary time-consuming litigation.

He urged all taxpayers to reconsider their claims and to recheck the amounts of relief claimed. Where a claim is unreasonable and inflated, it should be adjusted accordingly. Taxpayers want the Council to be both reasonable and liberal. The Council is asking the field committees to cooperate. "We ask you to be reasonable and to continue your fine and sincere cooperation," he pleaded.

Danish Fin. Aid in U. S.

Under date of Oct. 24, Associated Press advices from Copenhagen published in the New York "Sun" said; "The newspaper 'Berlingske Tidende' reported today that Count Bent Ahlefeldt-Laurvigen had been appointed financial adviser to the Danish Government in the United States.

"Ahlefeldt-Laurvigen had been employed from 1924 to 1942 by J. P. Morgan & Co. Inc., in New York City."

The "Sun" added:

"Count Ahlefeldt-Laurvigen left the Morgan company in 1942 to become financial attache to the Danish Minister to the United States."

Appointed Branch Mgr. for Royal Bank of Canada

The Royal Bank of Canada (Montreal) announces the appointment of W. A. Hyndman as manager of the Edmonton branch following the retirement of J. G. Nickerson who has held the post since 1939. Mr. Hyndman had been assistant manager at the Halifax Branch for four years until 1944 and for the past year has been located at the head office.

Mutual Funds

By BRUCE WILLIAMS

Something You Should Not Miss

The October issue of "Investment Company News," published by the New York Stock Exchange firm of Arthur Wiesenberger & Co., contains information of importance to everyone concerned with the prudent investment of money. The facts presented should be of particular interest to investment dealers at this time. We refer to the 1946 management results of all types of investment companies and to the sales experiences of the mutual funds.

While this information deserves and will probably receive wide publicity in the financial press, we do not have the space here to reproduce it in full. Because investment dealers have a vital interest in the sales experiences of the mutual (or open-end) investment companies, we are quoting that section below. It bears the heading, "Growing Confidence."

"Our hunch that a study of sales of new securities by open-end investment companies would reveal something or other significant was right. We were impelled to make it to satisfy our insatiable inquisitiveness as to how they had held up during the second and third quarters of this chaotic year after their record-breaking $113,000,000 first quarter. Our list of companies, though not complete, accounted for about 45% of the totals reported by the National Association of Investment Companies for the first quarter and shows what happened.

They held up amazingly well, except for the common stock funds. And we now have conclusive evidence that few companies, if any, have been forced to sell securities to meet redemption demands. The extremely low redemption figures are also conclusive proof of growing investor confidence in these companies. This table shows the percentage changes that took place in the second and third quarter over the record high first quarter for the three main categories of open-end funds.

	Second Quarter % Change from First	Third Quarter % Change from First
DIVERSIFIED COMMON STOCK FUNDS		
Gross sales	—13%	—32%
Net sales	—27%	—56%
Repurchases (or redemptions)	+ 5%	— 1%
BALANCED FUNDS		
Gross sales	+ 2%	—22%
Net sales	+ 1%	—30%
Repurchases (or redemotions)	+12%	+12%
SPECIALTY FUNDS		
Gross sales	—19%	—31%
Net sales	—21%	—31%
Repurchases (or redemptions)	+14%	+30%

"The decline in gross sales during the third quarter amounted to 32% for the common stock funds, 31% for the specialty funds and 22% for the balanced funds. On the other hand redemptions (repurchases of outstanding shares by the issuing companies at asset value—a feature peculiar to the open-end investment company field) were higher only for the balanced funds (12%), about the same for common stock funds, and for the speciality funds were 30% lower than during the first quarter. Because of this the specialty funds maintained approximately the same ratio (61%) of net sales to gross sales as that shown in the first quarter, but for the common stock funds the ratio was down from 57% to 37% and for the balanced funds down from 82% to 74%.

"Aside from cold statistics these figures reveal much about the investors who own these shares. They seem to us to prove unusual canniness and stability. For instance, sales of both specialty fund and common-stock fund shares showed declines in the second quarter, while those of the conservative balanced funds showed a slight increase. This is surely an earlier sign of changing investor psychology than the market gave us.

"Liquidation was astonishingly low, especially in the specialty funds—the so-called 'prescription-type of investment medicine'—considering the hectic selling taking place in the general market. This is an indication of stability of temperament. The London charge of 'volatile temperament,' leveled at American investors generally, obviously cannot be applied to this group which apparently buys securities for investment (and not speculative) purposes and cannot be panicked into dumping them.

"We are not overcome with surprise at this finding. For a long time we have suspected that once dealers and their clients were sufficiently educated to the advantages of owing investment company shares to buy them, they would not be easily panicked into selling. This is particularly true of those investors who are positive about their objectives and preferences and who have bought shares to match them. The management results of investment companies over long-term periods prove that this confidence is justified—and it is the long-term record that counts.

"This looks like an especially opportune period for winning a flock of new converts to investment companies. Individual investors may bee uncommonly sympathetic now to a plan that involves selected diversification by professional management at reasonable cost. They should be more amenable to the idea of a little more conservatism in their investment affairs. The advantages of investment company securities should be even easier to prove now than for some years past. Public confidence in them should continue to grow."

[*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.*]

SEC Orders NASD Admit Firm

Overrules refusal of membership to Republic Investment Company, head of which was formerly connected with concern that had been expelled.

The Securities and Exchange Commission on Oct. 28 set aside an action of the National Association of Securities Dealers, Inc., which denied membership to the Republic Investment Co. of Chicago and directed the Association to admit the firm to membership.

The N.A.S.D., after hearings during which the Association learned that A. Morris Krensky, President of Republic, had been a director of Lowell Niebuhr & Co., Inc., a firm which previously had been expelled by it refused to admit the Republic Investment Company to membership. This concern is at present a dealer in unlisted securities in Chicago. Its officers are A. Morris Krensky, President, Harris S. Krensky, Vice President and Ida M. Krensky, Secretary and Treasurer.

Detroit Bond Club Elects Officers for 31st Year

Announcement has been made of the election of the following officers and directors of The Bond Club of Detroit, for the year 1946/47: President, Douglas H. Campbell, First of Michigan Corp.; Vice-President, Joseph J. Gatz, McDonald, Moore & Co.; Secretary-Treasurer, Merle J. Bowyer, Paine, Webber, Jackson & Curtis. Directors, in addition to the aforementioned officers, are: H. Russell Hastings, H. Russell Hastings Co.; Jones B. Shannon, Miller, Kenower & Co.; and J. William Siler, Siler & Co.

The organization meeting of the Club was held on March 17, 1916, at the D. A. C. and attended by

Douglas H. Campbell Merle J. Bowyer

possibly not more than 12 or 15 men. Its objective was to promote the social and educational welfare of the bond men of Detroit.

Jos. J. Gatz H. Russell Hastings

At that time there was quite a cleavage between the so-called bond man and broker or stock man. But that, over the

Jones B. Shannon J. William Siler

years, has disappeared and most financial houses of today are active in both phases of the business.

A number of charter members are still active in the financial field, among them being Carlton M. Higbie, J. E. J. Keane, John W. Watling, William G. Lerchen, McPherson Browning, Leslie Allington, Fred Ford, Frank Nicol and Stanley Wilkinson. Other names which come to mind as having been particularly active in the formation and the management of the Club's affairs in the early days are Charles B. Hull, Jr., Frank Gordon, Ernest Bendix, Sidney Small, Matthew Finn, Julius Peter, Wm. L. Davis, Harry M. Tingle, W. T. McFawn, A. J. Hood, Kirck G. Bumpus, Herbert Ely and J. A. McLaughlin, father of Russ McLaughlin, the Dramatic and Musical Critic, who undoubtedly inherited from his genial father some of his flare for colorful and articulate expression. Semi-monthly noon luncheons were held followed by brief addresses and among the early speakers were Abner E. Larned and Edgar A. Guest.

For more than 30 consecutive years the Club has been active in fostering the educational and social welfare of its members, and today it ranks as one of the country's outstanding investment banker organizations of this character. Many nationally prominent industrialists, as well as financial and business leaders have appeared before the group as guest speakers, and plans are being developed for an outstanding program for the forthcoming year.

During World War II, as in World War I, members of the Club devoted a substantial portion of their time toward the sale of Defense Bonds, being affiliated with the banking division of the War Finance Committee of Michigan. This effort was recognized as an important factor in the success of the war bond drives in Michigan. Other members served in the armed forces or devoted full time to responsible emergency governmental positions.

As underwriters and distributors of securities, members of the Club have played an important part in the development and expansion of the business, industrial and natural resources of this State. Similarly, the development of public utilities, railroads and governmental enterprises has been greatly aided, through distribution of securities.

Members include the heads, or representatives of nearly all Griswold Street investment firms. The membership rolls have been closed at 125 and a waiting list established.

First Colony Corp. Offers Dumont Electric Corp. Stock

An underwriting group headed by First Colony Corp. on Oct. 23 offered 94,000 shares of 10c par value common stock of Dumont Electric Corp. The stock was priced to the public at $6 per share. Other underwriters include B. V. Christie & Co., and J. H. Drass & Co., Inc.

The company will use the proceeds from the sale of 25,000 shares of the stock for the purchase of property and equipment, and the remainder, if any, will be added to general working capital. The balance of 69,000 shares is being sold for the account of Dumont Electric Co., a limited partnership.

Dumont Electric Corp. has no funded debt or bank loans. The outstanding capitalization of the company, upon completion of this financing, will consist of 345,000 shares of 10c par value common stock out of a total authorized issue of 500,000 shares.

The company was incorporated in New York on Jan. 12, 1946, as successor to Dumont Electric Co., a limited partnership. Dumont Electric Corp. believes that it is presently one of the largest manufacturers of capacitors, also commonly referred to as electric condensers, for use in fluorescent starting switches and heating aid devices.

For the period from Jan. 21, 1946 to June 30, 1946, the company reports a net profit, after all charges and taxes, of $136,325.

Two With J. A. Hogle

(Special to THE FINANCIAL CHRONICLE)

DENVER, COLO. — Garald D. Bachar and Paul L. Quammen are now connected with J. A. Hogle & Co., Equitable Building.

Distribution—A Key To Full Employment

By AMOS E. TAYLOR*

Director, Office of Business Economics, Department of Commerce

Commerce Department economist contends with completion of reconversion and with increased production, there will be dynamic shifts and distortions in consumers' expenditures. Sees buyers' market approaching despite continued rise in consumer purchasing, and urges more attention be given to selling and other distribution problems. Says government is prepared to readjust its policies to promote an increase in consumption.

The industrial and technological revolutions of the past two centuries have given us an increasingly efficient but complicated mechanism for making a living and for achieving and maintaining a constantly rising standard of life. This mechanism has enabled us to substitute for the application of muscular energy the utilization of energy taken from the earth, from the sea, and from the air. Yet our experience with this mechanism has also brought home to us the fact that the more intricate it becomes the greater is the danger of its complete breakdown if one or two of its wheels suddenly fail to function.

Amos E. Taylor

The inter-relationship between the production and the distribution of goods and services has been placed in bold relief by our wartime experience. The total output of goods and services at a rate of more than $200 billion a year by the second quarter of 1945 was an unprecedented achievement. It was basic to our winning the war and to making it possible for our allies to contribute their share to the outcome. We must remember, however, that equally impressive was the expeditious and efficient transport of goods to the places where they were needed.

For more than a year we have been in what we call the reconversion or transitional period. The main objective of reconversion policy has been the replacement of output for government use by production for private purchasers. Some industries which made major contributions to wartime output could not be used or readily converted to production for civilian purposes. This was particularly the case in shipbuilding, in ordnance plants, and in many of the expanded facilities for airplane production. In many other cases, notably plants normally producing consumer durables, the task of physical reconversion involved delays and difficulties. On the other hand, in such industries as meat packing, printing and publishing, and dairy products manufacture the physical reconversion problems were relatively

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*An addres by Dr. Taylor at the American Marketing Association Convention, Detroit, Mich., Oct. 24, 1946.

The Anglo-Swiss Monetary Agreement

Treaty of March 12, fixes rate of Swiss franc at 17.35 to £, and places usual exchange restrictions on payments in Sterling Area. Both countries agree to cooperate with view to assisting each other in keeping transactions within scope of their respective policies. Agreement provides for review of terms in event it is required by an international monetary agreement.

On March 12, the Government of the United Kingdom of Great Britain and Northern Ireland and the Swiss Government entered into a monetary agreement practically identical to similar agreements already negotiated by Great Britain with other countries outside the Sterling Area. It provides for an official exchange rate of 17.35 Swiss francs to the £, and an obligation by each contracting party to furnish the other with its currency, provided it is to be used domestically in the country requesting it and is within "the exchange regulations" in force in that area. Like other agreements made since the Bretton Woods Conference, there is a proviso for a review of the treaty in the event it is required by an international monetary agreement.

The full text of the agreement follows:

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

London, 12th March, 1946

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

Article 1

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

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

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

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

Article 2

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

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Southeastern Group Of IBA to Hold Annual Meeting

The Southeastern Group, of the Investment Bankers Association of America will hold the twenty-seventh annual meeting of the Group, on Oct. 31.

The following nominations have been made:

Chairman: Shirley C. Morgan, Frank B. Cahn & Co., Baltimore, Md.

Vice Chairman: George D. List, Robert Garrett & Sons, Baltimore, Md.

Vice Chairman: James H. Lemon, Johnston, Lemon & Co., Washington, D. C.

Secretary-Treasurer: Joseph W. Sener, Mackubin, Legg & Company, Baltimore.

There have been nominated for election to the Executive Committee, in addition to the above officers:

W. Peyton May, Investment Corporation of Norfolk, Norfolk, Va. (for 3 years).

John Redwood, Jr., Baker, Watts & Co., Baltimore, Md. (for one year) ex-officio.

Members of the Nominating Committee were:

Wm. J. Price, 3rd, Chairman, Alex. Brown & Sons, Baltimore, Md.

John C. Hagan, Jr., Mason-Hagan, Inc., Richmond, Va.

Charles P. Lukens, Jr., Robinson, Rohrbaugh & Lukens, Washington, D. C.

Wm. Vaughan Dead

William W. Vaughan, senior partner of Vaughan & Co., 50 Broadway, New York City, and a member of the New York Stock Exchange for the past fifty years died of a heart attack at the age of seventy-four.

Raymond, Huntington With Burgess Leith

BOSTON, MASS. — Harold B. Raymond and Raymond E. Huntington have become associated with Burgess & Leith, 30 State Street. Both were formerly officers of Raymond, Bliss, Inc.

Investment Bankers Association to Hold Thirty-Fifth Annual Convention December 1-6

To Elect New Officers and Transact Other Important Business

The 1946 Annual Convention of the Association will be held in Palm Beach, Fla., beginning on Sunday, Dec. 1, and ending on Friday, Dec. 6.

E. Hopkinson, Jr.

Robert W. Baird

Julien H. Collins

H. H. Dewar

Carey S. Hill

The Board of Governors will submit to the convention the regular ticket for 1943-47. This ticket will be voted on at the final session on Friday, Dec. 6, and will be as follows:

President—Edward Hopkinson, Jr., Drexel & Co., Philadelphia.

Vice-Presidents—Robert W. Baird, The Wisconsin Co., Milwaukee; Julien H. Collins, Julien Collins & Co., Chicago; Hal H. Dewar, Dewar, Robertson & Pancoast, San Antonio; Albert H. Gordon, Kidder, Peabody & Co., New York; Carey S. Hill, Hill Richards & Co., Los Angeles.

An especially large attendance is expected at the convention, which it is believed will be the most important one since 1941. There are many matters before the industry, such as prospective foreign financing, management of the national debt, securities regulation, and the outlook for the new capital markets. Coming soon after the Congressional elections, it is felt that the deliberations at the convention will be particularly newsworthy.

The Palm Beach Biltmore will be the headquarters hotel, and the Whitehall, which is a short walk away, will also be available if needed to accommodate any overflow. If the Whitehall should be used, members who are assigned rooms there will take their luncheons and dinners at the Biltmore.

The Convention Program will provide for Convention Sessions or open meetings of the Board of

(Continued on page 2223)

Canadian Securities

By WILLIAM McKAY

The strong trend towards political change in this country is having its repercussions in Canada. The reign of the Dominion Liberals has been even longer than that of the Administration here. However, superbly led by that consummate artist in parliamentary procedure, Prime Minister Mackenzie King, the Canadian Liberals have pursued a policy of modernization that has kept the Dominion ship of state on a steady course despite the onslaughts of extremism from Right and Left.

Now looking to the inevitable passing from the political scene of the veteran Liberal leader the fortunes of the party now hinge on the emergence of a strong successor. In the absence of a strong and competent hand at the helm the precarious supremacy of the Liberals will be hard put to resist the encroachment of the other major parties, the Progressive Conservate and the CCF. At best an uneasy balance could be maintained between the three lending parties. Also it is difficult to conceive the possibility of either the Conservatives or the CCF gaining an independent majority.

The tide of popular reaction on the North American continent and the innate conservatism of the Canadian people will militate strongly against the chances of progress of the CCF. The unyielding bulwark against extremism of the Province of Quebec is in itself an insuperable obstacle. Likewise the ancient undersurface feud between the provinces of Ontario and Quebec, based partly on religious differences and partly on incompatibility of temperament, renders the prospects of national predominance of the Conservatives almost hopeless.

MacKenzie King following in the footsteps of Wilfred Laurier, has alone among Canadian contemporary politicians, proved it possible not only to compose the differences between French and English speaking Canada, but has also achieved a state of constructive unity between the hitherto irreconcilable elements.

This explains the long tenure of power of the Liberal Administration and for this reason also the Liberal party still has the opportunity to maintain its supremacy.

But who in the Liberal ranks is qualified to carry on the great task of MacKenzie King? There have been many recent suggestions foremost among which has been the name of the Hon. J. L. Ilsley. Now it is rumored that he will shortly leave the Ministry of Finance for the Justice Department. With this discussed change is linked the name of Premier Stuart Garson of Manitoba as the new Minister of Finance.

As it has been evident for the past few years the Prime Minister and Treasurer of Manitoba by sheer weight of ability has thrust himself on the Federal political stage. Through the difficult depression years he successfully led his province to sound prosperity, not as a figure-head but as a strong capable executive His energies were not confined to provincial affairs, but as the leading protagonist of the implementation of the recommendations of the Sirois Report, he was the national voice for the modernization of the Canadian Federal system. Moreover this has not prevented him from taking a lively interest in economic matters of mutual concern to his province and the neighboring states in this country. If added to all this is his experienced legal background, in the person of the Hon. Stuart S. Garson K. C., there is indeed a worthy likely successor to Prime Minister MacKenzie King.

During the week the securities market again showed no disposition to develop any pronounced trend. There was an increased demand for Abitibi 5s of 1965 which improved only fractionally to 99¼ as, owing to Canadian tax selling and its popularity as a medium of arbitrage exchange, this bond continues to come down from Canada in ample volume. Sporadic buying of Dominion internal bonds was again evident after the recent lull and free funds oscillated between 3⅞% and 4⅛%. Internal stocks were irregularly dull with some strength in the base metals offset by declines in papers. The recent unsatisfactory performance of the paper stocks despite the boost in the price of newsprint can be explained by labor difficulties, which in view of the recent favorable strike settlements throughout the Dominion, should not be of long duration.

With the abatement of labor troubles both here and in Canada there is reason to anticipate a short period at least of freer industrial activity with resultant benefit to the security markets.

George Kountz With J. A. White & Co.

CINCINNATI, OHIO—Announcement is made that George H. Kountz has joined J. A. White & Company, Union Central Building, specialists in Ohio Municipal Bonds, as manager of the Buying Department.


Geo. H. Kountz

Mr. Kountz, who is well known in the investment banking field, has been identified with the business in Cincinnati and New York since 1922. Prior to the war he was a partner in the firm of Seufferle & Kountz, and before that was Vice President of Charles A. Hinsch & Company.

Mr. Kountz served in France and Belgium in World War I with the 147th Infantry, and received the Silver Star, Purple Heart and Verdun Medal. In World War II he was assigned to the Military Intelligence Division, War Department, and when relieved from active duty last year, held the rank of Lt. Colonel, General Staff Corps.

Earle S. Dudley, Jr. With Merrill Lynch in Boston

(Special to THE FINANCIAL CHRONICLE)

BOSTON, MASS. — Earle S. Dudley, Jr. has become associated with Merrill Lynch, Pierce, Fenner & Beane. In the past he was an officer of E. A. Straw, Inc. of Manchester, N. H.

NASD District No. 13 Committee Nominations

District No. 13 of the National Association of Securities Dealers, Inc., announces the terms of office of Harry W. Beebe and Robert S. Morris, as members of the Board of Governors of the Association



Oliver J. Troster Walter F. Blaine

from the District, and the terms of office of James Currie, Jr., A. James Eckert, Wilbur G. Hoye, and Richard L. Kennedy, as members of the District Committee, expire on Jan. 15, 1947. One additional vacancy on the Committee is occasioned by nomination to the Board of T. Jerrold Bryce,



Richard F. Abbe Col. R. Parker Kuhn

and one by resignation of George J. Leness. It is necessary, therefore, to elect a member to fill each of said vacancies.

The following slate has been presented:

T. Jerrold Bryce, Clark, Dodge & Co., New York, N. Y., to succeed Harry W. Beebe, Harriman Ripley & Co., Incorporated, New York, N. Y.

Wilbur G. Hoye, Chas. W. Scranton & Co., New Haven, Conn., to succeed Robert S. Morris, Robert S. Morris & Company, Hartford, Conn.

The following have been nominated as the regular candidates for membership on the Board:

Oliver J. Troster, Troster, Currie & Summers, New York, N. Y., to succeed James Currie, Jr., Troster, Currie & Summers, New York, N. Y.

Charles P. Cooley, Jr., Cooley & Company, Hartford, Conn., to succeed A. James Eckert, Mohawk Valley Investing Company, Inc., Utica, N. Y.

Walter F. Blaine, Goldman, Sachs & Co., New York, N. Y., to succeed Wilbur G. Hoye, Chas W. Scranton & Co., New Haven, Conn.

R. Parker Kuhn, The First Boston Corporation, New York, N. Y., to succeed Richard L. Kennedy, Harris, Upham & Co., New York, New York.

Richard F. Abbe, Van Tuyl & Abbe, New York, N. Y., for one year to fill the unexpired term of T. Jerrold Bryce, Clark, Dodge & Co., New York, N. Y.

John F. Wark, Merrill Lynch, Pierce, Fenner & Beane, New York, N. Y., for one year to fill the unexpired term of George J. Leness, Merrill Lynch, Pierce, Fenner & Beane, New York, N. Y.

Additional candidates may be nominated by members of the Association in the District, as provided in the by-laws. Such nominations to be received by the District Committee on or before Nov. 12, 1946, and should be addressed to Frank L. Scheffey, Secretary, District No. 13, 111 Broadway, New York 6, N. Y.

Members of the Nominating Committee were:

Herbert R. Anderson, Distributors Group, Incorporated; James J. Lee, Lee Higginson Corporation; Ranald H. Macdonald, Dominick & Dominick; Clarence E. Unterberg, C. E. Unterberg & Co.; Walter W. Wilson, Morgan Stanley & Co.

Nationwide Syndicate Offers Pac. Gas&El. Bds

A nationwide underwriting group headed by Halsey, Stuart & Co. Inc. on Oct. 29 made a public offering of $25,000,000 Pacific Gas & Electric Co. first and refunding mortgage bonds, Series P, 2¾%, due June 1, 1981, at 100½% and accrued interest. The bonds were awarded Oct. 28.

The company plans to use the net proceeds to finance, in part, its proposed construction program which is designed to meet the prospective increases in the demand for gas and electricity service in its system.

The Series P Bonds are to rank equally as to lien and security with the bonds of other series, of which an aggregate principal amount of $297,001,000 was outstanding at July 31, 1946, excluding $1,284,000 principal amount in the treasury.

Gross operating revenues for 1945 amounted to $160,269,446, and gross income before interest and Federal income taxes was $67,328,444. These figures represent increases over the corresponding figures for 1944, 1943 and 1942.

The Series P Bonds are subject to semi-annual cash sinking fund payment at least equal to the amount by which ½ of 1% of the total bonded indebtedness outstanding exceeds the total amount of payments in cash or bonds by the Company and its subsidiaries in satisfaction of any sinking fund or other similiar provision of underlying mortgages.

The bonds may be redeemed in whole or in part, at their principal amount and accrued interest, plus a premium of 4% if redeemed on or before June 1, 1948. The premium gradually decreases until it is ¼% during the period June 1, 1977 to June 1, 1980, after which there is no premium.

Pacific Gas and Electric operates throughout a large part of northern and central California. It serves gas and electricity or gas only in 23 cities each of which in 1940 had a population of 10,000 or more, including San Francisco, Oakland, Sacramento, Berkeley, San Jose, Fresno, and Stockton. Among its electric properties are 53 hydro-electric generating plants with a total installed rated capacity of 1,458,364 horsepower, and 13 steam-electric plants with a rated capacity of 853,384.

Goodbody Adds to Staff

Goodbody & Co., 115 Broadway, New York City, members of the New York Stock Exchange, announce that George H. Adams, Louis J. D'Elia, and M. Theodore Jadick have become associated with the firm as registered representatives in the Investment Department.

James Giblin With Roney

(Special to THE FINANCIAL CHRONICLE)

DETROIT, MICH.—James Giblin has become affiliated with Wm. C. Roney & Co., Buhl Building, members of the New York and Detroit Stock Exchanges. Mr. Giblin has recently been with the Army Air Forces. In the past he was associated with Whitlock, Smith & Co.

"Our Reporter on Governments"

By JOHN T. CHIPPENDALE, JR.

The government bond market continues firm with a good tone, as shifts in holdings among institutions seem to be getting under way and this is making for greater selectivity in trading. . . . Prices have moved within narrow limits, which has given the market an investment appearance, and this stability should continue unless there are to be wild inflationary developments. . . . For the present, the partially exempt issues appear to be holding the spotlight as the commercial banks are going from the eligible taxables in these securities. . . . The tax-free yield is still attractive and the sale of the longest eligible bond to purchase the 2¾% due 1960/65, and other partially exempts results in a shortening of maturity. . . . Also it seems that considerable of the prejudice toward these issues because of the high premium is disappearing. . . .

One of the reported large shifts in holdings last week was out of the 2½% due Sept. 15, 1967/72, into the 2¾% due Dec. 15, 1960/65. . . . This was given as the reason for the minor price decline in the longest eligible taxable issue during one of the trading sessions. . . .

However, the demand for the longest bank eligible 2½s was strong enough to make up this small decline in very short order. . . .

INCOME FACTOR

There are indications that institutions are giving much more attention to income and this is creating a demand for issues at prices that are about in line with present market levels. . . . There is no fear now of prices running away and buyers have the attitude that if the obligations cannot be bought today at yields they want, then they will wait until these issues approach levels they consider attractive. . . .

In some instances indications have been made to dealers as to amounts and prices, while in others firm orders have been given to pick up these issues at levels that are set in the commitment. . . .

These so-called under the market orders are giving the market a good tone and are signposts of an improving technical position. . . .

DEFECTIONS

With the price appreciation factor and trading profits seemingly in the uncertain classification, there are indications of retrenchment among dealers, with reports of abandonment of the government bond business by smaller houses and combination firms. . . . Higher carrying charges and the absence of new issues are no doubt contributing factors to this development. . . . Also the feeling seems to be developing that as the government bond market settles down and becomes a real investment market with narrower price movements, it will require more experienced personnel with a trained knowledge of the money markets in order to meet the competitive conditions that seem to be in the making. . . .

INFLATION

There still seems to be considerable concern over the dangers of inflation in the United States, with the English according to press reports, being disturbed about the prospect of such a development. . . . Whether there will be a boom and bust cycle is still for the future to decide, the now all important element seemingly being the labor factor. . . . Further tie-up of production caused by strikes in the coal mines and the automobile industry would have an adverse effect upon the economy. . . . Higher wages and higher prices could result in a spiral that would have a most unfavorable effect on the money markets, because it would mean that the monetary authorities would have to stop the inflation. . . .

This would result in the abandoning of present rate patterns and low money rates, which would again bring uncertainty into the government bond market until the boom is over. . . .

While these conditions are not expected by most money market experts, they cannot be dismissed entirely until there is more evidence of greater stability in the economic picture. . . .

BRITAIN AND UNITED STATES

The British Government is offering long-term 2½% securities without a fixed maturity, in exchange for called 3% obligations. . . . This raises the question as to what effect this cheapening of rates in England will have on our money markets. . . . It is certain that the lower coupon rate for the British obligations means that the money managers in England do not intend to abandon low interest rates in that country. . . . Moreover, the review of money market conditions in the United States by the Federal Reserve Board in the latest issue of the Federal Reserve Bulletin indicates quite clearly that we are also very definitely committed to a policy of low interest rates. . . . However, this policy of low money rates in the United States does not mean a return to the extreme low levels that were witnessed earlier this year. . . . Despite some firming in our rates they still are very low. . . .

Conditions in England are not comparable to those in the United States. . . . Whereas wartime controls are being rapidly abandoned here, England still has wage and price ceilings, rationing and subsidies. . . . American capital markets are free and large private financing has a restricting influence on the government to finance more cheaply. . . . Capital market regulations enable the British Government to limit or control private flotations that would interfere with government financing. . . .

There are exchange controls in England with no restrictions on foreign exchange in the United States. . . . These exchange restrictions do not encourage the free flow of capital between countries. . . . There seems to be such a wide difference in conditions between the United States and England that it is not believed that the depressing of interest rates in Britain will have any noticeable effect upon money rates in our country. . . . Nevertheless, this lowering of interest rates in England seems to confirm the trend that has been in evidence for some time, that cheap money rates are still the policy of the leading nations of the world. . . .

Unless there is a boom and bust in the United States our rate pattern of ⅞% to 2½% will remain. . . . With a business recession, rates may decrease slightly if bank loans should decline. . . .

CASH OR NEW SECURITIES

One of the most important topics of discussion in the financial district is what will be done with the maturing 1½s on Dec. 15. . . . Predicting what may take place is a favorite pastime, with the majority of guesses now favoring the opinion that the ⅞% certificates due Dec. 1 will be rolled over and the 1½s will be paid off in cash. . . . It is being pointed out that the ⅞% certificates are owned largely by other investors, with only a small amount held by the commercial banks. . . . Country banks, Reserve City Banks and the New York City Banks are the largest bank-holders of this issue. . . . There would not be a large reduction in deposits as a result of the cash redemption of these certificates. . . .

On the other hand there might still be a sizable cash payment of the December certificates since other investors, particularly corporations, might not be interested in turning in the December ⅞% certificates for another certificate issue. . . .

The 1½s due Dec. 15 are held in the largest amounts by commercial banks and Federal so that the retiring of this issue would decrease deposits and bank-held debt. . . . If holders of the Dec. 1 certificates should ask for large cash payments there might be a partial refunding of the 1½s. . . . The debt reduction program seems to be coming to an end for the time being. . . .

EYE TO EYE

Federal Reserve Board Chairman Eccles seems to be in complete agreement with Secretary of the Treasury Snyder on debt management, rate pattern, financing, and especially as regards an offering of long-term obligations by the government. . . . The fact that the money managers see no need of long-term financing for the present, and when it does come, it should be a non-negotiatble issue, should have a beneficial effect on outstanding obligations.

"Britain Can't Get It"

(Continued from page 2205)

of elementary comfort would become once more obtainable soon after the reconversion of industry to peacetime production. But a few months after the termination of hostilities, when the silk stockings and hot water bottles were still not forthcoming, the British public was told that the output of civilian industries has to be diverted abroad, in order to pay for vitally necessary imports. Food and raw materials take precedence over everything else, and the public submitted to the postponement of the satisfaction of its craving for more and better manufactures.

Then the British public was told that, once the American loan was granted, austerity would be brought to an end. But even after the ratification of the loan there seems to be no sign of any change of the policy of diverting the goods to the export markets. There is more newsprint for the newspapers, and a few kinds of goods have admittedly reappeared. But on the whole austerity continues to prevail. It is the government's policy not to spend more of the proceeds of the American loan than is absolutely inevitable. And since we must import essential goods, the consumer must do without postwar manufactures.

After this latest disappointment, the display of high-quality manufactures at the exhibition was adding insult to injury. It was bad enough not to be able to get the goods. But to dangle unobtainable goods before us makes it much worse.

While the visitors to the exhibition are favorably impressed by the display, their secondary reactions, and those of millions who have only read or heard about the exhibition, are anything but friendly. Beyond doubt, one of the results of the exhibition has been the revival of the pressure on the government to divert more goods to the home markets.

It is difficult to understand the motives of the government's timing of the exhibition. At present there is an immense purchasing power in this country that cannot be exercised for lack of goods. It may well be asked whether it would not have been wiser if the government waited until demand for goods has begun to slacken. To stimulate the demand when it cannot be satisfied does not seem very sensible.

The same is true concerning foreign demand. Day after day big orders have to be refused, for British industries are booked up for some time to come. If the exhibition was arranged for the benefit of export trade, it would have served this purpose much better in a year or two, by which time the world would have turned once more into a buyers' market. As it is, in so far as the exhibition achieves its intended effect on foreign would-be buyers, the only result will be that even more foreign orders will have to be turned away. For, even though the goods are diverted abroad, only a fraction of the almost unlimited foreign demand can be satisfied.

The exhibition cannot be repeated again in a year or two. Its stimulating effect will have worn away by the time British industries are really in a position to satisfy the demand at home and abroad.

Chapin & Co. Admits Scott and Davis

DETROIT, MICH.—Roy F. Chapin of Chapin & Company, members of the Detroit Stock Exchange, has announced the admission of Walter J. Scott and W. Fred Davis as partners in the firm, and the occupancy of new and larger offices at 608-610 Penobscot Building.

Mr. Scott entered the brokerage business in 1927 with Dominick and Dominick of Cincinnati as a margin clerk and bookkeeper following which he was in the banking business, and later a statistician for the Ford Motor Company. He comes to Chapin & Company from Mercier, McDowell & Dolphyn where he was Assistant Cashier.

Mr. Davis was manager of the C. F. Faust Furniture Company for nine years leaving in 1928 to form the Davis Furniture Company from which he recently retired. He has been a leader in community affairs and is a past president of the Strathmoor Kiwanis Club.

Securities Salesman's Corner

By JOHN DUTTON

Keeping morale high in a sales organization is one of the most important duties of a competent sales manager. Many firms have found that their best producers have been slackening up in their efforts during the past few months. Heavy income tax payments that penalize those in the higher brackets have been one factor that has contributed to this let down in sales activity. The recent market decline has also affected many salesmen adversely. They have become market experts. The market is going to tell them what to do . . . so they think. Some sales organizations that were beehives of activity last spring have now become a loafing place for those who have been losing their capacity for work.

Work habits can be lost. Idleness breeds idleness. Loafing is like any other bad habit . . . the more you do it, the more you want to do it. Many a good producer has lost his edge for business through taking it easy. The easiest thing for any man to do is to rest on his laurels. The trouble with that is, that you are the only one you are fooling when you do it.

Here are some rules that you can follow to advantage if you are trying to instill pep into your sales organization. PUT A BAN ON OFFICE LOAFERS. If some of your men have to do nothing, tell them to do it somewhere else. There is nothing worse for the other members of your organization than to have one or two men sit around and kill time with idle talk. They only disturb others who wish to work. They are like a couple of rotten apples in a barrel . . . pretty soon your whole sales organization will be infected.

HOLD SOME INTERESTING SALES MEETINGS. Give your men some inspirational ideas. Have a dinner some evening at a good restaurant for your men. Get your partners down there, and have a guest speaker who has something to say that will be helpful. Let your organization know that you are going to keep on doing business, increase your sales, and broaden your clientele. Show your men by your actions that everyone of them has an opportunity to make more money by building solidly for NEXT YEAR, and the years ahead.

Inaugurate a SALES CONTEST. Put some incentive into your organization besides the money angle. Most salesmen have a pride in their ability. A contest may be a joke to some but there are very few men who don't inwardly enjoy a test of their skill. Try to make it a fair contest wherein all members of the organization will have an even break. One of the best mediums for this purpose is a NEW ACCOUNT CONTEST. Put a minimum limit on the size of the order. Distribute your leads fairly. Set up a time limit. Make your prizes worth while. If some of your old timers don't go for it, get one of them started and it won't be long before everyone will be pitching. You can have some real fun out of this, especially if you make your first prize something worth fighting for. A trip for a husband AND WIFE, with all expenses paid from soup to nuts, may eat up some of your profits on your initial sales, but you will be well repaid in the long run by additional business that will come in as a result of such a contest, but they like them . . . they are like spices in food because they make what we do every day just that more palatable.

If you have any soreheads or complainers in your organization who have become chronic cases that cannot be cured, the best thing to do is to let them go. A sales organization is like a football team. It can go stale from overwork or underwork. A good sales manager knows his men. He watches each individual and keeps his organization from slipping into bad work habits. A slump is only natural after a prolonged period of high activity. But good sales organizations do not continue in a rut for a protracted period. Strong leadership at the helm is the way to overcome this condition.

Slump Ahead

(Continued from page 2204)

done by the present Administration in Washington, it is made an excuse for actively promoting controls that operate in both directions simultaneously, with disastrous confusion as a result.

So, in talking about the business outlook, and attempting to review the conflicting evidence, I shall avoid the safe but unsatisfying course of ambiguity, in favor of the reckless path of giving my reading of the presently visible economic signs. Needless to say, I present my conclusions as one man's conviction, with the observation that anyone who pretends to be able to give an authoritative forecast of the prospective behavior of 140,000,000 people—and their Government in an election year—is probably a charlatan—whether subsequent events happen to prove him right or wrong.

Facing a Recession

It is my conviction that we are facing the prospect of a business recession, probably within the next few months, and not later than next spring. It should not be a recession approaching the magnitude or duration of that which, following the first World War, commenced in the late spring of 1920 and lasted through 1921. But it can be serious enough, nevertheless, and if a sufficient number of mistakes are made to prevent the unquestionably favorable factors in the present situation from exerting their influence, it might set us back for a considerable period. I shall try to outline the basis for my pessimism.

First, let me list some of the many influences that should contribute toward a healthy economic situation.

The year following the end of World War II, with all its trials, presented a record of transition to a peacetime economy far smoother than that which we were able to achieve in the year following the first World War. And this time the task was far greater, since the proportion of our economy dedicated to the war dwarfed the earlier effort.

Civilian employment is at a record high—higher even than at the peak of the war effort, and unemployment is minimal. Never in our history has the total of incomes of individuals matched current levels. Farmers have never been in so prosperous or liquid a position, and industrial production, even in the strike-harassed reconversion period during the first half of 1946 equalled the previous record peacetime levels of 1941. In August the Federal Reserve Index of Industrial Production stood at 176, higher than at any former peacetime period.

Retail trade generally has enjoyed phenomenal and unprecedented volume and profits, and there has been a general boom, too, in the non-durable production industries. On top of all of this, we have a huge backlog of demand for consumers' and producers' durables and construction, accumulated over the war years when incomes were high and the industries producing such items were devoted to war output. Current demand for durables is bolstered both by present high income levels and by savings in the form of liquid assets that are estimated at the imagination-staggering total of $225 billions.

Rising Notes of Gloom

It seems almost perverse, in the midst of such a symphony of optimism to sound a note of discordant gloom. Yet such notes are making themselves heard with persistent dissonance, not only from the tongues of prophets, but from the hum of the market place.

Since last May, the stock market has registered losses in security values of $15 billions, with only slight recent recoveries. Last week, as I need not remind this audience, the commodity markets registered the steepest three-day price break since the Dow-Jones futures index was compiled in 1933. Increasingly, there are reports of a slackening in the consumer appetite for soft goods and luxury items at current prices.

Even the starved field of housing construction, with its soaring costs compounded by the black market scramble for short-supply items, shows signs of some fading of its lush bloom. Work stoppages through strikes, while now accounting for direct time loss of less than a fourth of that lost from this cause last winter and spring, are still abnormally high, and they are exerting a paralyzing effect in important industrial communities, and upon export trade. New strikes are threatening which, if they materialize, will effectively throttle the limping reconversion of durable goods production and construction. If they are avoided through further widespread wage increases, the result will be either to set off an inflationary price spiral or, more likely, to price important durable items out of the demand market.

Any honest ear attuned to the hum of our present-day economy, must find the wailing dirge of the bagpipes at least as insistent as the dulcet notes of the woodwinds. To my ear, the bagpipe strains are dominant.

Pessimistic Conclusions

I shall try to state why my weighing of the conflicting factors in the immediate outlook is dismal.

1. As I see it, we have been riding a boom essentially supported by the extraordinary activity of the soft-goods trades, both on the production and merchandising sides, and of the services. In spite of mounting costs, it has been a period of exceptional profitability for those producing and selling non-durables. This boom market has been provided by the high current income levels, and by the pent-up demands of civilian stocks depleted by war-bred shortages. It was pushed to record heights by the added demand of 10,000,000 men and women returning from the services and in need of new outfitting, and by the fact that wanted durables simply were not available.

The percentage of consumer incomes spent for food and non-durables was entirely out of line with past expenditure patterns and cannot possibly be maintained for a sustained period. As the depletions are made up, as record new crops are marketed, and as the competition of durables increases, there is bound to be a falling off in the proportion of income available for soft items. Despite the formidable levels of current expenditures in this field, I think that already there are unmistakable signs of a recession in the non-durable field.

2. There is a clear demand potential for absorbing any such slack through increased expenditures for consumer durables, for industrial capital expenditures, and for consumer housing. If it could be realized, we should go ahead without any slump. My doubts stem from the weighing of what seem to me to be very formidable difficulties in the way of a prompt and steady augmenting of production in these three categories.

The output of durable goods—both consumer and capital—has been hobbled by work stoppages, rising labor costs, and by materials and component shortages toward all of which inept government controls have importantly contributed. The shortage difficulties are being slowly remedied, but costs promise to remain high and I doubt that we have developed the collective wisdom to avoid further crippling labor strife. While over-all corporate profits have been high, they have been generally unsatisfactory in the important metal-manufacturing group, and the picture would have been much blacker had it not been for the carryback privileges following excess profits tax repeal.

In short, I am afraid that cost rigidities which will be slow of adjustment at best, will result in durable goods prices that will severely limit the size of the markets despite large potential demands at any reasonable price.

A similar situation obtains in the construction field. Unless present exorbitant costs are cut—costs which reflect not only increased wages and materials bills but a competitive black market scramble for scarce items—I suspect that many builders will hesitate to make new commitments, after their present ones are brought to completion. And I feel very sure that the present exorbitant building costs will severely limit business capital expansion, particularly in those fields in which the profit outlook already is cloudy.

On top of all this, I have many misgivings as to the promptness and wisdom with which the remaining Government controls are likely to be dismantled, and I believe that there will a further downward thrust from an inevitable fall in the towering prices of agricultural products in the face of huge crops and falling export-relief demands.

I shall summarize my conclusions in this form:

As I view it, there is nothing inherent in the present economic scene that precludes the possibility of an orderly transition from an ending soft-goods boom to a beginning hard-goods boom, with the divergent trends finally merged and stabilized into a healthy prosperity.

It could be done if there were sufficient collective wisdom in the management, labor, agricultural and Government groups to resolve the thorny problems involved in such a transition.

My pessimism stems from a lack of conviction that we *can* mobilize such wisdom. I hope I'm wrong. But I have expressed a genuinely-held doubt that we shall be able to avoid a repetition of many of the same mistakes that have marked our transition to date from war to peace, or even escape devising some new errors. Hence, I expect that the formidable difficulties in the way of a smooth transition to the next phase will be effected the hard way—through a business recession.

Unless we blunder badly—and we may—the recession should not be too long or too deep, for I recognize, and have listed an impressive catalog of plusses in our situation that should bail us out. To those I have mentioned, I might add that the price floors on commodities should prevent too violent a collapse of agricultural prices which is a major hazard. Further, I should like to make it clear that I do not think it practicable nor desirable to effect the vitally necessary realization of a workably stable and tenable price level through an attempted onslaught on wage rates. We can support present wage rates, if we can eliminate existing impediments to high production. Ultimately, I am convinced that we must move toward a rational principle of wage determination that links wage advances to increased productivity and thus provides labor with a direct incentive for moving in what everyone agrees to be the necessary direction.

Perhaps the healthiest factor in our economy is the considerable and growing recognition that recession is probably the most immediate hazard to be faced. If my gloom has helped to sharpen that recognition it may have served a useful purpose.

Investment Bankers Association to Hold Thirty-Fifth Annual Convention December 1-6

(Continued from page 2219)

Governors on each morning from Monday through Friday. Prominent speakers will address the Convention Sessions, and there will also be a prominent speaker at dinner on one of the evenings. Committee meetings will be held at breakfast and luncheon on Monday, and also in the early afternoon of that day. With this one exception, no business session will be scheduled for the afternoons. They will be left free for golf, tennis, bathing, fishing, etc. The same will be true of Sunday. A general get-together party will be held before dinner each evening from Sunday through Thursday, and there will be dancing after dinner.

It is an established policy of the Association that only those who are definitely eligible under the by-laws may attend an annual convention. It will therefore be impossible to comply with requests to take guests to the convention, other than members of the immediate family of a delegate or alternate.

Convention Registration Fee

A registration fee of $30 will be charged for each delegate and alternate. No fee will be required for wives or members of the press. Checks covering registration fees should be made payable to the association and forwarded to the office of the Association in Chicago with the white form which accompanies the bulletin.

Hotel Reservations

All reservations for rooms for the convention must be made through the Office of the Association in Chicago.

Those traveling to Palm Beach on the Convention Special Trains will be advised of their hotel room numbers en route.

Special trains for the convention will be operated from New York and Chicago to West Palm Beach and return. In addition, special cars will be operated from Detroit and St. Louis. They will be attached to the Chicago Special Train en route. The schedules for these trains and cars will be as follows:

NEW YORK SPECIAL TRAIN

Going

		Eastern Time
SATURDAY, NOV. 30:		
Lv. New York (Penna. Sta.)	Penna. R.R.	11:05 A.M.
Lv. Newark	Penna. R.R.	11:20 A.M.
Lv. North Philadelphia	Penna. R.R.	12:38 P.M.
Lv. Philadelphia (30th Street)	Penna. R.R.	12:47 P.M.
Lv. Wilmington	Penna. R.R.	1:18 P.M.
Lv. Baltimore	Penna. R.R.	2:18 P.M.
Lv. Washington	R.F. & P.R.R.	3:00 P.M.
Lv. Richmond (Main St. Sta.)	Seaboard Ry.	6:00 P.M.
Lv. Raleigh*	Seaboard Ry.	8:50 P.M.
SUNDAY, DEC. 1:		
Ar. West Palm Beach	Seaboard Ry.	11:05 A.M.

*Will stop at Raleigh only upon request of members traveling to the convention who wish to board the train there.

Returning

		Eastern Time
FRIDAY, DEC. 6:		
Lv. West Palm Beach	Fla. E.C. Ry.	7:00 P.M.
SATURDAY, DEC. 7:		
Lv. Jacksonville	Atl. Coast Line	12:01 A.M.
Ar. Florence	Atl. Coast Line	6:00 A.M.
Ar. Richmond	Atl. Coast Line	12:01 P.M.
Lv. Richmond	R.F. & P.R.R.	12:10 P.M.
Ar. Washington	R.F. & P.R.R.	2:55 P.M.
Lv. Washington	Penna. R.R.	3:10 P.M.
Ar. Baltimore	Penna. R.R.	3:55 P.M.
Ar. Wilmington	Penna. R.R.	4:57 P.M.
Ar. Philadelphia (30th Street)	Penna. R.R.	5:27 P.M.
Ar. North Philadelphia	Penna. R.R.	5:36 P.M.
Ar. Newark	Penna. R.R.	6:50 P.M.
Ar. New York (Penna. Sta.)	Penna. R.R.	7:05 P.M.

CHICAGO SPECIAL TRAIN

Going

FRIDAY, NOV. 29:		
Lv. Chicago (Central Sta.)	N.Y. Cent. Syst.	9:00 P.M.—C.T.
SATURDAY, NOV. 30:		
Lv. Indianapolis	N.Y. Cent. Syst.	12:55 A.M.—C.T.
Lv. Cincinnati	Southern Ry.	4:45 A.M.—E.T.
Lv. Chattanooga (Terminal Sta.)	Southern Ry.	11:55 A.M.—C.T.
Lv. Atlanta (Terminal Sta.)	Southern Ry.	4:40 P.M.—E.T.
SUNDAY, DEC. 1:		
Lv. Hampton	Seaboard Ry.	1:25 A.M.—E.T.
Ar. West Palm Beach	Seaboard Ry.	8:15 A.M.—E.T.

Returning

FRIDAY, DEC. 6:		
Lv. West Palm Beach	Fla. E.C. Ry.	9:00 P.M.—E.T.
SATURDAY, DEC. 7:		
Lv. Jacksonville	Atl. Coast Line	3:15 A.M.—E.T.
Lv. Albany	Cent. of Ga. Ry.	6:30 A.M.—C.T.
Ar. Birmingham	Cent. of Ga. Ry.	1:20 P.M.—C.T.
Lv. Birmingham	Ill. Cent. Syst.	1:40 P.M.—C.T.
SUNDAY, DEC. 8:		
Ar. Chicago (Central Sta.)	Ill. Cent. Syst.	8:30 A.M.—C.T.

DETROIT SPECIAL CAR

Going

		Eastern Time
FRIDAY, NOV. 29:		
Lv. Detroit (Mich. Central Sta.)	B. & O. R.R.	3:15 P.M.
Lv. Toledo (Union Sta.)	B. & O. R.R.	4:40 P.M.
Ar. Cincinnati	B. & O. R.R.	9:35 P.M.
SATURDAY, NOV. 30:		
Lv. Cincinnati	Chicago Special	4:45 A.M.

A special car will not be operated to Detroit on the return trip. Detroit members may return via the Special Trains to Washington or Chicago, and thence by regular train to Detroit.

ST. LOUIS SPECIAL CAR

Going

		Central Time
FRIDAY, NOV. 29:		
Lv. St. Louis	N.Y. Cent. Syst.	6:00 P.M.
Ar. Indianapolis	N.Y. Cent. Syst.	10:45 P.M.
SATURDAY, NOV. 30:		
Lv. Indianapolis	Chicago Special	12:55 A.M.

Returning

SUNDAY, DEC. 8:		
Ar. Carbondale	Chicago Special	12:30 A.M.
Lv. Carbondale	Ill. Cent. Syst.	4:30 A.M.
Ar. St. Louis	Ill. Cent. Syst.	7:20 A.M.

Railroad tickets should be purchased from local ticket agents. They will be able to advise as to fares and as to the form of ticket best suited to individual needs. The individuals in charge of Pullman reservations (see below) will not be able to supply railroad tickets.

It is important that those planning to travel on the special trains or cars specify that their railroad tickets be routed so as to conform with the routes of the special train or car in question, as set forth in the above schedules. It should be noted in this connection that the return routes of the special trains differ from the going routes. It should further be noted that round-trip fares do not ordinarily apply when the Seaboard Railway is used in one direction and the Florida East Coast Railway in the other. Accordingly, to provide for those traveling on the Convention Special Trains, a special tariff will be in effect under which round-trip fares will apply. Ticket agents will be on notice concerning this special tariff.

New York Special Trains—Pullman reservations for the going trip should be made through the New York Group Transportation Committee, of which E. Jansen Hunt, White, Weld & Co., New York, is Chairman. The blue form which accompanies the bulletin should be used for this purpose.

Drawing rooms, compartments and bedrooms will be available. Drawing rooms and compartments will not be assigned for single occupancy unless it develops at the last minute that there will be unused space available. When the supply of drawing rooms has been exhausted, it will be necessary to assign compartments to those requesting drawing rooms. When the supply of bedrooms has been exhausted, it will be necessary to assign those requesting bedrooms a compartment and a roommate.

One-way Pullman fares (including Federal tax) to West Palm Beach will be as follows:

	Drawing Room 2 persons	Compartment 2 persons	Bedroom 1 person
New York	$45.20	$35.88	$22.77
Philadelphia	41.23	32.60	20.99
Wilmington	41.23	32.60	20.99
Baltimore	32.53	31.28	19.78
Washington	37.20	29.27	18.57
Richmond	33.24	26.57	16.79
Raleigh	27.95	22.60	14.38

Certificates covering Pullman space will be issued in lieu of regulation Pullman tickets. Certificates will be mailed if applications are received promptly. Otherwise they may be picked up at the office of E. Jansen Hunt prior to 5:00 P.M. on Friday, Nov. 29.

The Committee will not handle return Pullman reservations. They should be made at Palm Beach, at Transportation Headquarters in the Palm Beach Biltmore. It is important that this be attended to early in the Convention so that the railroads will have ample time to provide the proper equipment.

Chicago Special Train—Pullman reservations for the going trip should be made through the Central States Group Transportation Committee, of which Charles R. Perrigo, Hornblower & Weeks, Chicago, is Chairman. The yellow form which accompanies the bulletin should be used for this purpose.

Drawing rooms, compartments, and bedrooms will be available. Drawing rooms and compartments will not be assigned for single occupancy unless it develops at the last minute that there will be unused space available. When the supply of drawing rooms has been exhausted, it will be necessary to assign compartments to those requesting drawing rooms. When the supply of bedrooms has been exhausted, it will be necessary to assign those requesting bedrooms a compartment and a roommate.

One-way Pullman fares (including federal tax) to West Palm Beach will be as follows:

	Drawing Room 2 persons	Compartment 2 persons	Bedroom 1 person
Chicago	$46.52	$37.20	$23.92
Indianapolis	41.23	32.60	20.99
Chattanooga	27.95	22.60	14.38
Atlanta	25.24	19.95	12.59

Certificates covering Pullman space will be issued in lieu of regulation Pullman tickets. Certificates will be mailed if applications are received promptly. Otherwise they may be picked up at the office of Charles R. Perrigo prior to 5:00 P.M. on Friday, Nov. 29.

The Committee will not handle return Pullman reservations. They should be made at Palm Beach, at Transportation Headquarters in the Palm Beach Biltmore. It is important that this be attended to early in the Convention so that the railroads will have ample time to provide the proper equipment.

Detroit Special Car—Pullman reservations should be made through Ralph Fordon, Watkins & Fordon, Inc., Penobscot Bldg., Detroit 26, Mich. Drawing rooms and compartments will be available. They will not be assigned for single occupancy unless it develops at the last minute that there will be unused space available. One-way Pullman fares (including federal tax) to West Palm Beach will be as follows:

	Drawing Room 2 persons	Compartment 2 persons
Detroit	$51.81	$41.28
Toledo	50.49	40.60

St. Louis Special Car—Pullman reservations for the going trip should be made through Harry Theis, Albert Theis & Sons, Inc., 410 Olive St., St. Louis 2, Mo. Drawing rooms and compartments will be avaialble. They will not be assigned for single occupancy unless it develops at the last minute that there will be unused space available. One-way Pullman fares (including federal tax) to West Palm Beach will be as follows:

	Drawing Room 2 persons	Compartment 2 persons
St. Louis	$42.55	$33.93

Return Pullman reservations should be made at Palm Beach, at Transportation Headquarters in the Palm Beach Biltmore. It is important that this be attended to early in the Convention so that the railroads will have ample time to provide the proper equipment.

Hotel representatives will travel on the special trains and will furnish passengers with baggage tags filled out with their names and hotel room numbers. One of these tags should be attached to each piece of hand baggage. Then, upon arrival in West Palm Beach, all such baggage will be transported immediately from the station by truck and distributed promptly to the proper hotel rooms.

New Yorkers in Posts of Natl. Savings Loan League

Several savings and loan executives of New York have been named to important committee posts in the National Savings and Loan League, it was announced recently at League offices in Washington. President Raymond P. Harold of the League has made the following appointments:

William J. Dwyer, President of the Franklin Society for Home-Building and Savings, Chairman of the State Associations Committee; Frank A. Nolan, Executive Vice President and Secretary of the Colonial Federal Savings and Loan Association, member of the Constructions Standards Committee; Philip M. Burkard, President of the Home Federal Savings and Loan Association of Ridgewood, Vice Chairman of the Advertising Committee and member of the Membership Committee and Andrew S. Roscoe, President of the South Brooklyn Savings and Loan Association, Chairman of the Personnel Problems Committee.

Free Enterprise and Anti-Trust Laws

(Continued from page 2217)

Rigid control and sanction of cartelization were the forerunners of Hitler.

Powerful business combinations headed by small groups needed only indoctrination to become the backbone of the Nazi war machine. By reason of their long practice of stifling free enterprise they were ready for and grasped the evil Nazi philosophy.

Mussolini erected his Fascist corporate state upon the foundation of giant industrial combinations.

These alien philosophies are abhorrent to us. Yet they arose in countries which had operated on a competitive system basis.

There are other economic philosophies which differ from ours. But the world is large and we can all live in peace together as United Nations.

Our own path is plain. We must not permit the economic system in which we believe, our system of free enterprise and opportunity with its attendant civil rights, to deteriorate. We must not allow it to be robbed of its vitality and of its blessings. Assaults upon it by the selfish must be withstood.

Some Greedy Men Clamor for Free Enterprise

There are those who would scuttle our way of life. These greedy men clamor loudest for free enterprise and opportunity. Actually, they mean freedom for their own activities—freedom to drive competitors from the market place. These men would have freedom for guaranteed profits and safe markets with none of the risks inherent in our capitalistic system. They would have freedom to insulate their business from the uncertainties of competition and freedom to gorge themselves with monopolistic profits.

These are not the freedoms to foster and protect in America. They are not freedoms at all. They mean only license—license to carry a business blackjack in a community where other citizens go unarmed.

These men would play the game of restrictive agreements, agreements which fix arbitrary and unreasonable prices for the goods which they sell, agreements which divide markets in which their goods are sold, agreements which divide fields of production and sale, and agreements which suppress technological advance and new products.

Let me tell you just how their system operates.

"Trust-Buster" Title Well Earned

The story of the monopolist who corners the market is an old one; it is familiar to you all. The Department of Justice has fought the oil trust, the tobacco trust and the railroad trust and has recently won the battle against the aluminum trust. The title "Trust-buster" is well earned.

But the monopolist constantly seeks new methods of tying up markets. Cornering and controlling markets, production, prices and inventions are no longer done openly. Secret agreement is now the device. Telephone conversations and club luncheons have replaced agreements and memoranda of understanding.

Price fixing agreements by which goods are sold at artificial and exorbitant prices are common. Housewives, storekeepers, wholesalers and even manufacturers are forced to pay tribute to producers of goods and hoarders of materials who have conspired in secret to make helpless buyers pay monopoly prices. These prices include the unseen tax of the monopolist, the extra charge which the monopolist takes unto himself by reason of his preferential position, a preferential position engineered in secret to mulct the public.

The monopoly tax is levied by the private government of the monopolist. It has no legal sanction and the unfortunate taxpayer has no right of appeal.

This monopoly tax has been reliably estimated to reach many billions of dollars annually. It is money which could have bought more radios and clothing, automobiles and housing. Many times, it is money which could have bought food.

The price fixing agreement is sometimes clothed in the garment of illegal patent-license agreement. It may also appear in the guise of trademark agreement. But it must be recognized as the same purse-bleeding agreement of the same price fixers.

The American people demand that these vultures be stamped out of the market place.

The secret agreement has also been employed to parcel out exclusive areas for the production and sale of foods. This agreement is known as the division-of-territory agreement. This is the scheme of two or more conspirators. They see no advantage in fighting for the whole market since such a fight may result in lower prices to the consumer and less profits to them. Accordingly, they cut the pie neatly into portions. Each conspirator then gets a piece for his very own. In this piece or exclusive area, only he can produce and sell. His conspirators have agreed to stay out of this area and he, of course, has agreed to stay out of their areas. Each trading area is then at the complete mercy of the monopolist who controls it. The consumer finds no competition between producers and is compelled to pay whatever price the monopolist cares to charge. This always includes the monopoly tax.

The evil of division of markets also embraces our foreign trade. Industry after industry is subject to export restraint. Whole continents have been delivered as exclusive marketing areas. These cartelists, and we can so dignify the monopolists when they act in combination and in concert with others, have erected super-governments. They refer to their restrictive agreements as treaties. There is no senate, no representative of the consumers, to approve these treaties. The cartelists are sovereign in themselves and owe allegiance only to their profits. They know only the diplomacy of the dollar.

Their policies are planned to withstand the effects of the rise and fall of nations. This is clearly revealed in cases brought by the Department of Justice against American companies in league with the German dye-trust, I. G. Farbenindustrie. Nations conquer or are vanquished but the monopoly profits of the private economic empires continue.

There are also the secret agreements which divide fields of production and sale. By these devices, the conspirators divided the pie not geographically but according to product. They may all operate in the same area but restrict themselves to specific operations or products. No one dares enter the field granted to another.

Such was the case in the glassware industry. Here, the conspirators created exclusive fields in which each acquired a monopolistic and noncompetitive position in the production and sale of a particular type of glassware. The buyer found a complete absence of competition in each field.

You have also heard stories about the suppression of inventions and the smothering of discoveries.

You know about the match trust and its miracle match which could light one thousand times but which never reached the market. No conventional monopolist would think of allowing such a match to reach the consumer. The consumer might be benefited but match sales would be drastically reduced.

The introduction of fluorescent lighting was retarded. Here, power company revenue was at stake.

Again, so that more electric lamps could be sold, the manufacturers built them with shorter life.

Vitamins have been kept from the poor and the lame. Vitamin D is a boon to children with rickets who suffer from malformation due to defective bone metabolism. Rickets are most prevalent with the poor. The poor are also the largest consumers of oleomargarine.

Some years ago, patents for producing vitamin D by ultra violet ray came into the hands of a university foundation located in a butter producing area. The sole right to use this artificial method of producing vitamin D in foods belonged to the foundation.

The foundation denied licenses for irradiating oleomargarine with vitamin D to manufacturers of oleomargarine because the patent holder was as the inventor said, unsympathetic to oleomargarine.

Monopolists think of their profits first and of the people last.

These are but a few of the practices engaged in by the monopolists who would tear down our free enterprise system while they declare their love for the American way of life.

Fortunately these men are in the minority.

I wasn't always Attorney General Clark. Once I was just Attorney Clark, one of the lawyers in the Department of Justice.

In later years, it was my privilege to be Assistant Attorney General in charge of the Antitrust Division. I speak, therefore, from first-hand experience in antitrust work when I say that these men are in the minority.

Most Business Men Play Game Squarely

On the whole, the business men of America, of which this association is very representative, play the game squarely. They give the other fellow a chance and are willing to pass on a reasonable portion of their gains to the buying public.

That is the way the fair American shoe manufacturer and the fair American textile machinery manufacturer operate.

It is the way laid down by the founders of this country. It is the way crystallized by the provisions of the Sherman Act.

In giving us the Sherman Act, a Congress more than fifty years ago reaffirmed by statutory enactment the American principle of freedom of opportunity in a competitive system. Since the beginning of the century, the Democratic and Republican party platforms have repeatedly pledged adherence to these principles.

The Sherman Act is rightfully known as the Magna Charta of the free enterprise system and the Bill of Rights of business.

The Sherman Act asserts the principle that in a free market, enterprise and initiative shall have the opportunity to compete without fear of restraint by combination, and without fear of reprisal by monopoly methods.

The Sherman Act asserts the principle that the ultimate interests of the entire economy and of all the people will be best served by freedom of opportunity to introduce new ideas, new goods, and new services, and to enter the market and compete on equal terms.

In the famous Trenton Potteries case, the Court found the Congressional intent in enacting the Sherman Act to be:

"... based upon the assumption that the public interest is best protected from the evils of monopoly and price control by the maintenance of competition."

The events of recent years have amply demonstrated the wisdom and foresight of the Congress which wrote this charter of economic freedom.

An astounded world watched our industrial machine pour forth the goods and materiel which overwhelmed the enemy.

Many nations in a weary world look for succor to our government and our system of free enterprise and free opportunity and would emulate that which has brought to us the greatest standard of living known to any people of the world.

I have just returned from a Europe sick from many ailments. Very apparent is the disease that comes from industrial combination and cartelization.

It is a hateful disease which must not infect us. Our job at the Department of Justice is to protect the American economy from contagion.

Function of Justice Department

The Department of Justice must preserve our economic freedoms and the civil rights which flow from them by enforcement of the Sherman Act.

The Department of Justice is the public protector. It is the law department of the greatest clients in the world—the United States of America and its people.

Many antitrust actions start from the people. Complaints are received by the Department of Justice every day.

One may be from the machine tool manufacturer who finds all his suppliers of ball bearings lined up against him offering bearings at identical prices.

Another may be from the tobacco farmer who finds himself confronted with the same prices and buying conditions from all the big tobacco companies.

Another may be from a municipality which is planning to build a school but finds that all contractors operate through a bid depository and decide among themselves who shall be the successful bidder and at what price the successful bid shall be made.

And still another complainant may bewail the fact that overstocked suppliers have agreed to withhold their goods from the market to create a scarcity with consequent higher prices or to put him out of business.

If, after investigation, it is determined that the complaint is well-founded, the Department of Justice moves swiftly.

Where it is plain that the offender clearly intended to violate the antitrust laws, criminal indictment is immediately sought.

Let me say very clearly that the Department of Justice does not seek to punish for the sake of punishment. It does not carry on a vendetta with the businessman. It seeks only to deter the violation of our basic economic law.

The civil action is used to obtain affirmative relief.

Large fines do not correct the situation which has already become fixed. In such cases, we ask the equity courts to order relief which will remove the wrong complained of and dissipate its effects.

Where an illegal business structure exists, we may ask that it be dissolved if it is indicated that this is the way to remedy the wrong.

Where a corporation uses its subsidiaries, divisions, or plants in violation of the antitrust laws, we may ask for what in legal language is known as divestiture. This means separating the subsidiary, division or plant from its parents towards the end that two competitive units will appear in place of the single structure which acted in violation of the antitrust laws.

Hits Concentration of Economic Power

We must untrack the trend towards concentration of economic power.

The Smaller War Plants Corporation recently issued a report to the Senate Small Business Committee. The report decries the trend toward mergers and acquisitions which was accelerated during the war and which must be prevented and reduced in stature.

The report concludes that antitrust, small-business and surplus-disposal programs are the remedies indicated.

The Antitrust Division of the Department of Justice has long maintained separate sections dealing with small-business problems and surplus property disposal.

I should like to make another point clear about the Sherman Act and its enforcement.

We know that because of the broad language of the Sherman Act, violation of its terms is sometimes unpredictable although the Supreme Court is making clearer and clearer the bounds of proper activity. Nevertheless, should a specific program be contemplated and should the planners be fearful that it violates the law, the Department of Justice is prepared to discuss it.

The American business man who wants to play the game according to American rules has nothing to fear.

We are now going back to the old rule book. For five weary years, business has complained of the OPA and price control. It has begged for the return to the economies of supply and demand.

Well, it is just about here. Business will be on its own. There will be no government to whip and to blame. It is expected that business will accept the responsibility of the free market. It is expected that business will not substitute private price control for government regulation. The average American—the elevator operator as well as the apartment building owner, the shoe store salesman and the chain store operator—has been protected from runaway prices under government control. They are entitled to expect fair and reasonable treatment with the removal of government control.

This is now the obligation of business. To shirk this obligation is to betray a trust imposed on business by the removal of control. It is to shirk a responsibility to the public and to the free enterprise system.

The removal of price control places the free enterprise system on trial. The American business man has a personal and vital interest in the preservation of the American system of free enterprise, free opportunity and free men. His future as an independent business man depends upon vigorous, night and day enforcement of the antitrust laws.

We call out, then, to business men like you to help us.

For it is with your continued support and assistance in enforcing our basic economic law that the American business scene will remain free from enterprise and open for opportunity.

Funk & White Formed In San Antonio, Tex.

SAN ANTONIO, TEXAS—Funk & White is being formed with offices in the Frost National Bank Building to continue the investment business of Creston H. Funk. Partners of the new firm are Mr. Funk and L. Smiley White. Mr. White has been trust officer of the Frost National Bank of San Antonio for the past eight years.

Distribution—A Key to Full Employment

(Continued from page 2219)

simple. These experienced no drop in demand for their products as the government moved out of the market as the principal buyer.

The significance of this shift is reflected in the past year's changes in the total expenditures comprising the nation's total output of goods and services. During 1945, a year during which wartime output reached its peak but before the end of which reconversion was under way, the value of the gross national product was approximately $197 billion. Of this total, government expenditures accounted for $83 billion, private gross capital formation (residential and other construction, producers' durable equipment, etc.) aggregated $9.4 billion, and consumers' expenditures of goods and services amounted to slightly less than $105 billion. Even though government expenditures began to drop sharply after V-J Day they averaged for the year as a whole more than 40% of all the goods and services we produced.

Distribution of Gross Annual Output

If we now look at these same figures for the second quarter of 1946 we will note that some significant developments occurred between the surrender of Japan in August 1945 and the end of the first half of the present calendar year. The value of the gross national output of goods and services was now running at an annual rate of $185 billion. This annual rate consisted of government expenditures amounting to $38 billion; private capital formation, $25 billion; and consumers' expenditures, $122 billion. Thus while the annual rate of total output had fallen by 6%, the share represented by government outlays had fallen by nearly 55%; the amount represented by private investment in plant, capital equipment, construction, net exports, net change in inventories, etc., had risen by 166%; while consumers' expenditures showed an increase of 16%.

In general, these figures reflect the kind of shift that was to be expected. As government expenditures declined, private capital formation and consumers' expenditures rose. It was to be expected that as wartime requirements relaxed, much-needed capital equipment would be replaced, residential and industrial construction would get under way in order to meet peacetime needs, and that depleted inventories would be built up. In view of the exceedingly low volume of output of consumer durables during the war it was to be expected that the buying public would be in the market for automobiles, radios, household appliances, and a host of similar products as soon as they were available.

As we examine these figures more carefully, however, we find a number of interesting problems. One of these relates to the nature, as distinguished from total value, of consumer expenditures. Since, as is implied in the title of my talk tonight, distribution has an important role in achieving and maintaining a high volume of production and employment, it is well that we examine the current trends in consumer expenditures as reflected by the sales at retail stores.

Changes in Retail Expenditures

During the period between the two world wars the volume of retail trade was very closely associated with the level of consumer incomes. In other words, the volume of retail business was almost entirely dependent on the aggregate incomes which consumers received during a period in which the economy experienced a wide variety of changes and dynamic shifts.

During the recent war years, however, because of short supplies of goods, price controls, rationing, and the desire on the part of individuals to save more, the volume of retail trade was far below the amount which consumers would have bought had expenditures maintained the prewar pace with the much higher incomes. Even in the first half of 1945, if consumers could have bought in accordance with the same pattern as the prewar years, they would have spent almost $20 million more in retail stores than they actually did.

After V-J Day the pressure for saving a large part of consumer income was gone, prices increased, more goods began to flow into civilian markets, and as a consequence consumers accelerated their rate of expenditures at retail stores to the point where by the middle of this year they were virtually in line with the prewar relationship of sales to incomes. In other words, 12 months, 12 months after V-J Day, the dollar volume of consumers' spending and savings had been adjusted to the normal peacetime relationship.

In this process, however, significant distortions in the buying pattern resulted. In the first place, many types of goods were still unavailable, such as low price shirts and other articles of apparel, automobiles, refrigerators, etc. As a consequence consumers shifted their purchases to the items that were more plentiful, primarily nondurable goods or soft lines. Second, millions of demobilized persons formerly in the armed forces had to outfit themselves and therefore created a temporary demand not only for many nondurable goods but also to a large degree for house furnishings and furniture. These two factors resulted in a sharp distortion in the character of consumer buying in the sense that purchases in the nondurable goods stores, such as food stores, department stores, drug stores, eating and drinking places, and apparel stores were excessively high in relation to the amount that could have been expected on the basis of the prewar relation to income. On the other hand, sales at durable goods stores, particularly motor vehicle dealers and household appliance and radio stores, were greatly deficient in relation to incomes.

Thus, while retail sales moved to peak levels during the course of the current year, running at about 25% over the corresponding period of 1945, and while in the aggregate they were in approximate balance with incomes, the current pattern of consumer buying raises a number of pertinent questions.

For example, will consumers tend to curtail their purchases at non-durable goods stores as the flow of consumer durables rises to a substantially higher level? In other words, will total consumer spending continue to be in line with incomes by shifting purchases from the nondurable goods stores to the durable stores as more supplies of durables becomes available? If this should happen the prospects for many retailers now engaged in selling nondurables may not be very bright. The reason for this is that assuming that nondurable goods expenditures are brought into approximate balance with prewar relationship to income, the current high level of sales at nondurable goods stores could be maintained only if consumer incomes increased very substantially from present levels —by more than one-fifth—an increase which probably will not eventuate in the near term.

The other alternative, assuming the maintenance of present incomes, is that consumers will not curtail significantly their purchases at nondurable goods stores as more durables become available. This implies that consumers will save a much smaller proportion of their incomes than has been the case in the past.

Propensity to Consume

At the present time there is no evidence as to which of the two alternatives will actually eventuate. It will not be possible to know until a much larger flow of durable goods comes forth. However, there are two factors which may lead to a greater propensity to consume. First, the total liquid assets held by individuals is much higher than ever before. Although there is no conclusive statistical evidence that this factor tends to increase the propensity to consume permanently, we know it has at least a temporary influence on raising the level of current consumption beyond that indicated by the prewar relationship of sales to income. Second, the developments during the war and since the end of the war have tended to narrow the dispersion among the various income groups. The effect of this development is also to increase the propensity to consume, although not to a considerable degree.

What are the implications of these trends with respect to the problem of the role which distribution can play in the maintenance of a high level of employment? The maintenance of a high level of employment depends on continued high purchases of durable goods as well as all types of nondurable goods and services—in other words, on a stable high level of private expenditures. Since the purchase of most durable goods eventually will depend on replacement demands plus an increment reflecting population growth, it is not likely that such purchases can be sustained indefinitely at high levels. In other words, this is the area which in the past has been most unstable and has contributed to booms and busts. Thus, to offset a slackening demand for durables ways must be found to increase the propensity to consume in other areas. It is at this point that businessmen can make their greatest contribution to the maintenance of a high level of sales and employment.

A Buyers' Market Coming

Right now retailers are facing a sellers' market. But as the production of consumer goods increases and many of the unfilled consumer demands have been satisfied, distributors will then face a buyers' market. At that time, if not before, it will be necessary to initiate measures aimed at maintaining and increasing the total sales volume. Distributors can assist in this process directly by taking such measures as more enlightening advertising, better window displays, additional services to customers, refusing to merchandise poor quality products, adjusting prices, etc. In this way a weakening demand in one area might be offset by increasing the demand in other lines and thus help to maintain employment and incomes and in turn sales and profits.

Thus, businessmen have a service to perform not only in their self interest but also for the national interest by adopting sales and marketing policies which will promote increasing demands for goods and the lifting of the level of consumption to a point consistent with a high volume of employment.

The problems of the postwar period magnify the need for a more scientific appraisal of markets for our products. There is also a need for careful adjustment of the productive capacities of our industrial plants to consumer requirements. The effective reconversion of our plants for peacetime production will facilitate the development of intelligent and workable programs for conducting trade at home as well as abroad. Above all else there must be an active effort made by manufacturers to integrate their interests with those of distributors on a basis of mutual helpfulness.

Production, distribution, and employment are interdependent. First of all the distributive trades make an important direct contribution to employment. In 1940, for example, out of approximately 45 million employed persons, more than 7.5 million were employed in wholesale and retail trade, while approximately 3.1 million were employed by the transportation and communications industries. The service industries, many of which closely integrated with the distributive trades, employed approximately 10 million.

In the field of marketing and distribution the level of employment may be materially influenced by its effect on the propensity to consume. The marketing of new products, the creation of new desires through advertising and selling, and the development of new markets often have, as we well know, contributed effectively to the maintenance of production and employment. The degree to which marketing efficiency and techniques influence the aggregate volume of business expenditures on plant and equipment is perhaps not so pronounced but, under certain conditions, it may exert an important influence on investment opportunities.

Domestic Activity and Foreign Trade

We have heard a great deal during recent years of the close relationship between our domestic level of business activity and the volume of imports and exports. I want to call attention therefore to the international aspects of production, distribution, and employment. As early as 1941 certain broad principles of postwar reconstruction were enunciated in the Atlantic Charter. In 1942 when the United States signed the Mutual Aid Agreement with Great Britain, we gave official expression to the view that postwar expansion of the production, exchange and utilization of material goods throughout the world depended upon international cooperative action. Article 7 of the Master Lend-Lease Agreements declared that "the expansion, by appropriate international and domestic measures, of production, employment, and the exchange of consumption goods" was one of the material foundations of the welfare of all peoples. It was certain, however, that these principles would have to be implemented by concrete steps designed to produce results. It was also necessary that positive and vigorous action be taken in the commercial, monetary, and general economic field by reducing unnecessary trade barriers, by eliminating inequitable trade arrangements, by cooperating in the development of productive capacity, and by establishing a sound system of financial and monetary relationships among the various nations.

Some of these ideas have now found concrete expression in the establishment of the International Monetary Fund and the International Bank for Reconstruction and Development. The proposals for expansion of world trade and employment, which were announced in December, 1945, at the time of the conclusion of the Anglo-American financial arrangements, have been made the basis of a suggested charter for an international trade organization of the United Nations. In submitting these proposals on Nov. 1, 1945, W. L. Clayton, then Assistant Secretary of State, stated the objectives in their clear meaning "Powers of production are now the greatest that the world has known. To bring them into play requires agreement on principles on exchange and distribution which will permit trade, production, employment, and consumption, all to expand together."

Progress of Conversion

What about the overall progress in the change-over to peacetime production and distribution? Output has increased in a number of industries. With military requirements continuing to decline it has been possible for some time to divert an increasing share of current output into civilian channels.

In the developments of recent months two things stand out. The first is the continued rise in consumer purchasing, despite the further drop in income payments to individuals. The second is the rapid rate of expansion of private capital expenditures, notwithstanding the various bottlenecks that have had to be overcome or that we still need to cope with.

In appraising the longer-range outlook it is perhaps appropriate and timely that I quote from the recent report of the Director of War Mobilization and Reconversion:

"At the present time, the high levels of business investment and consumer expenditures are still strong inflationary pressures. Demand in general is greater than supply. But as the nation's industrial machine becomes fully organized for peacetime production, business spending for inventory accumulation will decline. The increased flow of consumer durable goods, especially at present high price levels, will require consumers to increase their total expenditures far above even their current high levels if the goods are to be sold.

"For the present, government policies are coordinated and directed toward increasing production on the one hand and reducing total demand on the other hand. But if consumer spending or business spending should falter, due to continued price increases, declines in the stock market, or psychological factors, the government must be prepared to readjust its policies to promote an increase in consumption."

"Business Speaks"

(Continued from page 2213)

military vehicles, 41 billion rounds of amunition, four hundred and thirty million tons of steel, to mention only a few categories of war-like merchandise. This production dwarfed the most extravagant hopes of the President and our Allies and drove Herr Hitler into the arms of a whole platoon of psychiatrists. It, in literal truth, demolished the deadliest military coalition of all time and the Germany, the Italy and the Japan of the Berlin-Rome-Tokyo Axis are now only dimming and foolish memories.

I like to remember that all this happened in a free society and in a society that remained free despite the pressures and travails of its greatest peril. It happened in a system of free and uncoerced enterprise—of capitalism under democracy.

Postwar Uncertainty And Confusion

Following every great war, there has been a period of uncertainty and confusion, sometimes amounting to chaos. That period is now upon us and we who were invincible in war are somehow paltry and petty in peace. Where we were once strong in our unity, we now quibble over senseless trivialities. We hedge and haggle over the smoking ruins of a blasted world. We blind ourselves to realities which every school boy in the next generation will be able to see with crystal clarity. What are some of these realities?

That nothing matters unless we have brains enough to establish world peace as a permanent and immutable condition.

That we can't serve world unity unless we develop some unity here at home.

Russia as a Competitor

That for the first time since shortly after the Civil War, we have a mighty industrial competitor—a nation whose industrial strength is potentially as great as our own, whose resources may be greater.

I have seen at close focus the industry of the Soviet Union and I know that the Russians are building in the image of American industrial technology. They have studied and are beginning to understand mass production and they have decided that they can beat us at our own game. They intend to make more steel, more machines, more tools, bigger, better and more factories; they intend to develop their vast resources more effectively than we have developed ours. This was made perfectly clear to me by conversations I had with people all over Russia from soldiers and unskilled factory workers up to plant managers and even Commissars.

The world today is watching two diametrically different political systems at work—the Soviet system and the American system. The competition between them can and must be a competition of peace and progress not the competition of war and destruction. The Soviet system is presumably good for the Russians. The American system is undeniably good for us, as witness the results. The Russian system is based on something close to absolute distatorship even if it is called "dictatorship of the proletariat," whatever that means. It is repugnant to us in principle yet we should reflect that as far as we can tell, it is bringing mass education to the Russians, is trying to raise their standard of living although it has not given them the kind of freedom we cherish.

We should also remember that it has, in less than three decades, moved a long, long way from the Marxian concept. The Russians have learned through bitter experience and cruel frustrations that incentives are necessary to the individual if the individual is to produce for himself and for society at his maximum capacity. They have, consequently, refined the application of the speed-up beyond any degree I have witnessed in this country and they have developed an incentive system which is spurred by every imaginable impulse including fear. Factory workers are pitted against each other and against workers in comparable plants elsewhere. The rewards are better standards of living and prestige. I visited at the home of a Soviet plant manager whose income in terms of living standards was equal to that of an American executive of equal responsibility.

The American demands and will not be deprived of liberty of action, of speech and of thought; the mainspring of our incentive methodology is liberty—freedom of choice. Most of us would rather be paid less for doing what we want to do than be paid more for doing what someone orders us to do.

Responsibilities of Our Freedom

But freedom doesn't come free. It involves responsibilities as well as rights. Production volume—superior to our industrial triumphs in the peacetime past—is needed to restore our economy and make our system of life meet its creed and its pledge. We must have houses for the veterans back from the war because our debt to them is incalculable. We need automobiles in order to re-mobilize our economic processes. We need refrigerators, washing machines, all kinds of electrical and mechanical appliances which are coefficients of the American standard of living.

But we have a parallel and perhaps an even graver responsibility. We must produce to restore the economies of the world. No, it won't do any more, to say that what happens to the rest of the world is no concern of ours. We said it once and withdrew into our continental paradise and within less than a quarter of a century we again collide with catastrophe. It we say it again it may be our last catastrophe. We can't sit at a feast and look out the window at starving and desolate people. Unless we accept the leadership imposed upon us by our victory at arms that leadership will be lost forever.

I do not believe that the world is looking to us for charity although it might well do so because it is a bleeding, wounded and desperate world. Less fortunate peoples who have been shattered by war merely ask us to help work out methods for doing business with them to our own, as well as to their benefit. They want us to divide goods for the reconstruction of their transportation and industrial systems. They want, I think, certain spiritual strength. They want us to help them help themselves.

If we do not meet this appeal we in America of 1946 may be the generation of the damned. To meet it we must conquer our own disunity—we must end our picayune bickering, we must banish all temptations which lead us to the chauvinism which is as outmoded in the atomic age as the chariot and the catapult.

Strife Between Labor And Management

The strife between management and labor since the end of the war is a national disgrace. If it continues at its present pace, it can seriously disrupt our economic processes and it might conceivably, wreck them. Full production in America is dependent upon the manufacture and the assembling of hundreds of thousands of parts down to the smallest bolt and rivet and the smallest dislocation of these routines can throw out of gear large continuities of production. Yet with both national and international well-being looking toward American production for help, there has been interference from almost every imaginable source.

Any one who planned to destroy our country and its way of doing things could scarcely have adopted a sounder formula.

The right to strike is a fundamental in America and no one contraverts it because forced labor is unthinkable. We didn't resort to forced labor even in war when our national existence depended on production and we shall not in peace but the right to strike connotes the responsibility of not striking until honest and sincere collective bargaining has broken down. American management has learned to accept collective bargaining but resents—and I believe rightly—**collective bullying.**

Right now in Hollywood a vicious strike is going on between two unions—both members of the AFL—who cannot agree on the classification of only 350 workers. Many thousands of others are partly or wholly out of work as a result of this purely inter-union dispute in which management is only a helpless bystander. They are breaking open each other's heads in the streets and spreading terror and intimidation. The producers are trying feebly to cooperate toward a settlement although they are threatened by both sides of the argument. This strike went on for nine months last year, and unless the Government steps in and brings the strikers to their senses, it may go on for another nine months while the producers and the employees of the industry suffer to the extent of millions of dollars.

I doubt if there is a logician in existence who could ferret out the flimsiest excuse for jurisdictional strikes of this sort. Nor could most labor leaders, as they themselves admit.

American management has learned—but apparently American labor has not—that our people will simply not stand for too much concentration of power in any one man or any one group. It offends all of our traditions and it was against such concentrations of power that our forefathers rebelled when they immigrated to this country. Nothing more arouses the wrath of public opinion than the usurpation of too much power by any single set of interests.

We are all attached more or less to special interests and many of us to more than one group on interests because they tend to overlap. But no single group—business, labor, agriculture, political bureaucracy, the professions—can seize an inequitable amount of power without seriously disturbing the balance of the entire economy. From the very beginning of our country, history has shown that when any one group gets too big or too grasping, public opinion—the opinion of the whole—cracks down on it, disciplines it and sometimes all but smashes it. That is why—despite the frenzies and furores which roar across the country from time to time—I do not believe that we shall ever be in danger of a dictatorship of either the Left or Right. This escape from the possibility of authoritarian control was the aim of the founders when they set up the constitutional checks and balances which have kept our country a going concern and a growing concern for nearly a century and three quarters.

Business Must Serve Useful Function

No business can long exist unless it serves a useful social and economic function—and money making, pleasant as it may be, is a component part of that function but by no means all of it. I do not beg to be pardoned for this platitude which is celebrated more by utterance than by obedience. No business can long exist unless it produces its goods or services at the lowest possible prices consistent with the quality that people require. Business has its faults, some of them very picturesque, as does every other group but a considerable part of the denunciation which it sustains daily is illogical and irresponsible. Business can be tough but so can labor be tough and so can the world be and is tough. But I have heard very few businessmen object to the payment of high wages they thought possible after averaging the natural rights of their customers, their workers and their stockholders. They know it is to their enlightened self interest to pay maximum wages if the people to whom those wages are paid have an equally practical self interest in producing more and more goods at less and less cost. The preponderant majority of modern businessmen believe in paying high wages because high wages are the fuel which drives our whole system—but they believe in paying them for work produced and—I must emphasize again—**for work produced.**

A new world is coming although I would not like to go on record as diagnosing the condition of its liver or its basal metabolism. What emerges from the war is preordained to be different from that which existed before the war. If business wants to assume its just position in the composite of influences and forces which will shape our relationship to the rest of the world and its relationship to us, business will have to recapture the leadership it once exerted and show that it recognizes that our concept of economic freedom prescribes bringing the greatest good to the greatest number. We need business statesmanship now as never before and in the same sense, we need labor statesmanship and above all we need deliverance from the kind of family squabbles that have no dignity in this new and very ominous stage of world history.

Such statesmanship demands that we in the United States give evidence of the same unity which is necessary for the whole world if peace is to be preserved.

The reason I am certain that business can contribute to the statesmanship so sorely needed throughout the world is that I have seen American businessmen achieve miracles—miracles whose impact shook the world.

During the course of my duties at Washington, I travelled around the world three times and visited practically every country which had joined with us to sink the Axis. I know how these countries feel about American business. Some of them haven't learned to admire our political doctrines; in fact, many feel that theirs are superior. But they have a wholesome respect for our ability to produce, our ability to raise living standards and they want us to show them how we did it.

Nations like China which have, in the past, been from 85 to 90% agricultural have come to realize that they will remain at the bottom of the economic heap unless they are able to develop a program of intensive industrialization. There is a place in the world today for business missionaries to supplement the religious missionaries which have spread their gospel throughout the world.

American business can expand its opportunities by producing goods, for example, in a country like China. To accomplish this it is not necessary or desirable to exploit the Chinese; we have no talent for this sort of exploitation as the record shows. We can expand our textile business, our automobile tire business. We can build trucks, railroad equipment, machines and tools, innumerable household appliances and so on for such peoples—not to compete with our own industries—but to sell to countries which by reason of low wage scales cannot now buy the products of American factories and American workers. We do not want to reach these markets of more than a billion people at a cost to our own standard of living but we do not need to do so. The job can be handled by manufacturing in the countries whose living standards, by all that is kind and human and decent need to be raised. There are more than four hundred million people in China who are friendly to the United States, who need our know-how and guidance in order to assume a worthy position in the world.

Must Have World Economic Unity

This, in my opinion, is the real and the practical way to world economic unity which is quite as essential as world political unity and both are indispensable if we expect to arrange a world without war.

A world with war will be, I am afraid, no world at all. Let us not admit even the possibility of war. At the risk of being repetitive I should like to re-emphasize the folly of saber-rattling and swashbuckling about Russia and the menace of Communism. Using ordinary country horse-sense, we are bound to see that there is nothing in Communism that would ever appeal to the American Temperament. It offers nothing that we don't already have and we gain nothing by throwing the word Communist around as if it were a hand full of mud and we were a gang of small boys.

As I said I've talked intimately with Communists on their home grounds from the small fry to the head man and I didn't either feel poisoned or that they have anything to teach us. After touring Russia with my eyes wide open I found little that Karl Marx would have described as his brand of Socialism. I respect and admire the Russian people—any one can see that they are developing their industry and natural resources with great energy and considerable intelligence. I like them and I confess I have a solid respect and even affection for some of their leaders but that does not mean that I have the slightest inclination for their system, except insofar as they have fallen back on that grand old American device of using incentives in order to get results. An incentive is an incentive no matter what language is used to describe and glorify it.

Don't Babble About Communism

Suppose we call a moratorium on the game of dragging imaginary Communists out from under the bed, yelling for the police and screaming insults at our late gallant and honored ally. If we insist on our own freedom of choice and freedom of opinion, let's acknowledge that our fellow members of the United Nations have the same right and lets quit this infantile babbling that Communism and Democracy cannot live and work together in the same world. We've lived in the same world with Czarism, Prussianism and free hand terrorism without wanting to start a fight. We've lived in the same world with every breed and blend of autocracy, did business with its exponents and let them go their way while we went ours at no expense to their or our profit or pleasure. We've lived in the same world with polygamy, cannabalism, anarchy and ardent tribesmen who believed that their mission in life was to destroy their mothers-in-law. There was a time in the history of the human race when people who had conscientious scruples against the use of fire wanted to butcher everyone who cooked his victuals. What a terrible world this would be if we felt called upon to liquidate people who didn't happen to agree with us.

Constant vigilance over our own immortal way of living—the best ever conceived by man on this planet—over our own liberties, over our own priceless heritage is our chief concern—That plus constant effort to preserve peace in a world where a breach of peace will mean the end of all things.

For those freedoms and this heritage we must be willing to work and we must be willing to risk everything if necessary, but it will be a labor of love and a labor that is bound to succeed. John Stuart Mill might have been looking at us today when he said:

"A people may prefer a free government but if from ignorance or cowardice or want of public spirit, they are unequal to the exertions necessary for preserving it; if they will not fight for it and directly attack; if they can be diluted by the artifices used to cheat them out of it; if by momentary discouragement or temporary panic, or fit of enthusiasm for an individual they can be induced to lay their liberties at the feet of even a great man or trust him with powers which enable him to subvert their institutions—in all these cases, they are more or less unfit for liberty."

He also said:

"The only freedom which deserves the name is that of preserving our own good in our own way so long as we do not attempt to deprive others of theirs, or impede their efforts to obtain it."

I think that all Americans should paste these remarks in their hats.

Redeem Certain Indian Currency Notes

Announcement was made on Oct. 21 by Allan Sproul, President of the Federal Reserve Bank of New York, that the Reserve Bank of India has made arrangements whereby, up to and including Dec. 31, 1946, Indian currency notes, issued by either the Central Government or the Reserve Bank of India in denominations of 500, 1,000 and 10,000 rupees held in the United States may be forwarded to the New York Reserve Bank for redemption. Under an ordinance promulgated by the Governor General of India on Jan. 12, 1946, these notes ceased to be legal tender after that date and were withdrawn from circulation. In its announcement the New York Reserve Bank says:

"The Federal Reserve Bank of New York will receive and hold all such notes for account of the Reserve Bank of India, will give the holder a receipt and will transmit the accompanying application to the Reserve Bank of India. It is our understanding that if the Reserve Bank of India is satisfied that the notes are genuine and that they were acquired legitimately, the holder will be paid therefor in United States dollars at the rate of $30.12 per 100 rupees.

"The notes and accompanying application should be sent to Federal Reserve Bank of New York, Foreign Department, Federal Reserve P. O. Station, New York 7, N. Y., at the expense and risk of the holder and they may be sent direct or through the holder's bank. The Federal Reserve Bank of New York is not authorized to receive any notes after Dec. 21, 1946, unless mailed in an envelope postmarked not later than Dec. 21, 1946, or forwarded by a bank with a statement to the effect that they were received on or before Dec. 21, 1946."

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the second half year. This gave a great lift to the export trade and to farm prices. We would not allow Europe to earn the dollars which she needed if she were to buy our goods, but we cheerfully lent her the dollars needed for that purpose. By a fortuitous circumstance the wheat crop in Canada was not good in 1924, and our own wheat crop was abundant. The position of our farmers was radically lifted. Prices rose rapidly, and we passed into an era of prosperity, sustained by additional doses of cheap money, particularly in 1927, which lasted until the stock market crash of 1929.

The first effort at governmental economic planning, based on a vast expansion of debt, foreign and domestic, appeared to be highly successful until the grand smash came in 1929. Then other governmental interferences with markets followed. The Federal Farm Board came into the market, buying grain and cotton to hold up their prices. Late in 1929, after the crash, the President of the United States called together the leaders in business and banking, railroads and labor to urge that there be no reduction of prices, no reduction of wages, no slackening of the pace, and to urge further that additional capital outlays be made by railroads and industries and by the States and municipalities. We manipulated the money market again in 1930, and we raised the tariffs again. We then went into the appalling depression of 1931 and 1932.

Coming of Democratic New Deal

In 1933, under the Democratic New Deal, we began a series of intensified interferences by the government with markets: we had the AAA—the Agricultural Adjustment Administration; we had the NRA—the National Recovery Administration—the one trying to raise farm prices relative to manufacturing prices, and the other raising manufacturing prices and wage rates relative to agricultural prices.

We had also the appalling currency experiments and the debasement of the dollar, first in the Thomas Amendment to the Agricultural Adjustment Act, then in the gold buying policy in the Autumn of 1933, then in the definite debasement of the gold dollar in the Gold Reserve Act of 1934. The policy of spending for spending's sake was announced by the President in early January of 1934 to make employment. We had a great intensification of the cheap money policy for the same purpose. Acting on the theory that the buying power of the workers creates prosperity, and that high wage rates create prosperity, we forced up wage rates and shortened hours under NRA. And acting, in part, on the theory that the rich and well-to-do save instead of spending, we imposed unprecedently high taxes on the rich and well-to-do.

Acting on the theory that corporate savings were the cause of depression, we adopted in 1936 the undistributed profits tax on corporations—which we abandoned with a great sigh of relief in 1938, over the President's plaintive protest, but not until it had done great mischief.

We imposed such severe restrictions upon the issue of new securities and upon stock market transactions in 1933 and 1934 that we largely paralyzed the machinery whereby investors' savings are put at the disposal of active businesses. We passed labor legislation which made it increasingly difficult for labor and enterprise to get together on mutually advantageous terms. In this, going partly on the theory that high wage rates would make prosperity, we passed legislation fixing minimum wages and limiting the hours of labor.

What follows is an effort to measure statistically the effects of these governmental policies upon the volume of employment, the application of new technology to industry, and the extent of slack in the utilization of our industrial resources.

We had, following the unprecedented depression of 1932 and early 1933, a very modest recovery which, however, did not grow strong until after the Supreme Court's decision knocking out NRA at the end of May in 1935. Then we had a vigorous recovery running from the summer of 1935 to August and September of 1937. But this recovery, at its best, did not bring levels in industrial production as high as those of 1929—seven years before. The Federal Reserve Index of Industrial Production (1923=100) reached a high of 125 in 1929, while its peak in the 1935-37 revival (reached in late 1936) was 121. (I use here the old Federal Reserve Index of Production. I do not trust the new Federal Reserve Index of Production, for reasons to be indicated later in the article.) This had never happened before in our past history. Always in our past, following a major boom and crisis, we had reached new highs before another serious setback came.

Percentage of Unemployment

The percentage of unemployment, moreover, in the revival of 1935-37 never got as low as it had been in the extreme depression year of 1921.

As a cure for unemployment, it is entirely obvious on the record that the era of managed economy has been a total failure, as compared with preceding periods when the government was letting things largely alone, and private enterprise was free to do its best or its worst. The following table is borrowed from the authoritative studies of the National Industrial Conference Board. It covers the years 1900 to 1939, inclusive. The figures are taken from the "Conference Board Economic Record," March 20, 1940.

Total Unemployment in the Labor Force
(In thousands)

Annual Average	Total Labor Force	Employment	Unemployment	Unemployment as Percent of Labor Force
1900	29,025	27,378	1,647	5.7
1901	29,959	28,238	1,721	5.7
1902	30,905	30,405	500	1.6
1903	31,842	30,319	1,523	4.8
1904	32,605	31,175	1,430	4.4
1905	33,653	33,032	621	1.8
1906	34,647	34,790	— *143	--
1907	35,631	34,875	756	2.1
1908	36,580	34,284	2,296	6.3
1909	37,454	36,735	719	1.9
1910	38,133	37,580	553	1.5
1911	38,668	37,097	1,571	4.1
1912	39,089	38,169	920	2.4
1913	39,500	38,482	1,018	2.6
1914	39,789	37,575	2,214	5.6
1915	40,083	37,728	2,355	5.9
1916	40,314	40,127	187	0.5
1917	40,752	42,685	—*1,933	--
1918	41,083	44,187	—*3,099	--
1919	41,159	42,029	— *870	--
1920	41,897	41,339	558	1.3
1921	42,445	37,691	4,754	11.2
1922	42,966	40.049	2,917	6.8
1923	43,760	43,011	749	1.7
1924	44,549	42,515	2,034	4.6
1925	45,009	44,192	817	1.8
1926	45,962	45,498	464	1.0
1927	46,939	45,319	1,620	3.5
1928	47,914	46,057	1,857	3.9
1929	48,354	47,925	429	0.9
1930	49,025	45,216	3,809	7.8
1931	49,664	41,551	8,113	16.3
1932	50,182	37,704	12,478	24.9
1933	50,830	38,086	12,744	25.1
1934	51,402	41,002	10,400	20.2
1935	51,879	42,357	9,522	18.4
1936	52,382	44,783	7,599	14.5
1937	53,011	46,639	6,372	12.0
1938	53,699	43,600	10,099	18.8
1939	54,393	45,314	9,080	16.7

*Such negative unemployment arises statistically from the fact that persons are drawn into the labor force during periods of increased labor demand who are not reckoned as members of the labor force. This is particularly true in agriculture. The increases in employment in agriculture in May, June and September, 1929, are largely, if not entirely, responsible for the negative unemployment in these months.

In the period covered by this table before the first World War, the worst percentage of unemployment was in the year 1908, following the Panic of 1907. Unemployment in that year averaged 6.3% of the labor force. There were 2,298,000 workers unemployed in that year. In 1906, the year before the panic, there was actual negative unemployment, meaning that persons were drawn into the labor force who did not ordinarily belong there, due to increased demand for labor. In 1910 unemployment was reckoned a little over 500,000 men, or 1.5% of the labor force. In the crisis, unprecedented in gravity, in 1921, which followed the collapse of the postwar boom, unemployment reached 11.2%, the heaviest in our history to that date, but the figure dropped rapidly to 1.7% two years later, in 1923. 1926 shows unemployment of only 1% of the labor force.

A 2% unemployment is really full employment, when we allow for seasonal unemployment, sickness, shifting of jobs, and that very considerable part of our population which is unwilling to work all the time, and prefers to rove occasionally.

The bad year, 1930, shows unemployment of 3,809,000, or 7.8% of the labor force. The years 1931 and 1932 were years of extreme depression, with the percentage of unemployment running 16.3% and 24.9%, respectively.

Prior to 1924 we had not regarded it as a Federal Government function to make employment. Employment was

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Monasterio Head of Banco Internacional

It was announced officially on Oct. 15, by Luis Montes de Oca, Chairman of the Board of Credito Internacional, S. A. and of Banco Internacional, S. A. of Mexico City that Juan M. O. Monasterio has been elected President, Director and Chairman of the Executive Committee of Credito Internacional, S. A., and a member of the board of directors of the Banco International, S. A.

Mr. Monasterio up to now has been Vice-President of the Mercantile-Commerce Bank and Trust Company of St. Louis, Mo., Vice-President of the Bankers' Association for Foreign Trade of the United States, and a member of the Board of Directors of the United States Chamber of Commerce, Washington, and of the National Foreign Trade Council of New York. He is recognized as a leading authority on international trade and finance. He was one of the early advocates in the United States, where he has lived 30 years, of intimate and reciprocal cooperation of a lasting and permanent nature with the Spanish American Republics, not only in the field of business and finance, but in governmental and cultural relations as well. Prior to his residence in St. Louis, he was Vice-President of the Hibernia National Bank of New Orleans, La., and a factor in the development of that port as one of the main arteries for the world trade of the United States. During the last few years, Mr. Monasterio has cooperated actively in the industrialization of Mexico and in the financing of enterprises in that country. He has traveled extensively through the Western Hemisphere and in Europe to participate in many international financial and trade conferences.

The "Internacional" group with affiliated financial institutions throughout Mexico, is headed by Luis Montes de Oca, former Secretary of the Treasury of that country and former Director General of the Bank of Mexico, S. A. The addition of Mr. Monasterio to the "Internacional" group will bring to it an intimate personal relationship with the banking, industrial, and public life of the United States. Mr. Monasterio is expected to arrive in Mexico City about Nov. 1 to assume his new duties.

Dutch Postpone Sale of Dollar Bonds

Under date of Oct. 22 advices from Amsterdam (ANETA) published in the New York "Journal of Commerce" said: "Sale on the Stock Exchange here of United States dollar bonds, scheduled to be resumed Friday under a general license issued by the Netherlands Bank, was postponed because some Dutch owners whose dollar bonds were stolen or otherwise illegally taken from them during the German occupation have notified the U. S. companies which issued the bonds to consider the bonds 'lost.' It was learned yesterday.

"While according to advices from New York, U. S. purchasers of Dutch-owned dollar bonds are willing to consider certification of them by the Netherlands Bank 'good delivery,' it was pointed out that bonds notified to the issuing companies as lost might under some circumstances receive bank certification.

"Efforts are now being made to arrange blocking of such 'lost' bonds."

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a matter for the people themselves to work out. Beginning with the Federal Reserve purchases of government securities in 1924, we have had government policy directed increasingly toward making employment. The explanation of the good figures for employment prior to 1924, and of the desperately bad figures for employment which followed 1929 is, in my judgment, to be found in precisely this fact. Under an old-fashioned Federal Government which, in financial matters, was concerned primarily with its own solvency and with the protection of the sound gold dollar, the people solved the problem of employment themselves amazingly well. When the Federal Government took over and undertook to solve the problem for them, grave disasters followed.

Unemployment Not Cured

President Roosevelt inherited a terrific volume of unemployment. He did not cure it. The figure for 1933 are worse than the figures for 1932. The years 1933 to 1939, inclusive, show unemployment exceeding 10,000,000 for three years, including 1938, and show unemployment exceeding 9,000,000 for five years out of the seven. In only two years of the Democratic New Deal period prior to the outbreak of World War II did the annual average figure for unemployment get below 8,000,000. And in the best of these two years, namely 1937, the figure stood at 6,372,000, which is 12% of the labor force, as compared with 11.2% of the labor force in the year of extreme depression, 1921. The historical record is damning. The New Deal, viewed as an economic policy designed to promote employment, is condemned by the historical and statistical record.

Retarded Technological Progress and Impaired Capital Equipment

From the standpoint of the full utilization of the productive capacities of the American people, the contrast between the old, unregulated economy and the New Deal economy may be tested by two other sets of very significant figures. The degree of unemployment does not tell the full story. The amount of slack in the industrial situation is partly a matter of unused labor, but is also a matter of unused capital and unused technological knowledge. The New Deal policy, as we have seen, had made capital timid in the extreme and had greatly retarded the application of new technology. Obsolescence in American industrial equipment had grown to a startling extent in the great depression and in the early years of the New Deal. I quote the following from H. G. Moulton as descriptive of the situation in 1935:

"In many lines of industry there has been an enormous amount of 'deferred maintenance' in equipment, and there has been a steadily increasing obsolescence. The 'American Machinist' has made three 'Inventory and Obsolescence Surveys,' at five-year intervals, in the field of metal working equipment. On the basis of a survey covering 1,345,447 major items of machine tools, presses, forging machines and welding equipment, the following trends are revealed: In 1925 the amount of such equipment over 10 years of age, and hence defined as virtually obsolete, was 44%; in 1930 the figure was 48%, and in 1935 it was 65%.

"There has been almost no expansion of new plant, and there has been comparatively little replacement of worn-out and obsolescent capital structures. The amount of new capital issues for the purposes of financing new plant and equipment declined from $3,446,000,000 in 1930 to $262,000,000 in 1933. The data with reference to the decrease in the production of goods destined for capital equipment . . . also definitely point in the same direction."[1]

The revival of 1935 promised to improve this, but the undistributed profits tax of 1936 proved a powerful deterrent. American corporations paid out in dividends more than their total profits in 1936 and 1937, while the acute depression of 1938, even after the repeal of the undistributed profits tax, greatly reduced incentives to make large capital outlays. We came into the period of the second World War with a heavy obsolescence, a large body of unused technological ideas, and a great deal of idle capital, and, as shown by the foregoing table, with 9,080,000 men unemployed, on the average, in the year 1939.

The figures from the "American Machinist" look worse still in the year 1940. The following table shows the trend:

[1] H. G. Moulton, "Income and Economic Progress," The Brookings Institution, 1935, pages 23-24.

(Percentage of Metal Working Equipment Over 10 Years Old)

Year	Percent	Year	Percent
1925	44	1935	65
1930	48	1940	70

It may be said, with respect to these figures, that the year 1925 perhaps represents a somewhat better than normal situation inasmuch as there had been, in the years 1921-23, an immense spurt in the utilization of new technological ideas and in the installation of new machinery. But the deterioration from 1930 to 1940 is very great.

Slack in American Industry: 1914 versus 1939

Instead of the 3% to 4% per annum increase in industrial production which we ought to have had between 1929 and 1939, the year 1939, as shown by the Federal Reserve Index of production (1923-1925=100), stands well below 1929. There was immense slack in American industry in 1939, an immense amount of unused capacity in manpower, in technological knowledge, and in idle money.

We have had from the Technocrats and from others the proposition that there could be an incredibly great increase in industrial activity and in the volume of production, if only production were not limited by demand. Our industrial potentialities are supposed to be far greater than our industrial achievements. This was not true in the years preceding governmental economic planning. The first World War gave us unlimited demand and strained our productive resources to the limit. It is possible to measure the extent of the slack in industrial capacity in 1914, as compared with 1916 when the country was working at full capacity, and straining its capacity, in response to unlimited war demands from Europe. The figures which follow are taken from a careful study by Frederick C. Mills.

Physical Volume of Production and Construction[2]
1914-1922

Year	Total Volume of Production	Total Volume of Construction
1914	100	100
1915	113.7	97.9
1916	120.6	111.3
1917	125.5	93.8
1918	124.5	64.9
1919	116.7	88.7
1920	124.5	48.5
1921	103.9	91.8
1922	121.6	139.2

[2] Frederick C. Mills, "Economic Tendencies in the United States," New York, 1932, pages 188 and 191—Bases changed from 1913 to 1914.

The year 1914 was not a good year because we had a sharp shock at the outbreak of the War in August, but in that year, the slack as shown in Mills' figures was relatively low. Production increased 20.6% in the two years following, and construction 11.3%. I rest the case primarily upon the year 1916. It was, without interruption, a year when demand was pressing us to the limit of our power to produce. The years 1917 and 1918 are complicated by the withdrawal of the soldiers. The years 1919 and 1920 are complicated by the depression in early 1919 and by the crisis in the latter part of 1920. But the year 1916 has no such complication. It stands 20.6% in production above 1914. There was no slack in production in 1916. But this does not mean that there was in the bad year, 1914, 20.6% of slack, because in two years we would normally expect a substantial growth in productive capacity amounting to 3% or 4% per annum. The amount of slack in the subnormal year 1914 was thus not over 14%.

In contrast, the slack in 1939, the year in which World War II broke out, was appalling. If we accept the new Federal Reserve Index of physical volume of production (1935-1939=100) we get an increase between 1939 and the peak year of production, 1943, from 109 to 239, or 119%. Subtract 3% per annum from this for the four years (representing normal growth for the four years), we would still have an increase of 107%. This would mean a slack of over 50% in our utilization of our industrial resources in the year 1939.

It may be observed, moreover, in making this comparison between 1914-16 and 1939-43, that the base year 1939 was radically improved by the outbreak of the war, the latter months of 1939 showing a sharp acceleration in production, whereas the base year 1914 was sharply deteriorating after the outbreak of the war, the latter months of 1914 showing a real depression.

I do not think that the contrast between the two periods is as great as these figures would indicate. I accept the criticisms which Gen. Leonard P. Ayres and others have made of the new Federal Reserve Index of production, based as it is in part on man hours rather than physical output.

How great a difference there is between production measured in man hours and production measured in physical output is strikingly shown in an address by Andrew T. Court before the National Industrial Conference Board on Sept. 26, 1946, published in the "Commercial and Financial Chronicle" of Oct. 3, 1946, page 1677. Mr. Court, criticizing the new Federal Reserve Index of Industrial Production, says that according to this computation, July 1946 automobile production was 78% above the 1935-39 average. The actual production in July was about 300,000 cars and trucks compared with an average of 335,000 units for the '35-'39 period, or down 10% rather than up 78%. The Government's production index is not based on the number of cars and trucks actually manufactured. Rather the index is estimated on the basis of the number of hours for which the employer pays.

I thoroughly distrust the new Federal Reserve Index and I do not use it. I use instead General Ayres' figures as presented in the long chart, "American Business Activity Since 1790," 17th edition March, 1944, published by the Cleveland Trust Company. This series has the advantage of giving me comparable figures for 1914-1916 and 1939-1943. In the figures which accompany this chart, General Ayres gives monthly figures for percentage fluctuations above or below an estimated normal. I have averaged these monthly fluctuations to get the percentage, plus or minus, for the year. The year 1914 shows an average of —5.25%. The year 1916 shows an average of +13.75%, making an increase of approximately 19%, from the bad year 1914 to the year of unlimited demand and full production, 1916. As General Ayres' figures make allowance for estimated normal growth, it is not necessary to make any adjustment to allow for this factor, as we have done for Mill's figures and the new Federal Reserve Index, above.

For the year 1939 General Ayres' figures show an average of —12%, and for 1943 an average of +38%, with respect to the estimated normal. This would mean an increase of 57% in production with respect to normal between 1939 and 1943, indicating an appalling slack in 1939.

A very able statistician has supplied me with figures based on the methods of the old Federal Reserve Index of production (1923-25=100), which show for the years 1914-16 an increase of 30% and for the years 1939-43 an increase of 71%. Here again we must make allowance for normal growth. Assume this to be 3% per annum for each period. Then the 1914-1916 increase would be 24%, and the increase for 1939-1943 would be 59%.

Yet another computation, taken from a private index of industrial activity, adjusted for long term growth, would show 1914 at 4.2% below normal and 1916 at 13.6% above normal, giving a percentage increase of 18.6% between 1914 and 1916. The same index shows 1939 at 8.5% below normal and 1943 at 48.6% above normal, making an increase during the four years of 62.4%.[3]

Three significant sets of figures thus converge in the condemnation of governmental economic planning: (1) the table for employment and unemployment, from 1900 to 1939, inclusive; (2) the figures showing the rapidly growing percentage of metal working equipment over 10 years old; and (3) the figures showing how little slack there was in the utilization of our industrial capacity in the year 1914 as contrasted with the degree of slack in the year 1939. All of these figures justify condemnation of governmental economic planning as robbing us, year after year, of the production which we might have had and the consumption which we might have enjoyed had we had the old flexible unregulated economy.

In 1939 we had idle men, idle money, and idle technological ideas on an appalling scale. The war set them to work, but it took the war to do it.

[3]The only figures I find which suggest that the expansion of production in World War II did not markedly exceed the expansion in World War I, are those of Geoffrey H. Moore, "The Production of Industrial Materials in World War I and II." National Bureau of Economic Research, Occasional Paper 18, March, 1944. His study, however, is concerned with the output of *industrial materials*, rather than with *total industrial production* (materials and finished products). His figures show a rise between 1914 and 1917 of about 32% and from 1939 to 1942 of about 35%. He states that in peacetime over short periods there is a close correspondence between changes in the output of industrial materials and in total industrial production, but that is not easy to say how close this relationship is in wartime. "Hence, it is uncertain in what degree our conclusions concerning the production of industrial materials apply also to total industrial production." His figures makes no allowance for the very much greater elaboration in the working up of raw materials for war purposes than is necessary in peacetime. I think that the revised Federal Reserve index series, with its use of man hours greatly exaggerates this point. On the other hand, I think that Moore's figures cannot be used as an index of *total industrial production*. The estimates which I give in the text for World War II are intermediate between Moore's figures and those of the revised Federal Reserve index. It is to be observed, moreover, that the years chosen by Moore, as representative of the two periods, are different from those used in the text.

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times as much as it was 10 years ago. Today we no longer have a great slack of unemployment. We do have accumulated wants and needs beyond all past experience. The backlog of savings, available to individuals and business in the form of currency, bank deposits and government securities is from three to four times as great as in 1936, and current income payments are running at a rate of about $170 billions a year, or more than double the highest prewar peaks of 1929 and 1940. The inflationary potential thus continues to be great—and wartime controls intended to keep the flood of money in check until production could catch up with demand have been largely abandoned.

If we are to avoid going through a painful period of readjustment of distortions in the wage-price structure, we must now rely primarily upon self-imposed restraint on the part of powerful conflicting groups in management and business, in labor and in agriculture. Responsibility for maintaining orderly economic progress, which will prevent a further inflationary development that would inevitably be followed by a decline has now largely shifted from government to labor and management.

The unity of purpose, which enabled us to achieve a miracle of production for war and thus to hasten the victory, is gone, and with it public support of the direct controls over materials, wages, profits and prices that prudent policy in the national interest seemed to require while inflationary forces were still dominant. Fiscal policy and scattered credit controls are about all that remain to the government as protective measures, but these, too, are beset by increasing controversy and are likewise dependent upon majority will.

Popular revulsion against direct controls and other restraints, of course, is natural in the aftermath of war. Certainly freedom of expression and the interplay of the point of view of manifold social and economic groups is the lifeblood of a progressive democracy. But this democratic freedom should not be a license for special interest groups to seek their own ends without regard for the public good. This spirit of unenlightened self-interest has increasingly pervaded our national life since the end of the war. If we are to make our economic and political system function successfully we must find means of settling conflicts of interest by lawful and peaceful democratic processes, without disrupting economic stability and progress.

We see examples of conflicting interests on all sides. For instance, most cattlemen object to control of livestock prices, but want the government to stop a railroad or coal strike if it threatens to interfere with distribution of their products; most farmers oppose ceilings on the prices of their products, but want price floors; in general, labor unions object to wage controls, but want the government to control prices; most businessmen favor curbs on wages but not on profits; bankers want the government to balance the budget, but many also advocate higher interest rates on the public debt ostensibly to combat inflation. And so it goes.

We must recognize the fact more than ever in this highly industrialized, interdependent age that one sector of the economy cannot gain in the long run at the expense of another. Prosperous economic conditions which will benefit all groups can be secured only if the requirements of the economy as a whole are considered. Past experience has demonstrated that the maintenance of stable and prosperous conditions *cannot* be assured by exclusive reliance upon the free play of market forces. The government, as the collective agent of all of us, must be, in effect, the umpire between contending pressure groups, deciding important issues on the basis of what is in the interest of the country as a whole. It is a question of the degree of governmental action and intervention. For my part, I want as little as possible—but I want enough to minimize destructive economic conflict, and protect our national interests.

We have only to look at the world about us today to realize that there are, broadly speaking, three general types of economic order—communism, socialism which, in greater or lesser degree, prevails in England and throughout western Europe, and the democratic capitalism which we want to preserve in this country. The challenge to our system can and must be met by providing a sustained high level of production and employment. Otherwise we shall inevitably drift towards more and more government intervention and controls until our system has been replaced by something akin to the other two—not because our people deliberately choose it but because they would be likely to consider it the only alternative to widespread economic distress and social disorder under our own system.

With most other inflation curbs gone, attention—and criticism—will no doubt be centered more and more on fiscal and credit matters which affect about the only area left where some restraint may be exercised by the government. Criticism has been aimed particularly at three points: (1) At the Reserve System's support of the ⅞ths rate on Treasury certificates; (2) at the Board's fixing of margin requirements at 100%; and (3) at continuation of the Executive Order under which the Board has regulated consumer credit. Let me discuss these three subjects briefly.

1. Government Financing

Various bankers, dealers, insurance companies and others have recommended an increase in short-term interest rates as a means of combating inflation. As the Board pointed out in its Annual Report for 1945, there is no reason to suppose that even if the short-term rate were increased to as high as 1¼% it would be of value in combating inflationary dangers which have arisen from two primary causes, neither of which would be corrected by higher rates. One cause is the volume of money already created, which cannot be rapidly reduced —and in fact can only be continuously reduced by having a budgetary cash surplus sufficient to continue the program of debt retirement. This can come either from taxes or from the sale on balance of non-marketable bonds to the public, using the proceeds to pay off bank-held debt. The other, and by far the most important basic cause, is the insufficiency of production as yet in relation to the existing money supply.

Since most of the short-term debt, outside of the Reserve System, is held by the banks, an increase in the short-term rate would add to bank earnings, which are still at very high levels due to government bond holdings. It would add to the cost of carrying the public debt. It would not reduce the existing money supply. It would add nothing to production—the basic need of the hour—nor would it reduce consumption. It would have no real bearing as an anti-inflationary factor. We have been witnessing a rapid rise in business, consumer and mortgage credit. It is hardly reasonable to suppose that short-term rates on government securities could be increased sufficiently to deter this private borrowing.

As for increasing the short-term rate with the idea of discouraging further monetization of the debt by the banks, it should be emphasized that the Treasury's debt retirement program has been an effective means of accomplishing this desirable objective, and postponing need for more direct measures such as the Board outlined in its report as possible alternatives for Congress to consider.

It has been argued that a flexible policy permitting some increase in short-term rates would introduce uncertainties into the market which would discourage banks from shifting into longer term issues. The fact is that there could be very little uncertainty as to short-term rates in view of the large volume of securities that mature monthly. If a policy were adopted permitting short-term rates to rise without setting an upper limit, the Treasury would have difficulty in refunding its maturities, since banks and other investors would be likely to withhold funds awaiting even higher rates. The question then is not whether the short-term rate should be pegged at ⅞% or permitted to fluctuate up and down, but whether it should be pegged at 1%, 1¼% or 1½%, or some other level. There is no natural level. If short-term rates were permitted to rise sharply there would also be pressure to drive long-term rates up. This would jeopardize the savings bond sales program and cause wholesale redemptions.

There has been much discussion about the issuance of long-term 2½% marketable securities not eligible for banks. It has been said that such an issue would be anti-inflationary because it would absorb savings which could be used to retire bank debt. Some of the arguments that might be made against putting out such an issue at this time are that it would increase bank credit and insurance companies and savings banks would not only use accumulated funds for such investment but in addition would sell bank-eligible issues to banks in order to raise funds with which to subscribe, or would borrow from banks. Such issues would not serve to increase savings of individuals who are the most important group from the inflation standpoint. Series E, F and G Savings Bonds already offer attractive investment outlets to this group.

If it should appear desirable in the future to provide an additional investment outlet for funds of insurance companies and savings banks it would be preferable to do this through the offering of long-term non-marketable securities the yield on which would be 2½% if held to maturity. This would avoid the danger of future additions to long-term holdings of banks and it would protect the Treasury against investors who buy long-term securities for short-term holding, thus getting 2½%, plus the premium as maturity is reached, on what in effect is demand money so long as

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the 2½% rate is maintained. In my opinion this long-term rate should not be permitted to go up, and, if need be, the market must be supported by the Federal Reserve. Otherwise the cost of carrying the public debt would be increased, many outstanding savings bonds yielding lower rates would be cashed in and the funds invested in the higher-yield market issues, and heavy losses would be incurred by holders of outstanding market bonds. Confidence in the stability of the government bond market would vanish. If long-term non-marketable issues were offered, it might be necessary to limit subscriptions under some formula which would provide only for the investment of accumulated funds and prevent switching from present holdings, particularly the bank eligibles.

It has also been argued that the Treasury should refund short-term securities into longer term debt to ease the refunding problem and avoid the demand liability on the Treasury. Compared to refunding in short-term issues, this would result in an increased interest cost and in less flexibility to the Treasury in managing the debt. Commercial bank holdings of longer term securities and commercial bank earnings would be relatively higher. As a matter of fact, to the extent that private investors continue to expand their holdings of E, F and G Bonds, and the proceeds are applied to retiring maturing bank-held debt, the result is a refunding of short into long-term holdings. This accomplishes the desirable objective of shifting the debt out of the banks and into the hands of the general public. Also to the extent that the Treasury has a cash surplus—and it may possibly be $4 to $6 billions in the first half of 1947—it can likewise be used largely to reduce short-term bank-held debt.

With commercial banks holding $75 billions of government securities out of a total marketable debt of $182 billions, a large amount of the debt should be in short-term issues. Monthly refundings create no problem. The argument that the Treasury is now faced with a large volume of demand obligations is not persuasive.

Under present conditions, the entire debt is in effect a demand obligation since the Federal Reserve assures the Treasury at all times of a ready market for its offerings on a basis of ⅞% on the certificates and 2½% on the longest bonds. With the public debt as large as it is today—twice the entire private debt of the country—a free market is out of the question if that is taken to mean an unmanaged, unsupported market. The public interest requires a stable market for government securities, and this is the responsibility of the Federal Reserve.

The Federal Reserve has worked and will continue to work in close cooperation with the Treasury. The public interest requires the closest teamwork. The Federal Reserve is in complete agreement with the Treasury's debt management program, as well as the general fiscal policy, as outlined on several occasions by Secretary Snyder.

Beginning in March, as you know, it became possible not only to meet the greatly reduced deficit without further borrowing, but to enter upon a program of debt retirement by drawing upon cash accumulated balances. Since then, and including the projected retirement of $2 billions for Nov. 1, the Treasury redeemed for cash close to $20 billions of securities. This debt retirement program has been of considerable help in checking inflationary pressures on the monetary side.

As a result of the retirement program the enormous monetary expansion which had been in process throughout the war years and which raised the money supply from $39 billions in 1940 to $102 billions in February of this year has been halted and reversed.

By imposing a drain on bank reserves, the retirement program has also exerted some brake upon further expansion of bank credit. While commercial loans and consumer credit have recently increased rapidly, security loans have declined and, as I have indicated, the retirement program has at least temporarily discouraged further shifting by banks from short to medium and long-term government securities.

While I would not like to see an increase in interest rates at this time, neither would I like to see a further rate reduction. The decline in the price of longer term issues since spring and the resulting increase in yield has been altogether satisfactory as has been the general stability of security prices.

There is no need for the issuance of additional long-term marketable securities at this time, as the government does not need new money and, as I have indicated, expects to have a cash surplus. If insurance companies, savings banks and other institutions have surplus funds there is plenty of opportunity to invest in the existing long-term issues at present favorable prices and yields. Also there is or will be an increasing opportunity to invest in mortgages and other long-term investments, including World Bank securities.

2. Margin Requirements

The credit policy of the Federal Reserve System, in all its aspects, should be adjusted to the general credit situation of the country. We are not justified, for example, in fixing margin requirements exclusively by reference to the movement of stock prices, as some people have suggested. The general credit situation must be the main criterion, and this in turn is an integral part of the general business situation. When margin requirements were fixed at 100%, the general credit situation was highly inflationary because of the immense volume of purchasing power in the hands of investors and the general public. Indeed, there is plenty of cash today to drive stocks up very high, entirely without credit, if investors, let us say, had more confidence in the prospect for profits in business and industry and less uncertainty over the possibilities of further wage-price maladjustments. It can hardly be contended, with reason, that the credit gates should be opened now in the market in order to finance new productive enterprise and private employment. There was a very large volume of undigested offerings in the stock market, only a part of which was for new financing. But in any case this is not a time for encouraging new issues even for productive purposes because with the scarcity of materials and labor, it would only add to the inflationary pressure.

This is not a one-way street. When the situation changes, and there is need to stimulate the use of credit for purchasing securities, it will be time to consider lowering margin requirements. This would be a time, as it seems to me, when there will be sufficient supplies of materials and labor to justify the encouragement of new issues of corporate securities, provided there is at the same time a prospect of declining production and declining employment. The time to lower the margin requirements will be one at which, in contrast to the present time, the effect will not be to add to inflationary forces which are already strong but to combat deflationary forces in the general economy.

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 point of last spring. I do not consider this an alarming symptom. On the contrary, to the extent that this readjustment reflects a more sober appraisal of prospects and a lessening of the inflationary psychology, to the extent that it will tend to slow down the timing of not absolutely urgent capital expenditures and inventory accumulations, it will contribute to a balance in the economy.

One of the fortunate aspects of the situation has been the low level of stock market credit. Such credit now outstanding is in the general neighborhood of $1 billion, as compared with something like $3 billions at the prewar peak of stock prices in 1937 and more than $12 billions at the peak in 1929. Without the existence of stringent credit regulations the speculative upward movement of prices would undoubtedly have gone much further and the subsequent price decline with a concurrent forced liquidation of credit would also have gone much further, thus making for greater instability.

Over the last 40 or 50 years the upswings and downswings of the stock market have been a decidedly unstabilizing influence in the national economy. It was in order to reduce this unstabilizing influence, particularly as it is connected with the use of credit, that Congress in 1934 vested in the Reserve Board responsibility for fixing margin requirements on listed securities but not on unlisted securities. In the late 1920s, when there were no Federal margin requirements, the upward movement in stock prices caused them to increase by more than 200% and the sharp decline in 1929 was more than twice as rapid as that which took place during recent months. The recent gyrations in the cotton market, which advanced very rapidly last summer and then slumped by nearly 20% in a few days are an indication of what can be expected in speculative markets which are not subject to any effective control over the use of credit.

One of the interesting consequences of the Board's margin requirements has been an almost uninterrupted reduction since the middle of last year in the amount of stock market credit in use, including the reduction during the period when the market was advancing—which had never happened before. There were, to be sure, some inequities and imperfections in margin requirements as a regulatory instrument, including the failure of the law to cover non-listed securities. Congress considered the question of whether unlisted securities should also be covered by the law but concluded that it was not practical. Moreover, it is evident that control of listed securities greatly influences the use of credit and the market for unlisted securities. On the whole, the use of margin requirements can be viewed with satisfaction. Neither the long upswing that culminated last May, nor the subsequent downswing have gone to the lengths to which they would have gone if there had been no Federal margin requirements.

The general public strongly approves of this regulation. It is not to be expected that some of those in the brokerage or security business who feel that their business is adversely affected by regulation would agree with this viewpoint.

3. Consumer Credit

As for consumer credit regulation, it was, as you may recall, the seventh point in the Government's wartime program for economic stabilization. The Reserve Board did not seek the task of administering this regulation. The question of whether there should be some permanent legislation covering this important segment of credit in our economy is one for Congress to determine. The Board, having had experience with the wartime regulation aimed specifically at the inflation target, would be remiss, I think, if it failed to call the attention of Congress to the need for making a decision, one way or the other. I, for one, while I certainly do not crave taking on this additional load, feel as the Board's annual report stated that serious consideration should be given by Congress to the desirability of placing authority in some governmental body to deal with the problem — for undoubtedly the expansion and contraction of this type of credit have greatly accentuated economic upswings and downturns in the past. There is a very strong case to be made for moderating these excesses, so far as possible, in the consumer credit field.

It could be accomplished, in my opinion, by focusing regulation primarily on the major durable goods customarily sold on the installment plan. They compose the great dollar bulk of consumer credit. It has been felt for some time by the Reserve Board that the present regulation could be greatly improved administratively by focusing it on the major durables, eliminating the major part of single payment loans and charge accounts from its scope, together with the soft goods and less important durables that were included when the regulation was originally drawn as an anti-inflationary device in wartime.

The Board for some time has been studying the advisability of thus revising the existing regulation with a view to making it administratively more workable. It is felt that this can be done without a material weakening of its effectiveness as a restraining influence at this time. When inflationary pressures have passed, it would need to be revised further, assuming that Congress decides to retain it as a permanent instrument of credit regulation.

It is important, of course, to bear in mind that these selective controls, relating to listed stocks and consumer credit, can at best play only a relatively minor role in assuring stability in our economic life. Likewise, monetary policy is even more limited in its influence under present day conditions than ever before. Overshadowing all of these aspects of governmental policy are national, fiscal and budgetary measures, together with other broad policies relating to business, labor and agriculture. Not even the most ardent advocate of laissez-faire would propose that we abandon all Government regulations. It is, let me say again, a question of degree—of doing through the medium of Government what needs to be done to contribute to economic stability and progress—and doing no more than that.

Since this is a banking group, I have sought to cover three specific questions in which you have a particular interest. In conclusion, I would like to turn for a moment to the general economic situation as I see it at this time. Speaking recently at the National Outlook Conference of the Department of Agriculture, I undertook to assess in a general way the good and bad aspects of our current situation. Without recounting that appraisal of favorable or unfavorable factors, I will merely quote the conclusions that I think should be drawn from them:

"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."

Two Conceptions of the International Monetary Fund

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inal agreements greater precision and definition. The time that has since passed has been filled by further preparatory work, among which that of finding sites for the institutions and staffs with which to fill them has proved no mean undertaking.

In addition there can be little doubt that beneath the outward reserve and reticence of the two organizations (welcome virtues to find in the Washington environment) much preparatory work has been done on the problems of organization and operations. The Bank is known to have before it a long list of claimants for financial assistance. It would be surprising if some work had not been done already in 'vetting' these propositions. Moreover solid constructive work has been done on the problem of raising the resources that will be required for the Bank's operations. An unofficial committee of United States bankers and officials has been studying the problem of marketing the bonds issued by or through the Bank on the American capital market. It is proper that this problem be considered by an all-American team since it may be assumed that the vast bulk, and, at first, the whole, of the issues made through the agency of the Bank will be made to investors in the United States. It is, therefore, primarily for that country to determine such questions as whether the assistance provided by the Bank should take the form of direct loans financed in turn by issues of the Bank's bonds, or whether the borrowers should approach the capital market direct, but aided by the guarantee of the Bank. Whatever be the decision, it is evident that consequential adjustments will have to be made in the legislation dealing with the eligibility of the bonds issued by the Bank or guaranteed by it as investments available for banks and insurance companies in the United States.

Long-Term Review Justified

In spite of this almost exclusive concern of both Bank and Fund with matters of essentially organizational or technical character, enough has been done and sufficient time has passed to justify a review of the great financial experiment that was launched with their inauguration. This review will be mainly concerned with the Fund because it is on the subject of this institution that the greatest differences of views have arisen and about whose future such differences continue to prevail. The Fund symbolizes a new philosophy of international currency relations and for that reason the spirit in which it is being launched and the principles that are being applied to its operations are of greater moment and significance than the policy and activities of the Bank, though the latter may deal with a far larger turnover of business and handle propositions that will crystallize the work of international reconstruction far more clearly and specifically than any work done by the Fund. The Bank will, it is true, apply a principle that is almost new to international finance—that of divesting the ultimate risk for a loan operation from the country which actually provides the cash. In essence, however, the Bank will to a large extent engage in straightforward long-term investment propositions, characterized only by the common attribute that they will represent risks too great to be borne by the private investor without exacting from the would-be borrower an altogether prohibitive rate of interest. The Bank will thus inherit, and, it is to be hoped, greatly improve upon, the tradition of the League of Nations Financial Committee. It will have impressive resources with which to operate, but in its operations it will break little new ground other than developing the above-mentioned principle of dissociating the provision of capital for its international ventures from the distribution of ultimate responsibility for them. The Bank will deal in large figures; it will be subject to tremendous political wire-pulling from potential borrowers and their backers. But its policies are unlikely to arouse ideological conflict.

The Fund, on the other hand, has already been the cause of such conflict and promises more in the future. The main reason for this is that the Fund's concern rests in the main with matters that are the most jealously guarded preserves of national autonomy: the relationships of one currency to other currencies and, by implication, the determination of monetary and credit policy within each country. The control of domestic monetary policy has always been regarded as an unquestioned preserve of domestic autonomy. The fact that for so many decades, during which the gold standard was in operation throughout the greater part of the world, that autonomy appeared to be willingly surrendered to external forces can be explained by the impersonality and automatic nature of the gold standard mechanism. This mechanism was no more than a signaling system, indicating when to expand, when to contract; but doing so without any evident dictation or even guidance from some supra-national authority. That automatic mechanism has departed, probably forever. In its place there is being substituted a new system operated by the International Monetary Fund, a system which consciously recognizes that domestic monetary policy, though a matter of domestic concern, cannot fail to affect other countries; that a change in the value of a currency is a matter that concerns not only the country which takes the initiative but all other countries that have dealings with it and whose currencies, therefore, are affected by the change. The basic function of the International Monetary Fund is to make its members recognize this fact, to ensure that no change in parities is made as the result of a unilateral decision, in other words to require of its members adherence to a code of honorable and orderly monetary conduct. But to assert that there is unanimous agreement with this fundamental objective of the Fund is far from the same thing as saying that there is equal agreement on the ways and means of achieving it.

The American and British Approaches

The main differences of view on what may be termed the philosophy of the Fund are those that separate and contrast the British from the American approaches to the problem. These differences would probably be found to sink into insignificance if compared with those that separate the Western from the Russian conception of the Fund. But this really basic cleavage need not concern us here if only because Russia, though a signatory of the Bretton Woods agreements, has declined up to now to ratify them and, even if Russia becomes a member by the end of 1946 (the present deadline for adherence on "foundation member terms") she can hardly be expected to prove an active partner in this experiment to spread the philosophy of free and multilateral convertibility of currencies. At best, Russia, given her present economic system, will always be the odd man, the eccentric member in the Bretton Woods club.

The British and American approaches to the problem that crystallized in the Bretton Woods agreements can be traced back to the two original schemes, the "proposals for an International Clearing Union" (Cmd. 6437) of which the late Lord Keynes was the principle author and the American proposals for "a United and Associated Nations Stabilization Fund" (reprinted by H. M. Stationery Office, 1943) for which Dr. Harry White, of the U. S. Treasury was primarily responsible. These two plans were married in the Bretton Woods agreement of July 1944 (Cmd. 6546). The contrasts between the two original contributions should not be stressed too far. Lord Keynes' was a broadly conceived scheme for a central institution "of a purely technical character" that would provide a quantum of international currency governed by the actual requirements of world commerce. The essence of the scheme was to be found in the provisions that the operation of this volume of international currency should be controlled with a persistent bias towards expansion, that countries accumulating and hoarding international currency (because they did not import or otherwise spend abroad as much as they earned abroad) should be penalized and that all adjustments of disequilibria in international balances of payments should, as far as possible, be remedied by bringing the smaller side of such accounts up to the larger. Dr. Harry White's scheme was far more precise, expressed in legalistic terms, placing on member countries' access to the resources of the proposed Stabilization Fund far stricter restrictions than did Lord Keynes' scheme, but conceived in the same general spirit of expansionism. After much discussion and particularly helpful intervention by Canadian experts (Tentative draft proposals of Canadian Experts for an International Exchange Union) the two schemes were successfully welded at Bretton Woods. But the welding, though technically satisfactory, still left some basic differences of conceptions unreconciled.

Revival of Tri-Partite Agreement

The general British view of the International Monetary Fund was that of a revival, on a much broader basis, of the Tripartite agreement of September 1936 between the United Kingdom, the United States and France, an agreement of which the Netherlands and Belgium became signatories in November 1936. Under this agreement the exchange affairs of most of the countries that mattered in international commerce were regulated by day-to-day technical collaboration between their central banks. With a minimum of publicity, legalistic restriction or political interference, the monetary affairs of the world were settled, with remarkable expedition and efficiency, by frequent telephonic conversations between London, NewYork, Paris, Amsterdam and Brussels. The British viewed the Fund rather in that light, as a club of central bankers in which all decisions could be made and taken with the dignity, anonymity and discretion that have always characterized the dealings of the Bank of England with its central banking customers.

A very different view of the Fund prevailed in the United States. There it was regarded as an inter-governmental and not as an inter-central banking institution. Ever since the days of the New Deal the financial center of gravity of the United States had been shifting from New York to Washington and it is notable that no bankers, not even the semi-political bankers of the Federal Reserve system, took any effective part in launching the Fund and the Bank at the Savannah inaugural meeting of governors of both institutions.

Keynes' View

The British conception of the International Monetary Fund and of the dangers that would attend a more political view of the character and functions of that institution cannot be better illustrated than by a speech which the late Lord Keynes made at the opening of the Savannah meeting, a characteristic product of his wit and wisdom which for some unaccountable reason does not appear to have been published in this country. For a full understanding of this speech two explanatory notes are needed. The reference to the "Spanish moss" was to the long beards of this grey fungus which droop profusely from many of the trees of Savannah. The second is to explain that Mr. Kelchner of the U. S. State Department was the secretary general of the conference and had issued the invitations to the meeting. This is what Lord Keynes said:

"Like several others here present, I have been intimately concerned with what will, I think, always be known as the Bretton Woods plans. The gestation has been long; the lusty twins are long overdue; they will have put on, I hope, as a result, a weight and strength which will do credit to their mixed and collective parentage. At any rate it is a privilege I would not have readily foregone to be present at the hour of birth, in some capacity, whether as governor or governess, along with the midwives, nurses, doctors and parsons ready to christen (and I shall always hold to the view that the christening has been bady done and that the names of the twins should have been reversed).

"Hidden behind veils or beards of "Spanish moss," I do not doubt that the usual fairies will be putting in an appearance at the christening, carrying appropriate gifts. What gifts and blessings are likely to be most serviceable to the twins, whom (rightly or wrongly) we have decided to call Master Fund and Miss Bank?

"The first fairy should bring, I suggest, a Joseph's coat, a many-colored raiment to be worn by these children as a perpetual reminder that they belong to the whole world and that their sole allegiance is to the general good, without fear or favor to any particular interest. Pious words, exceedingly difficult to fulfil. There is scarcely any enduringly successful experience yet of an international body which has fulfilled the hopes of its progenitors. Either an institution has become diverted to be the instrument of a limited group, or it has been a puppet of sawdust through which the breath of life does not blow. Every incident and adjunct of our newborn institutions must be best calculated to emphasize and maintain their truly international character and purpose.

"The second fairy, being up to date, will bring perhaps a box of mixed vitamins, A, B, C, D and all the rest of the alphabet. The children may faithfully wear their many-colored raiment, yet themselves show pale, delicate faces. Energy and a fearless spirit which does not shelve and avoid difficult issues, but welcomes them and is determined to solve them, is what we must demand from our nurselings.

"The third fairy perhaps, much older and not nearly so up-to-date may, like the Pope with his cardinals, close the lips of the children with her hand and then open them again, invoking a spirit of wisdom, patience and grave discretion, so that, as they grow up, they will be the respected and safe recipients of confidences, of troubles and of perplexities, a reliable and prudent support to those who need them in all times of difficulty. If these institutions are to win the full confidence of the suspicious world, it must not only be, but appear, that their approach to every problem is absolutely objective and oecumenical, without prejudice or favor.

"I am asking and hoping, you will see a great deal.

"I hope that Mr. Kelchner has not made any mistake and that there is no malicious fairy, no Carabosse, whom he has overlooked and forgotten to ask to the party. For if so, the curses which that bad fairy will pronounce will, I feel sure, run as follows: 'You two brats shall grow up politicians; your every thought and act shall have an *arriere pensee;* everything you determine shall not be for its own sake or on its own merits but because of something else.

"If this should happen, then the best that could befall—and that is how it might turn out—would be for the children to fall into an eternal slumber, never to waken or be heard of again in the courts and markets of mankind.

"Well, ladies and gentlemen, fairies or no fairies, this looks like being a very pleasant party and a happy christening and let the omens be good."

To get the full flavor of this speech it should be realized that it followed a long succession of the customary vapid, oratorical, insincere effusions that are the normal fare at inaugural sessions of international conferences. Lord Keynes' fanciful but pointed remarks amused his audience but also shocked part of it and there were some of his hearers—evidently those with bad consciences—who imagined, quite falsely, that they had been cast for the role of Carabosse.

The Morgenthau Protest

To get a comparable picture of the American view of the International Monetary Fund one cannot do better than quote from a letter which Mr. Henry Morgenthau, ex-Secretary to the U. S. Treasury and the Chairman of the U. S. delegation at the Bretton Woods conference, sent last March to Mr. Vinson, then Secretary of the U. S. Treasury. Mr. Morgenthau had learned that it was proposed to appoint Mr. Lewis Douglas, head of the Mutual Life Insurance Company of New York, to the presidency of the International Bank for Reconstruction and Development. Mr. Morgenthau protested against this suggestion because of Mr. Douglas' connection with 'big business' and 'Wall Street finance' and added:

"Under the leadership of President Roosevelt, I sought, for a period of twelve years, as Secretary of the Treasury, to move the financial center of the world from London and Wall Street to the United States Treasury and to create a new concept between nations on international finance.

"Bretton Woods was the crystallization of that program. We sought to create the Bank and the Fund as the instrumentalities of sovereign governments and not of private financial interests. Bretton Woods breathed the spirit of mutual assistance between governments to bring about financial stability in the world and reconstruction and development in the interests of economic security. Bretton Woods tried to get away from the concept of profit-making that dominated international finance and from the concept of the control of international finance and from the concept of the control of international finance by private financiers who were not accountable to the people."

Mr. Morgenthau's was perhaps an exaggerated expression of the American point of view, but it unmistakably indicates its true nature. It must certainly have interested those who had been members of the British delegation at Bretton Woods to learn in March 1946 that the agreement they signed at the end of that conference was intended, among other

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Two Conceptions of the International Monetary Fund

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things, "to move the financial center of the world from London to the United States Treasury."

The Clash at Savannah

The clash between these two conceptions of the Bretton Woods institutions occurred at the Savannah inaugural meeting of Governors. It centered around two issues. The first was the choice of the site of both Bank and Fund; the second, the determination of the functions and remuneration of the executive directors and their alternates. The decision to have the two institutions located in the United States had been taken at Bretton Woods and though the British delegation at that conference had made a reservation on this point, it was generally conceded that the issue had been settled before the Savannah meeting. But if the institutions were to be in the United States, the British view was that they should be established in New York, with its international financial contacts, and not in Washington, the political capital. The Americans, for precisely the same reasons, wanted Washington and in the end they won. That decision alone struck at the whole foundation of the British conception of the Fund, for in Washington the atmosphere is essentially and exclusively political. In that city there are no central bankers in the British sense of the term. The nearest approach to the species to be found in the United States are at the New York Federal Reserve Bank and it was clear from the proceedings at Savannah that the New York Federal Reserve Bank would have no say whatsoever in the direction of the Fund. The site decision signalized the complete victory of those who wished the Fund to be a political organism.

The curse of Carabosse may not have fallen at that moment; but the evil fairy, in her coach drawn by baboons as in Tschaikowsky's Sleeping Princess ballet, had unmistakably appeared on the stage.

The Choice of Executives

The differences of views on the functions of the executive directors were probably of greater importance than those concerned with the site, though they did not symbolize the issue between the central banking and political approaches quite so obviously as did the clash between the New Yorkers and the Washingtonians. The British view was that the Fund should be administered by a managing director and his staff who, in the words of the Bretton Woods final act "shall owe their duty entirely to the Fund and to no other authority." The executive directors, in this view, would have ultimate responsibility for the conduct and general policy of the Fund, but would act as a board of directors in normal British practice. This meant that the executive directors would be part-time officers of the Fund, men who, presumably, would hold high and responsible office with the central banks or monetary authorities in their own countries and who would bring to the board meetings the great benefits of their practical knowledge and experience gained in the formulation of monetary policy if their own countries. The American view was that not merely the executive directors, but also their alternates should be full-time employees of the Fund, even though they were primarily representatives of the countries which nominated or elected them and though they could never be the type of international civil servant which the managing director and his staff were intended to become.

In the British view the requirement of the Bretton Woods agreement that "the executive directors shall function in continuous session" meant that they should be liable to attend meetings at any time at very short notice and not at specified, regular, intervals. In the American view "continuous session" meant what it appeared to say, namely that the executive directors should normally be available at the offices of the Fund unless on leave, or traveling on the business of the Fund. It will be seen that this issue also crystalized the differences between the two well-contrasted conceptions of the Fund. If the Fund was to be run not by a staff of wholly independent, objective, international civil servants, but by twelve or more executive directors and twelve or more alternates, continuously in session at the offices in Washington, owing allegiance primarily to the countries they represented, the Fund would inevitably become an essentially political institution. What chance would there be of that discreet, confidential sharing and discussion of difficulties that is the normal fare and most useful function of inter-central banking intercourse if these secrets and difficulties were to be bruited among twenty-four or more national representatives? The British feared that if this were to be the prospect, the advice of the Fund would not always be sought by those in difficulties and that the new organization would thereby be cutting itself off from a great deal of information that should come to it and from vital work that should, by rights, be performed by it.

The Americans countered by arguing that times had changed, that the conduct of international monetary relations had become far more a matter of inter-governmental than of central banking relations ("incidentally, had not the Bank of England been nationalized?") and that, as far as they were concerned they would insist on having their executive director and, perhaps, his alternate also, serve as full-time officers of the Fund. This last argument was decisive, for if the Americans were to appoint a full-time executive director of great caliber (as they have done in the person of Dr. Harry White), other countries would be compelled to follow suit in so far as it lay within their power to do so.

The Americans, however, took sufficient cognizance of the strength of the British arguments to abandon a proposal that all executive directors be debarred from holding other office. A compromise between the two points of view was hammered out, the by-laws of the Fund, agreed at Savannah, providing that "it shall be the duty of an executive director and his alternate to devote all the time and attention to the business of the Fund that its interests require, and, between them, to be continuously available at the principal offices of the Fund."

Salaries

Another aspect on this issue was the difference of views on the salaries to be paid to executive directors and their alternates. These were ultimately fixed at levels much nearer the original American than British ideas of what was seemly and justified, namely at $17,000 a year tax free for executive directors and $11,500 a year tax free for the alternates, but with proportionate reductions where the individuals in question do not give their full time to the Fund. The fixing of this scale opens up the possibility of an annual salary burden of around $350,000 plus taxes (which for a time must be paid by the Fund) for the executive directors and their alternates alone. This will help to raise the outgoings of the Fund to a level which seems all the more disquieting as no serious estimate can yet be made of the income which the Fund will normally be able to command.

On these two crucial issues, therefore, the British point of view was defeated. Though it had the support of many delegations from countries with international banking experience, that support was never carried to the point of a vote against the American proposals at the full meeting of the Board of Governors. These defeats came as a shock and the resulting sense of frustration and disappointment may well have played its part in hastening the untimely death of Lord Keynes soon after his return from Savannah. But the defeats were sustained after truly democratic procedure of debate, compromise and voting. When so much is at stake as the wide objectives of the Fund and Bank there can be no question of such set-backs being followed by sulking and non-cooperation on the part of Britain. The Fund, as it stands today, may not accord with the earlier British conception of it; but it remains an instrument of international collaboration capable of achieving great good. If in British eyes mistakes have been made in the formative period of the Fund, that is no reason for withholding the fullest British participation, if only to remedy as much as possible of the damage that may have been done. That Britain has taken this sensible, democratic and co-operative view is evident from the quality of the British executive directors appointed both to the Fund and the Bank and from the extent to which the staffing of both institutions has made calls on British personnel that can ill be spared from this country today.

Bureaucracy: A National Menace

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fusion they do not know whom or what to believe.

The most pernicious of all the propaganda peddled to the American people by these apostles of totalitarianism is that it was their genius alone which made possible America's tremendous contribution to the winning of the war.

Who did make possible America's contribution to the winning of the war? It was 130 million liberty-loving Americans, who spontaneously answered the call to arms. They made possible the complete conversion from a peacetime to a war-time economy in the short space of three years. They made possible miracles of organization and production which enabled America to take the offensive in two wars at once, in the Atlantic and in the Pacific, and at the same time to furnish a constantly increasing stream of material, greater than the contributions of all the other allies combined.

And, now, a year after the war, America is financing more than 70% of all the relief for the whole wide world. The nations of Europe and Asia are lined up before America's door, asking for necessities of life, which only we are capable of furnishing to a war stricken and suffering humanity. These propagandists for economic planning would have us forget that these tremendous contributions were possible during and since the war because our pioneer ancestors who fought the Revolutionary War believed in, struggled for, suffered for, and sacrificed for our unequalled American system of free government, free economy, and free society, in short, for the liberty of the individual.

Have we forgotten so soon that those pioneers who came to these shores braved an unknown continent to escape from the petty tyrannies and the brutal despotisms which, with a monotonous regularity robbed men of their liberties, their possessions, and their very lives?

The choice confronting our forefathers, and now confronting us, was made for all liberty-loving posterity in the Declaration of Independence.

Abuses of Power

Let us again look at that immortal document and read of three grievances against the abuses of power by the king:

1. The Legislative.
"He has dissolved representative Houses for repeatedly opposing with manly firmness his invasions on the rights of the people."
2. The Judiciary.
"He has made judges dependent on his will alone for the tenure of their offices and the amount and payment of high salaries."
3. The Executive.
"He has erected a multitude of new offices and sent hither swarms of officers to harass our people and eat out their substance."

What a striking similiarity to the abuses of power by the bureaucrats today!

In 193[illegible] the nation was told:

". . . We have returned the control of the Federal Government to the city of Washington. . .

"In 34 months we have built up new instruments of public power. In the hands of a people's government this power is wholesome and proper. But in the hands of political puppets of an economic autocracy such power would provide shackles for the liberties of the people."

Now the puppets of a political autocracy have the control and they are, with those new instruments of public power, shackling the liberties of the people.

There is no doubt about this in the mind of Hatton Sumners of Texas, Chairman of the House Judiciary Committee, who announced that he would not seek reelection after 33 years in Congress, because he terms the present Federal Government:

". . . an instrumentality of favoritism, tyranny, oppression, and corruption."

Think of that, a Democratic veteran in the public service feels he is effectively prevented from properly representing his people, and must give up an elected office in order to help free them.

If a shadow of doubt still remains in your minds, let me quote from Adolph Berle, one of the original "brain-trusters" who said on June 15, 1946:

"We have the same propaganda campaigns, the same lies and distortions intended to intimidate faithful American public servants, and the same appeals to cupidity, unthinking idealism, and fears."

And again from Tom Clark, Attorney General of the United States, who on June 21st of this year stated in Chicago:

"We know that there is a national and international conspiracy to divide our people, to discredit our institutions, and to bring about disrespect for our government."

The American Revolution was not a negative revolt. It was the affirmation of a belief in the dignity and rights of men. It was the victorious fruit of an unconquerable faith that we should be forever free from the curse of tyranny. In this faith, our American system of government, and our American society, are rooted. They are the most liberal ever conceived by the mind of man. This is our heritage. Under this system, in the course of 160 years, America has achieved the greatest degree of personal, religious, and political liberty, the highest standard of living, the highest wages and working conditions, the finest educational systems, the finest transportation systems, the most magnificent productive capacity, the most luxuries ever achieved by any people in any period of time. It has been this tradition of freedom, and nothing else, that made possible our marvelous progress and contributions to the winning of the war.

To safe-guard these liberties and rights, the authors of the Constitution set up an instrument of government which provided a system of checks and balances designed to curb the usurption of power by any one branch of government. There were no ambiguities in the minds of the framers of the Constitution as to what they wanted, to preserve to posterity. There was no doubt in their minds as to the nature of the powers that threatened the preservation of such a government.

The Preamble to the Constitution states in unequivocal language the clear objectives of its authors:

"We the People of the United States, in Order to form a more perfect Union, establish Justice, insure domestic Tranquility, provide for the common defense, promote the general Welfare, and secure the Blessings of Liberty to ourselves and our Posterity, do ordain and establish this Constitution for the United States of America."

It is significant that the authors of our Constitution regarded as the gravest threat to its continued existence, lust for power.

James Madison, one of the most highly informed men on political history in the Constitutional Convention, warned that:

"The Accumulation of all powers, legislative, executive, and judiciary in the same hands whether of one, a few, or many, and whether hereditary, self-appointed, or elective may justly be pronounced the very definition of tyranny."

Thomas Jefferson said:

"An elective despotism is not the government we fought for. . ."

George Washington said in his Farewell Address:

"It is important that the habits of thinking in a free country should inspire caution in those entrusted with its administration to confine themselves within their respective constitutional spheres. The spirit of encroachment tends to consolidate the powers of all the departments in one and thus to create, whatever the form of government, a real despotism. A just estimate of that love of power, and proneness to abuse it, which predominates in the human heart is sufficient to satisfy us of the truth of this position."

We Surrendered Safeguards Against Abuses

When World War II broke on us in all its fury we surrendered those safeguards against the abuse of power. Now it turns out that while we surrendered them only for the duration of the war emergency, these economic planners took advantage of the war to consolidate and to perpetuate themselves in power.

They are now raising a hue and cry that the postwar world emergency is even graver than the war emergency. They are shouting from the housetops that their philosophy of regimentation, restrictions, government by executive order, and a controlled economy has become indispensable to a peacetime America. What these bureaucrats do not say is that the emergency in which we now find ourselves has been manufactured by them, and the legislation they are now demanding is merely the extension of government controls, which they have been exercising for the past 14 years.

It has dawned on the American people that this bureaucracy cannot possibly restore our traditional free economy and constitutional government without destroying itself. Is there anyone here so naive as to believe that they have any such intention?

These bureaucrats have had no more consistent a spokesman than Mrs. Eleanor Roosevelt. Mrs. Roosevelt recently said:

"It has been a long fight to put our economic system in the hands of the government."

The President has told the Congress that the New Deal does not intend to surrender any of its powers. He said:

"It is the policy of this Administration not to exercise wartime powers beyond the point at which it is necessary to exercise them.... A program of winding up wartime agencies and distributing their functions on a peacetime basis is now being pursued under the powers vested in the President by title I of the First War Powers Act.

"Therefore, I urge that the Congress do not yet adopt a resolution proclaiming the termination of the war or the termination of the emergency or the cessation of hostilities. Such a resolution would automatically cause the death of many war powers and wartime agencies before we are ready."

At this very moment, the man in the White House, who is the nominal head of the Democratic Party, is the doctrinal prisoner of the political strategists of the PAC.

The President's 18-point program embodies legislation designed to increase centralized government controls and extend them to an ever-increasing degree into our daily lives. Would not the passage of the Wagner-Murray-Dingell Bill affect doctors in carrying on their profession?

Would not the Federal Aid to Education Plan affect you and your local communities? The bureaucrats who administer Federal Aid to education will invariably maneuver toward control of the curriculum in your public schools, colleges and universities.

You businessmen, you who are manufacturers, processing, fabricating, and selling commodities and goods, especially lumber dealers, and home builders, are vitally affected by the so-called "Emergency Housing Act."

A large part of such business has already been turned over to Mr. Wyatt. The next step will be a demand by the newly-created Federal Housing Bureau for the power to "go take" your lumber, your building material and equipment, and build houses under a National Housing Authority.

Under the New Deal program, are not farmers told what they can produce, how much they can produce, and what the price is to be?

On the 10th day of Sept. 1946, an order was issued by the Department of Agriculture limiting the sugar beet acreage for 1947 to the acreage grown in 1946, and the price of sugar beets has been set at $13.50 a ton.

In the face of present sugar shortages this order is ridiculous.

We have 250,000 acres of sugar beet land in this country that will have to produce some other crop next year. This year the sugar beet land that was restricted produced potatoes, and thousands of bushels of them are rotting on the ground, while across the country thousands of tons of fruit are spoiling because there is no sugar for canning.

Would not the President's draft labor bill have destroyed the uninfringed principle of free labor in this country today?

These are only a few of the legislative proposals that the President has presented to the 79th Congress as "must" legislation. The passage of this legislation was considered so imperative, that the President and the PAC demanded a purge of those who dared to oppose it. The purge has already started in Missouri, led by the President himself.

Those of us who have been in the thick of this fight in Washington are continually asking ourselves: "What else do these bureaucrats mean to do as they seek more and more power?"

The answer to this question can only be made in the light of their record at home and abroad during the past 14 years.

At home this bureaucracy has proven it cannot exist except through ever-expanding bureaus. It feeds on sprawling, bureaucratic power administered by thousands of little dictators, who claim to be a law unto themselves answerable to no one, political puppets who do not stand for election.

Growth of Bureaus Appalling

The growth of bureaus in Washington is appalling. There are bureaus piled on bureaus; there are bureaus within bureaus; their power of reproduction is inherent and endless. When the Congress closes them out at the end of one day, they literally open for business the next morning under a new label, but with the same old management.

Let us take the State Department. Shortly after V-J Day the Foreign Economic Administration, the Office of War Information, the Surplus Property Administration, and the Office of Strategic Services, which Congress was told had all been liquidated, turned up in the very middle of the State Department. The personnel of the State Department now exceeds 27,000. Now, it not only administers our foreign policy but it has assumed unlimited jurisdiction in many fields of our domestic economy including commerce, censorship, information, and the sale and distribution of surplus property.

This same tenacity and lust for power characterizes all of the bureaus. It is especially true of the Department of Commerce, which has now absorbed the personnel of such agencies as the Smaller War Plants Corporation, among others, and whose personnel now numbers nearly 40,000. This Department has been the foremost promoter of the sale of surplus electronic and radar equipment to Russia, sales that amount to nothing more than gifts. Along with those sales went enough of our secrets to enable Russia to set up assembly lines for the production of electronic and radar equipment comparable to our own.

Turning our attention now to OPA. This bureau extends most directly into all fields of our economy. It reaches the farmer, the laborer, the businessman, the manufacturer, the distributor, and the consumer. All of us are now caught in the thousands of arbitrary and conflicting orders and regulations issued by the Office of Price Administration.

Why was OPA revived. Because the New Deal cannot survive on the philosophy of maximum production. It exists only on an economy of scarcity.

Let me illustrate: Before June 30, under OPA, we had little or no meat. After June 30, without OPA, meat of all kinds and cuts, could be bought in the legitimate market places.

Now, against its own wishes, the Administration has decontrolled meat controls because the requirements for production and public opinion left no other choice.

The Tyrannies of the Old World cursed our Colonial Fathers. The Tyrannies of the New World have now caught up with us. Again hear those words of the Declaration of Independence:

"Swarms of officers... harass our people and eat out their substance."

How much longer are you going to tolerate such conditions as these? Haven't you had enough?

Bureaucracy—A Government of Men

Bureaucracy is a government of men and not of law. It imposes its will by executive decree. Confusion, contradiction, waste, red tape, and the deliberate violation, perversion, distortion, and evasion of the will of Congress are the natural by-products of the abuse of their power. From March 14, 1936, to Nov. 5, 1945, there have been 107,138 executive orders, directives, grants, permissions, and prohibitions issued by the bureaucrats in Washington. To print these executive orders required more than 62,000 pages and 93,000,000 words. These orders might not have been so disastrous if they had been issued by men who knew their business. The end is not yet. To keep up with the ever-increasing regulations over 40,000 pages will have to be printed annually in the Federal Register.

Bureaucracy is a government by license. It begets paternalism.

1. The business dealings of Andrew J. May and his shocking relations with the Garsson Brothers, is only the beginning of revelation of the license, the corruption, the favoritism, and the paternalism of bureaucratic government.
2. The pampering of the International Latex Corp. is another case in point. Mr. Abraham N. Spanel, President of this corporation, writing in a Collier's Magazine article, is quoted as saying:

> The government isn't a machine. It is run by human beings, and you have got to get to the right ones."

Bureaucratic Favoritism

The Senate Small Business Committee recently uncovered the consequences of such New Deal practices. New Deal favoritism in placing war contracts, has had a terrific impact on small business. From Sept. 30, 1941, to June 30, 1943, approximately 553,000 small businesses were forced to close. In 1945, alone, 550 small business houses closed their doors each day. These small business houses closed principally because of the controls imposed upon them and the Gestapo methods used in their enforcement. The Administration surely knows of the testimony adduced by our Senate Business Committee hearings.

From one witness, and I quote:

"Take the government off our backs and we'll take our chances."

From another witness, and I quote:

"We're just plain tired of being pushed around."

And, from another witness, and I quote:

"We're afraid of our government."

The Administration knows that its policies toward the Small Businessmen of the country must change if we hope to restore our American economy to something like sanity.

Deficit Spending

Bureaucracy can finance itself only through deficit spending. Bureaucratic government and deficit spending go hand in hand. The theory that the government could continue deficit spending indefinitely, because they claim we owe the money to ourselves, was the brain-child of Mr. Wallace and the bureaucrats. This nation has not had a balanced budget for 14 years, and the national debt now stands at over $270 billions. Because of the waste, by these bureaucratic spendthrifts, our fiscal budget has become so grave that even some of their propagandists are clamoring for a reduction in Federal expenditures.

In President Truman's letter of Aug. 1, to the heads of executive departments, he stated:

"Our present fiscal situation is a most serious one. We are faced with a continued substantial budget deficit in the present fiscal year. Even those Federal expenditures which are most necessary have the effect of increasing inflationary pressures in the total national economy. We must do everything within our power to reduce inflationary pressures. One of the most effective means of doing this is to reduce Federal expenditures."

But, here again we find contradiction instead of logic. What has Mr. Truman done? He asked for $36,000,000,000 for his first peacetime budget. This is nearly four times greater than the last peacetime high of $9,000,000,000 for 1940. Since his budget was submitted it has been increased by the President to $46,000,000,000, and will add over $15,000,000,000 to our present national debt.

Do you know what an expenditure of $46,000,00,000 means? For the entire country it is $130,000,000 each day for 1946, and a dollar a day for every man, woman and child in America. To you, Mr. Manufacturer, to you, Mr. Wage-Earner, to you, Mr. Farmer, with a wife and two children, that means $4 a day of your money. This is inflation and nothing else but inflation, and the government is the guilty party.

The President's most recent statement, that the deficit for the fiscal year would be only a billion and a half, was made by him with the full knowledge that it would take all the funds recaptured from the sale of surplus property, to make up the difference between the income, from all sources of revenue and the $46,000,000,000 that the New Deal will spend in this fiscal year.

These recaptured funds do not belong to this Administration. They belong to the taxpayers of this country and should go into the United States Treasury, and be used only to reduce our National debt. As far back as 1944, I offered an amendment to apply all the money recaptured from the sale of surplus property on the war debt. It passed the Senate, but was taken out in Conference.

Fellow Americans, how much longer do you think the productive forces of our economy can support these economic leeches, these subvertocrats that control us?

Foreign Affairs

Now let us examine the record abroad. Can we any better afford to allow bureaucracy to shape our foreign relations?

The American people are just awakening in the bleak dawn of the postwar world to discover the same policies and practices being followed abroad. Bureaucratic propagandists deceived and misled the American people. Completely bewildered they permitted these alien-minded minority groups to force through a New Deal Congress measures which surrendered to the Executive, the Constitutional prerogatives of the Legislative Branch in the handling of our foreign relations.

Congress has surrendered its treaty-making powers. Senator Elbert Thomas, Chairman of the Senate Military Affairs Committee and a Member of the Senate Committee on Foreign Relations, has just bitterly complained that neither he nor the Senate have been consulted on the treaty-making matters now in progress in Paris.

On May 15, 1946, the Senior Senator from Maine, Wallace White, stated in a Minority Report to the Senate Committee on Foreign Relations that:

"From 1940 to 1944, inclusive, there have been but 38 treaties submitted to the Senate as against 256 agreements, of which we have knowledge, not submitted to the Senate. This tendency warns that we of the Senate must assert our rights in this field or we shall be guilty of acquiescence in their loss....

"If the State Department's conception of executive authority prevails, if the Senate yields thereto, then the Senate abandons to the executive branch its right to consent or to refuse to consent to foreign commitments of the most solemn character."

The repudiation of the executive agreements entered into by Dean Acheson, Under Secretary of State, by which we became party to the International Air Transport Agreements is the most humiliating loss of prestige in our diplomatic history. The Under Secretary deliberately deceived Senate Committees in executing these agreements. It was only when pressure had been exerted that the Senate discovered the dangers to our interest and security implicit in these treaties, and forced their repudiation.

One bright spot in our foreign relations is the highly satisfactory manner in which General MacArthur has handled the problems of the Japanese people and our relations with them. Yet, it is this same Dean Acheson who attempted to force General MacArthur out of Japan.

This abuse of executive powers makes it clear to all of us that the arbitrary exercise of our treaty-making powers in the hands of the executive branch leaves the American people at the mercy of the 45,000 paid publicity agents of a New Deal Bureaucracy which has taken completely out of our hands any influence in our future dealings with other nations. The bureaucrats have completely reversed the basic premises upon which this government was founded. Our Constitution was framed by men who believed that this experiment in freedom could only succeed if this nation kept its internal affairs paramount in its dealings with all other nations. Today our whole internal economy and society, indeed, our very government itself, are all being dictated to by our external relations and commitments to foreign countries. At home and abroad the same sinister design, the same vicious technique, and practices, have set in motion forces of tyranny which too long have gone unchecked. Even while I speak, a mighty chorus of angry protest is rising from a liberty-loving people across this land.

This is not a demand, that we turn our backs on progress. This is not a demand, that we abandon the war-shattered peoples and nations of the earth to a terrible fate. This is not a demand, that we turn this government over from New Deal Democrats to New Deal Republicans. This is not a demand, that we transfer the present powers of government, from one ideology to another.

This protest rising from the grassroots is not a negative revolt. It is an affirmative demand to end the reign of bureaucracy, to drive the little dictators out of the temple, to stop paternalism, to balance the budget and stabilize the dollar. It is a demand that Congress return the powers surrendered to the Executive to the branches of government to which they belong. This is a demand for a leadership that will lead America out of the state of confusion and the state of fear in which we find ourselves, a leadership that will lead us out of the darkness of the night, up the mountain side to the dawn of a new day, the light of which I hope and pray will bring peace, confidence, stability, and happiness to all.

Interest Rates and Federal Reserve Policy

(Continued from first page)

Investors and speculators were competing for outstanding issues, and bond prices continued to rise.

Beginning about March, however, there were certain developments, including some changes in policy and in Treasury thinking, which caused a reversal in the trend of bond yields and led to a stiffening in short-term money rates. The Treasury let it be known that it was not interested in driving interest rates lower, but was satisfied with the wartime pattern of rates; meaning ⅞% for one-year certificates and 2½% for long-term bonds. The belief slowly developed that at the end of the present debt-retirement program the Treasury might offer more long-term securities. There developed a gradual but persistent selling of Governments by temporary holders and also some selling by Government trust funds.

The debt-retirement program which began in March, accompanied by a somewhat firmer open-market policy, has resulted in a slightly tighter reserve position. In April the Federal removed the preferential discount rate of ½% on short-term Government securities, which made the minimum borrowing rate 1% for member banks. During the summer following that action the rates on loans to brokers and dealers, commercial paper rates, and rates on bankers acceptances all advanced. The rate for call money was increased to 1½% from the 1% rate which had prevailed for 10 years. There was also further talk to the effect that the Federal might unpeg the bill rate or even permit the certificate rate to rise. In August and early September the indications were even stronger that a new 2½% bond might be offered later.

The yields on medium and long-term nonbank bonds, which turned upward in April, have now moved a substantial part of the way back to the regular wartime pattern of rates. The Victory 2½% bonds, for example, after fluctuating rather widely, dropped below 102 in the early part of September.

At about that time, however, the stock market began to break rather badly and another change in thinking on money market matters took place in Washington. The fear of a possible deflationary movement rather than a continuation of the inflationary trend began to color the thinking of the policy makers. The talk of unpegging the bill rate ceased rather abruptly and Treasury officials began to emphasize once more the disadvantage of a rise in interest rates.

New doubts began to be raised as to the possibility of the Treasury's issuing further long-term securities. It was suggested in some quarters that the outlets for the funds of institutional investors probably have been better than was anticipated earlier. Furthermore, with the Victory 2½s down to around 102, it is probably felt that institutional investors, such as life insurance companies and savings banks, can purchase in the market enough long-term bonds to meet their portfolio requirements.

The questions we face now are: What will be the trend of rates from here; will the Treasury offer new medium- or long-term issues; will our institutional investors have sufficient outlets for their funds without new Government issues; and, will the Federal continue to peg short-term rates? It is difficult, of course, to be dogmatic about these questions, because the answers depend, in part at least, upon Treasury and Federal Reserve policies.

Outlook for Long-Term Rates

There is one issue, however, about which I feel some conviction, i. e., that we are not on the threshold of a long upward trend in long-term interest rates. It seems unlikely that the rate on Government issues will rise above 2½%, at least as far ahead as we can now see. You are all familiar with the problems that might be created by a rising trend in rates and the reasons why our fiscal and monetary authorities wish to avoid such an upward trend. Among these are the increasing cost of the huge public debt, the impact on the banking system, and the possible disturbance to financial markets generally.

You are equally familiar with the methods used to stabilize rates and prevent them from rising during the war. The efficacy of our improved monetary and banking mechanisms has been amply demonstrated. There may be sharp differences of opinion as to the ultimate consequences if low rates are maintained through monetary controls, but I doubt if there is much disagreement either as to the determination or the ability of our fiscal and monetary authorities to continue such controls, at least for some years to come.

However, there is another and more fundamental reason why interest rates are likely to remain low for some time. I refer to the high rate of current savings in this country, supplemented at the present time by the large volume of accumulated liquid savings. With the economy operating at a high level of activity, individual savings will probably run 10 to 12% of national income, or even higher. In the second quarter of this year individual savings were running at an annual rate of more than $20 billion, or roughly 12% of national income. Business reserves and undistributed corporate profits will probably aggregate from $10 to $14 billion per year, when business is operating at around the current or a higher level of activity. These figures of savings do not take into consideration the potential supply of capital in the form of idle money.

Capital demands of the country when business is good may run as high as $28 or $30 billion per year, but this would be no strain on the supply if the above assumptions regarding savings are correct. Several years of prosperity, ending in a boom of major proportions, might cause capital demands to outrun supply, but this is not an immediate prospect. In case of a business recession, of course savings would fall short of the above estimates, but the demand for capital funds would probably decline even faster. This situation seems to me to warrant the conclusion that we face an extended period of low interest rates, even without the influence of monetary management.

Another question is whether long-term rates may be stabilized at around present levels or whether, after all the flurry we have had in recent months, they will be permitted to drift lower again. Will the price of Victory 2½s remain around 102 or a little lower, or will it rise again to 104 or 105, or higher? This, of course, depends very largely upon Washington policies. If the Treasury should issue additional long-term securities and if the Federal should unfreeze short-term rates and supply bank reserves a little less freely, we might achieve comparative stability in long-term rates and prevent a renewed decline in yields.

We have been told repeatedly that neither the Secretary of the Treasury nor the Board of Governors of the Federal Reserve System desires to see further declines in interest rates. That, however, was during the period when the threat of inflation was uppermost in the minds of the Washington authorities. We have already noted that since the break in the stock market and the threat of some business recession, the fear of deflation is probably stronger than the fear of inflation. For the time being, therefore, both the question of further long-term issues and the question of changes in short-term rates are held in abeyance. If a business recession should materialize and be accompanied by declining commodity prices, it is possible that the Federal Reserve System would adopt an easier credit policy as an antideflationary measure. This might encourage the further accumulation of securities by banks and result in another period of declining bond yields.

Whatever may be the immediate course of events, however, my own conviction is that any business recession which may come during 1947 will be neither very deep nor long-drawn out, and will be followed by several years of vigorous business activity. The issues of credit control which were under consideration by the Treasury and the Board until a few weeks ago have merely been postponed and will have to be faced again at a later date, probably not too far away.

Even though the decision regarding the issuance of further long-term securities has been temporarily deferred, my own belief is that sooner or later the Treasury will adopt some such refunding policy. I believe such issues are desirable both for the purpose of supplying an outlet to institutional investors and also for the purpose of refunding some of the short-dated debt and thereby redistributing to the investing public some of the debt now held by banks.

I do not agree with the contention in some quarters that investment outlets will be adequate without further long-term Government securities and that the market would probably not absorb additional long-term Governments except at rising rates. The assets of life insurance companies are now growing at the rate of about $4 billions per year, and savings deposits in mutual savings banks and commercial banks are growing at the rate of $6 to $7 billions per year. The rate of increase in savings deposits is declining, but the growth in the assets of life insurance companies will continue to increase. Furthermore, the annual volume of maturities and amortizations in these institutions has become quite large. If we consider growth plus maturities and amortizations, the funds available for investment by life insurance companies and mutual savings banks alone will probably aggregate $6 to $7 billions per year. In addition, savings and loan associations, trust accounts, endowed institutions, and in many cases individuals, are competitors for the kind of assets held by these institutions. There is a tendency for an increasing proportion of the country's savings to seek the security provided by high-grade obligations.

It is not possible, of course, to estimate with any degree of accuracy what the volume of high-grade bonds and mortgages may be, but a glance at the prosperous decade of the twenties may offer some help. During the ten-year period 1920-1929, the average annual increase in the long-term corporate debt was only $1,600 millions. For the same period the average annual increase in urban real estate mortgages was only $2,200 millions, and in the state and local debt only $800 millions. If we add together the average annual increase during that decade in long-term corporate debt, state and local debt, urban real estate mortgages, and farm mortgages, we get a figure of only $4,700 millions. To be sure, our economy has grown since that time and, under prosperous conditions, those figures will be larger. But, even if they should be twice as large, they would probably be within the volume of national savings. Furthermore, only a part of the total increase in debt obligations will be of a quality suitable for life insurance companies, savings banks, and similar investors.

The contention that life insurance companies and savings banks have had ample outlets for their funds in recent months, even without additional Government issues, needs some examination. There is reason to believe that there has been some accumulation of funds in the form of cash and short-term Governments awaiting the opportunity for more permanent investment. It is true that the recent decline in the price of Victory 2½'s may have afforded investors an opportunity to purchase a substantial amount of these securities in the market. The market supply, however, has been increased by the sales of speculative and other temporary holders. While it is not possible to estimate with any degree of accuracy the volume of sales by speculative holders, this is reflected in part in the decline in commercial bank loans to others for the purpose of purchasing or carrying Government securities. That figure for weekly reporting member banks has declined over $1.5 billions since the beginning of this year, and over $500 millions since the third of July. In addition, nonfinancial corporations had purchased substantial amounts of long-term Governments for temporary investment and no doubt some of these have been coming into the market in recent months. The Government Life Insurance Fund has turned loose over $400 millions of marketable bonds since May in exchange for special issues.

These sources of supply are nonrecurrent and in some cases are being drained off fairly rapidly. Nonfinancial corporations doubtless still have long-term Government bonds which they may sell gradually, but these sales will reduce the amount of corporate borrowing necessary. State and local governments may also gradually liquidate some of their holdings, but in neither case are the amounts likely to be large enough to supply investment demands very long. My opinion is that a few months hence nonbank investors could and would absorb additional Government long-term securities at the rate of $4 or $5 billions per year, even under conditions that would prevent them from selling existing holdings to banks.

Effect of Frozen Short-Term Rates

In a measure these problems of the stability of long-term interest rates, debt refunding, and commercial bank holdings of Government securities are closely related to Federal Reserve policies, especially policies regarding short-term interest rates. The effect of the frozen rate structure which was maintained during the war and which continues to be maintained in the postwar period was the subject of a lengthy discussion in the annual report of the Board of Governors of the Federal Reserve System for the year 1945 which was released in June of this year. The Board points out quite clearly how some of the procedures followed in financing the war and in maintaining the structure of interest rates have resulted in large increases in bank holdings of Government securities and excessive credit expansion.

The maintenance of the wide differential between short-term and long-term rates was conducive to bank credit expansion, says the Board. Federal Reserve support of the market prevented short-term yields from rising and when banks and other investors began to shift from short-term into longer term issues, the longer term rates tended to decline. The banks could sell their short-term issues to the Federal and with the additional reserves created, they could expand loans and securities by more than six times the newly acquired reserves.

In recent months, however, these inflationary influences have been suppressed by the debt-retirement program and other factors. Furthermore, if a business recession materializes, the authorities may not be concerned about inflationary influences of this character.

The question, however, is whether, after these adjustments are over, we may not again face the credit problems discussed in the Board's report. If short-term rates continue to be pegged by the Federal, will the same inflationary influences and downward pressures on medium and long-term rates begin to operate again? In June, when its report was issued, the Board of Governors was obviously concerned about the possibility of such a development. Public policy, says the Board, calls for "vigorous attack on the basic causes of inflationary pressures. This in turn requires that the Government stop and reverse, if possible, the process whereby it has created bank credit."

If the Board's diagnosis of the situation is correct, i.e., that the frozen pattern of rates produces excessive credit expansion and exerts a downward pressure on yields, the solution would seem to be quite simple. Unfreezing the pattern of rates, especially the certificate rate, would introduce more flexibility into the rate structure and keep alive a healthy uncertainty regarding rates. It seems obvious that the existing market forces are trying to bring long-term and short-term rates closer together because the basic reason for the wide spread between them no longer exists. This pattern of rates is now a highly artificial thing. The natural tendency is for short-term rates to rise in order to reduce the spread, but they are held down by the use of Federal Reserve credit. Consequently, if the spread is reduced it can be only by a decline in longer term rates. Unfreezing the structure, followed by a narrowing of the spread between long-term and short-term rates, would remove the incentive for dumping short-term securities into the Federal and investing the proceeds in longer term securities.

Surprisingly enough, after a splendid diagnosis, the Board has refused to adopt the one simple remedy that lies within its power, i.e., the unfreezing of short-term rates. Why the refusal to adopt that simple and obvious remedy? Because the Board has given assurance to the Treasury that the rate of ⅞% on one-year certificates will be maintained. Why was this assurance given? Because if the rate were permitted to rise, it would increase the cost to the Government of carrying the public debt and the "Board does not favor a higher level of interest rates than the Government is now paying."

A little calculation will show that the additional interest cost that would result from unfreezing the certificate rate would be comparatively small. It seems a pity that this great zeal for economy is not applied to other Government expenditures where savings might really be large and where they would help rather than hinder a sound monetary policy.

The Board's position raises a very fundamental question as to the functions of the Federal Reserve System. I have always been under the impression that its principal function was to maintain a sound credit structure and prevent excessive credit expansion whenever possible. In fact, that seems to be the general understanding. Nowhere does the law impose upon the Federal Reserve System the duty to regulate or determine the cost of the public debt, especially if that is done at the expense of a sound monetary policy. About the only power that the Board had to correct a particular situation has been surrendered in pursuit of an objective which has not been placed within its province by law. The Board made no mention of any time limit on its promise to the Treasury. The Secretary of the Treasury could release the Board from its promise, but for the time being the Board seems to be without power to deal with the situation.

Board's New Proposals for Credit Control

The Board did suggest for the consideration of Congress new measures of credit control. In giving up the powers it had, the Board clearly attempted to put upon Congress the responsibility for dealing with a situation created by its own policies. Congress should ask how well the Board has lived up to its own responsibilities and how wisely it has used the powers it already had.

This is not the first time the Board has asked for additional powers to control a particular situation before exhausting the powers it already had. You will recall that back in the beginning of 1941 the Board sent a strong plea to Congress for additional powers to raise reserve requirements in order to take care of the rising volume of excess reserves. It has been estimated that when that request was made the Board still had powers sufficient to reduce excess reserves by $2 or $3 billions. Furthermore, the peak of excess reserves had already been reached, the inflow of gold had about stopped, and during the next two or three years the volume of excess reserves declined rapidly. The Board not only failed to use the powers it had but also failed to see that the forces increasing excess reserves were already spent. Consequently, it asked for powers which it did not need and which were not granted.

The Board now wants three new measures of credit control: (1) the power to fix the maximum amount of long-term securities, both public and private, that any commercial bank could hold against its net demand deposits (the Bond Limitation Plan); (2) the power to require commercial banks to hold a specified percentage of Treasury bills and certificates as secondary reserves against net demand deposit (the Security Reserve Plan); (3) the power to raise reserve requirements against net demand deposits above the regular limits now provided (Primary Reserve Plan).

There are a number of puzzling aspects of these proposals. In the first place, there are three separate but overlapping proposals, each designed to accomplish the same general objective. In the second place, all three proposals are presented in the barest outline, with no details or illustrations as to how they would work or how they could be made to achieve the need sought. Does this mean that the Board is unclear in its own mind as to how effective any one of these measures would be, but is offering the three proposals in the hope that by trial it might find one, or a combination of the three, that will prove effective? If the Board had a strong conviction as to the efficacy of any one of the three proposals, why did it not concentrate on that plan and reinforce its suggestion with more explicit details? As it stands, Congress certainly has been presented with a very complex issue and a confusing set of proposals.

There are serious reservations to all three plans. The first one, limiting the size of a bank's long-term portfolio to a percentage of its net demand deposits, would create difficult problems of administration. The application of uniform limitations to all banks or to particular groups of banks would force many institutions to liquidate some of their long-term holdings and would raise very important questions as to the equity of enforced losses, i.e., losses of earnings as well as losses on securities acquired at premiums.

The Security Reserve Plan appears to be the most complicated of the three. It would compel banks to operate under two reserve requirements, and would involve them in complex day-to-day problems of adjusting reserve positions and shifting assets in order to meet these new and intricate provisions. Furthermore, the new reserve requirements, if uniform, would create far more difficulties for some banks than for others and create many inequities. Banks with a large proportion of loans and a small proportion of Governments would be especially hard hit. Banks most active in lending operations and in serving their local communities would have the greatest difficulty in meeting the new requirements.

It is true that in connection with this proposal the Board would permit banks to hold additional cash or excess reserves in lieu of Government securities. However, a bank would get some return from its security reserves but no income from cash reserves. Therefore, the probabilities are that the banks would carry securities rather than additional cash or balances with the Federal. The problem would be how to secure funds for the purchase of the new securities. Let us assume that banks, operating under the new security reserve requirement, have expanded up to the limit of their existing reserves but are still faced with legitimate demands for further loans. They might meet the new loan demands by disposing of nonreserve securities if they had any and if the market or the Federal would absorb them. Otherwise banks would have to borrow funds from the Federal, not only to cover cash reserve requirements for the new deposits, but also to purchase from the Treasury or from nonbank holders the required amount of new reserve securities.

If the Federal should follow a tight credit policy and limit the funds available to banks, it would interfere with the extension of loans to the banks' customers. If, on the other hand, the Federal should grant the credits necessary to meet the new loan demands, it would mean that this particular proposal would be highly inflationary in operation because it would cause bank deposits to increase at an accelerated rate. When making loans, the purchase of the necessary additional reserve securities would create new deposits against which further cash and security reserves would have to be provided. The cumulative effect of this enforced purchase of Government securities would be that for every dollar increase in loans, deposits might expand two or three times that amount, depending upon the amount of reserves required. One result of this would be to force more and more Government securities into the banks in periods of loan expansion when the banks ought to be liquidating their Government securities in order to supply loan demands and in order to prevent excessive deposit expansion.

It is apparent that both the Bond Limitation Plan and the Security Reserve Plan would affect different banks quite differently. The Board suggests that some administrative flexibility should be authorized in connection with either of these measures in order to meet differences among banks. It is not stated just how much flexibility would be necessary and how it would be applied, what the difficulties of achieving a fair and equitable policy upon which the banking business can rely are obvious. Full flexibility might mean the power to fix requirements for each institution, with all that that could involve in the way of favoritism or discrimination.

The third proposal was that the Board should be given power to increase member-bank reserve requirements against demand deposits. However, the Board itself admits that under present conditions the principal effects of an increase in reserve requirements would be a shift of Government securities from commercial banks to reserve banks. The commercial banks would have to liquidate some of their assets and, in order to prevent interest rates from rising, the Federal would have to purchase sufficient securities to provide the additional reserves. It is very difficult to see what purpose could be accomplished by forcing securities out of commercial banks into Federal Reserve banks except, of course, to reduce commercial bank earnings.

One reason given for the request for higher reserve requirements is that this power could be used to offset an increase in reserves that might arise from the inflow of gold and the return flow of currency. There is no evidence as yet, of course, that these movements will reach large proportions. In fact, there has been very little inflow of gold since the end of the war and currency in circulation is still higher than it was a year ago. Furthermore, the Federal Reserve System still has $23 billions of Government securities which it can sell as an offset to any tendency for reserves to rise as the result of gold imports or a decline in currency in circulation. Most of these securities were acquired during the war in the process of creating reserves in order to prevent tight credit. They could be sold in order to absorb excess reserves, if necessary, and prevent credit from becoming too easy.

Open-market operations of the Federal were never intended to be a one-way affair. During wartime expansion some very persuasive arguments were offered in favor of using open-market operations rather than lowering reserve requirements to supply the necessary reserves for expansion. It was asserted that the former was a much more flexible instrument, adaptable to constant market changes, but that the latter operated crudely in that it supplied the reserves in bulk and could not be adjusted to the frequent and quick changes in market conditions. These arguments are equally persuasive in reverse. The urge of the Federal to raise reserve requirements whenever reserves are abundant, but on the other hand to purchase Government securities when reserves tend to become tight, is one way of moving gradually toward a 100% reserve requirement.

In any appraisal of the Board's proposals, one is constantly confronted with the question whether the objective of restraining credit expansion is compatible with the premise that the interest rate structure must remain frozen, and in particular that short-term rates must be kept from rising. To my mind these two objectives are contradictory. It is, of course, possible for the Federal, if equipped with broad powers over bank operations, to restrain bank credit and at the same time prescribe the kinds and amounts of securities the banks are to hold. If banks were forced to hold a large volume of short-term securities, the Government could keep these rates down and, in fact, could pay as low a rate as it pleased. However, it must be realized that such measures would completely isolate bank holdings of Governments from the rest of the market. The stabilizing influence of the banking system upon the market would be removed, and the result would most probably be a much greater degree of uncertainty about market rates of interest outside the banking system. In fact, one can easily imagine a condition under which, if such proposals were adopted, market fluctuations would become more violent and control much more difficult.

After examining the three proposals of the Board, one is left with grave doubts as to their merits or their effectiveness as measures of monetary control. Any effort to administer such measures would probably raise many new and difficult problems and create substantial inequities. They would extend governmental controls over the details of bank management and bank policies to an extent never before dreamed of in this country. You may have read the comment in the "London Economist" of Aug. 24, 1946, regarding these proposals, which runs as follows: "It comes as a surprise to learn from the thirty-second annual report of the Governors of the Federal Reserve System that the highest banking authority in the United States is submitting for the consideration of Congress proposals for the control of American commercial banking, the like of which has never even been contemplated in Socialist Britain."

In view of the complexity of the proposed measures and the new problems which their adoption would create, one is entitled to ask why the Board does not use the simple remedies at hand before involving the banking system in a mass of new controls of doubtful merit. I submit that the great need of the moment is not more powers but more understanding.

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social maladies which, if unchecked, could in time reduce this nation to a second-rate economic power, weaken its political influence for world peace, and add a final and dismal chapter to the most glorious period of social progress and advancement in the standard of living that any nation has ever known. Make no mistake about it, this is a period of decision for the United States. It is certain that if, as seems inevitable, we make available to other nations the techniques, machinery and resources on which our economic greatness rests, they will make full use of them; and if we continue to shackle our own production by persistent labor strife, to dry up the sources of capital for industry by confiscatory taxation and by needless regulation, to bog enterprise down with red tape and unworkable controls, and to mismanage our monetary structure so that we experience a series of booms and busts, we shall stand the risk of losing something more than the peace.

We live in a turbulent, dangerous and, in a sense, unfriendly world and it is idle to believe that we can protect our democratic way of life from both internal and external dangers unless we consecrate our every effort to the task of building the economic strength and health of this nation, its industry and its people. The road to strength lies not in easy panaceas such as more pay for less work, "spread the work" restrictions on the use of more efficient machinery, paralyzing strikes or the adoption of policies which prevent industry from expanding. Rather it lies in hard work, in high productivity and in policies which encourage saving and investment in new and improved productive capacity. We dare not be weak and there is no other road by which this nation can be made strong except through the full use of our material, human and technical resources.

A Program for Prosperity

Let me set out briefly the basic changes in our policies which are necessary if we are to have prosperity. Fortunately such a program is not impossible of realization. It can be, and I think it may soon turn out to be, politically acceptable to our people. It involves nothing spectacularly new. It requires no radical reforms. It needs for its success no vast and complex and expensive Government secretariat, bureau, board or department. Rather, this program represents only a return to devices which have worked in the past with spectacular success—a return to the environment which produced in this country the highest standard of living in the world and the most efficient industrial organization ever known. This plan involves nothing more than the revitalization of the basic incentives to economic expansion which are inherent in the American enterprise system. The plan which I submit for your consideration involves four simple steps.

Step 1. *Terminate the War Emergency*

When we entered World War II the Congress conveyed to the executive in the First and Second War Powers Acts broad authority over our personal and business lives, which, however necessary it may have been in wartime, is in peacetime inconsistent with our democratic institutions. These powers were required during the war emergency to enable the President to reorganize the executive agencies to meet the necessities of war, to provide the essential basis for the making and revision of contracts and to control trading with the enemy. Emergency powers with respect to transportation also had to be made ready for use in case they were necessary; the military needed to have power to take immediate possession of the real property of citizens and corporations if such action were necessary to defend the nation; and, finally, it was essential to grant priority, rationing and allocation powers to the Government in order to channel every possible resource to the sole job of producing war equipment. No one probably would question the appropriateness of the two War Powers Acts for the war emergency. But the war has been over for more than a year and, while I would not want to quarrel with anyone who insisted that this nation is in another type of emergency, it is clear that it is not a war emergency; and I submit to you that it is time for the President to give up those war powers. This action is essential because the special powers granted to the executive were for the purpose of controlling and restricting peacetime production of goods for civilian consumption, whereas what we need today is to free industry to produce, without limit or control, the peacetime goods which our people need. If our people want some of the controls which we used in war-time to be continued into the peace then Congress ought to authorize each one of them affirmatively after thorough consideration by the appropriate Congressional Committees. It is out of character with our democratic traditions for the government to blanket into our peacetime life all the broad grants of power which were hurriedly

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conveyed to the executive when the war emergency was real. Moreover, while Congress is at this business of eliminating powers granted for the duration of emergencies long past, it might as well declare an end to the banking emergency of 1933 which, ridiculously enough, has never been officially terminated.

Step 2. *Stop Labor Union Abuse of the Right to Strike.*

If we are to have full prosperity, we need to demobilize some of the embattled elements of organized labor which have been carrying on intermittent warfare against industrial management by periodically blockading key bottleneck points in our economic organization. Such actions is necessary because, without some limitation on the irresponsible groups in organized labor, we face the threat of industrial paralysis. We have reached a point where the turmoil and strife of the past year must be ended and labor organizations must be prevented from ignoring the public interest by repeatedly calling out their members at the key points in our production, transportation and distribution systems.

It will be said, of course, that anyone who proposes to change present labor legislation is unfriendly to American labor. But the enthusiasm of American laboring men and women for the status quo must have suffered of late. Many workers have lost more dollars in income during the strikes than they will regain in a long while. And, workers who want to work and need the income have been thrown out of employment because of wild-cat strikes in other industries. They have not gained anything and know it. Furthermore, a paralysis of industry by a few unions in possession of the bottlenecks in our industry will be nothing short of disastrous for millions of our workers.

The legislation we need should be to the advantage of the worker. It is to his as well as the nation's interest that those who wield such power over our economic lives shall have been popularly elected by their union members. It is just common sense that unions should be required to live up to their contracts. All of our workers need to be protected against the possibility of extortion by an unscrupulous minority acting under cover of the broad grants of power which Congress has made to unions in the past few years. The whole country needs to be sure that trumped-up meetings, unrepresentative union committees and fake elections will not be used to force a strike by a union, the majority of whose members do not want to leave their jobs. Legislation to bring about these reforms would be neither anti-union nor anti-labor but it would smooth the way to less labor strife. Finally, we cannot afford to permit misguided labor leadership to feather-bed our industry to a point where it will be unable to use for the nation's advancement the technological improvements which science has made available. The luxury of inefficiency may well be disastrous in a world such as that in which we live.

Step 3. *Free the Security Markets to Supply New Funds for Business Expansion.*

In the past few months we have experienced an acute case of indigestion in our security markets following the offering of a relatively small volume of new issues. Some individuals may view a decline in the stock market as nothing more than just redistribution for speculators, but such is a narrow and shallow view, for new capital must be had by industry if it is to expand production, provide jobs for our workers and raise the standard of living. The bulk of such new capital must come from the security markets and when they are unable readily to absorb a volume of new issues only a fraction of that necessary for full prosperity, something clearly is wrong. We need, it seems to me, to revise the SEC restrictions on new security issues and on the securities markets so that new capital can be supplied where it is needed. The SEC seems to sense that this is the case for it has asked for suggestions as to what changes should be made. That is a wise step for it is urgently necessary that the needed changes be made promptly so that industry can obtain the new funds required to translate into reality the vast potentials for prosperity which now exist. Finally it is imperative that Federal Reserve margin regulations be relaxed. It is anomalous that at a time when credit is made available on spectacularly generous terms for the purchase of homes, not a dollar of credit is permitted to those who wish to become part owners of the mortar, bricks and machinery our major industrial concerns need if they are to expand production. Borrowing on securities is not always for speculative purposes and I am persuaded that there is hardly a more productive use for credit in the broader sense than by investors who wish to buy the new securities of corporations whose expansion is necessary if we are to have full employment.

Step 4. *Balance the Budget at a Low Level of Expenditures.*

We need to curtail expenditures so that we can reduce the tax burden on productive initiative and, in turn, develop the surpluses which will enable us to reduce our presently bloated national debt. A balanced budget has become essential because the soundness of our money depends on the Government's fiscal probity, because it is one of the best safeguards against inflation and because we need to accumulate reserves of borrowing power for use if we experience another serious economic emergency.

Lower taxes on individuals and corporations are now required because present rates represent a towering obstacle to the accumulation of venture funds by individuals and to their use by industry in providing more people with well-paying jobs producing the goods we need.

Let no one tell you that a lower level of Federal expenditures is impossible for many experienced tax experts have suggested budgets, capable of adequately supporting essential government services, of from one-third to one-half the so-called minimum budgets advocated by many government officials. Unnecessary Government operations should be promptly eliminated and it is time to put a stop to those loan, relief, subsidy and public works disbursements which are justifiable only in time of deep depression. With a debt of over a quarter of a trillion dollars it is time for a return to fiscal conservatism.

* * *

This program, let me repeat, is not spectacular, complex or difficult to understand. It is in essence a recommendation that our Government stop doing the things which have prevented us from having prosperity and start following the policies which economic history teaches us are sure to produce that desirable condition.

The Outlook

Will we be able to eliminate these blocks to prosperity or shall we accept the view held by some that we shall never achieve full reconversion, decontrol of war-time restrictions and demobilization of the disruptive elements in labor-management relations? My feeling is that we are justified in assuming that the present phase of frustration will in time pass. I am convinced that the great majority of the American people believe in and want to perpetuate the private enterprise system; that they are guided by a sense of fair play which will enable us in time to arrive at a basis for solving our labor problems without long strikes which are costly alike to labor and business; that they recognize that industry must have prices sufficient to permit profitable operation; that they are conscious and proud of the fact that American business and labor produced the goods which enabled us to win two World Wars and to lift the American standard of living to a point where it is the envy of the whole world, and that the instinct toward productiveness is so great in this country that our people will not for long tolerate policies which keep the nation's economic organization in low gear and hold back its economic progress. I believe, furthermore, that the peole of this country are not economically illiterate and that we shall before long see legislative evidence of that fact.

This is the basis for my assumption that in time we shall complete the process of reconversion and be ready for a period of high production and improved operating efficiency. We may have a long and rocky road to travel before we arrive at that state of affairs, but I am prepared to believe that we shall get there eventually. While the immediate outlook for production, prices and employment must remain obscure until the process of reconversion has been completed, the outlook for the post-reconversion period seems to me to offer somewhat clearer guides for policy.

Dominant Characteristics of the Post-Reconversion Period

If, as I am prepared to assume, "Operation-Prosperity" turns out ultimately to be a success, what will be the dominant characteristics of the post-reconversion period?

1. *A High Level of Production.*

That we shall, when reconversion has been completed, witness a period of high-level business activity as compared with the 30s is strongly suggested by the fact that American business has several vast new markets to develop. These markets are the outgrowth of a combination of circumstances largely associated with the war—the deferred demands of consumers everywhere which assumulated during the war period; the fact of accelerated family formation, which provides a solid and substantial market for housing and furnishings and community facilities; and the needs of great sections of the world not only for relief and rehabilitation but what is more important, to rebuild, to improve, to extend and to modernize their productive facilities. Another circumstance of massive significance to the markets of the future is the fact that millions of our people who were completely or partially unemployed during the depressed 30s, were raised abruptly to the middle income class during the war years. These people now have a considerable stake in cash deposits and War Bonds, in addition to the prospect of continued employment at least during the next few years; hence, they are in a position to transform their wants into effective demand in the markets of the country. Such demands are not likely to become effective until the cost-price readjustments of the reconversion period have been completed, but they are large enough to justify an optimistic appraisal of the post-reconversion business outlook.

No less important than these new markets is the fact that we are in the midst of a dynamic revolution in industrial technology. As a result of the war, many technical advances were precipitated that might otherwise have taken years to emerge from our scientific laboratories. And far from being just isolated developments in the broad scope of productive enterprises, these discoveries should find wide application in American industry during the years ahead. New methods, materials and machines capable of creating entirely new industries and of revolutionizing costs and standards of quality in others are awaiting development and this in turn should mean that the period of high-level business activity which appears in prospect could well be a prolonged rather than a temporary one.

Another factor which suggests that the stage is being set for a period of high-level activity in the post-reconversion period is that many of the influences which caused business to remain depressed in the decade of the 30s seem likely to be less effective in the future. Then our Government had a severely anti-business complex, we were in a period of rapid economic, social and political reform, which drove capital into the storm cellar, we were plagued with under-investment and over-saving, which is highly deflationary in its effects on business, and the clouds of war were gathering. Today the outlook is far from clear but many of the militant reformers *have* been cast out of our Government, the term radical is coming into disrepute, the urge for reform is on the wane, and new investment in capital equipment, community facilities and housing promises to expand vigorously, which should in time remove the threat of "over-saving." And while the international picture leaves much to be desired, in many respects it is not so ominous as it was in the prewar period.

We are thus justified in expecting the level of production on the average in the post-reconversion period to be materially higher than it was in the dismal 30s.

2. *Intense Competition.*

The post-reconversion period probably will be marked by intensely keen competition. In the course of time, we are sure to move out of the condition of scarcity which has prevailed during recent years in many lines of goods, out of the lush period of indiscriminate buying almost irrespective of quality or price, to a condition of easier supply and multiple choices among qualities and prices of goods and services—in short, from a sellers' to a buyers' market.

Reinforcing the normal tendencies in this direction will be the many and highly significant technical developments which have come out of the war period. New industries mean new competition for the consumer's dollar. New techniques, materials and methods mean new low costs for those who take advantage of them and new price competition for those who do not do so. Presaging a period of sharp competition from still another direction is the tendency apparent in many instances for business concerns to widen their fields of endeavor by entering lines of production, merchandising or service heretofore outside their spheres of activities, which means that they are or will be new competitors of the old-line companies. In some fields of industry, the war period brought an expansion of facilities to a point much beyond anticipated peace-time needs and doubtless present ambitious plans call for more expansion in some lines than later demands will actually support. Moreover, it has been a fairly common experience of American business, even where excess capacity does not exist, to find that the break-even point has risen materially above what it was a few years ago. And finally, foreign competition can assuredly be expected to reassert itself in time. On the whole, it appears that the post-reconversion period will be marked by rugged competition, relatively low profit margins and a high rate of business mortality, in which event business risk may be a much more significant factor than it was during the period of easy war-time profits.

3. *A High Degree of Instability.*

While a period of high level activity appears in prospect it is probable that a considerable degree of instability will be characteristic of our post-reconversion economy. Some of the markets to which reference has been made are more or less temporary. For example, the backlog of deferred consumption demands resulting from the war and those segments of foreign demand representing relief and rehabilitation needs will in time decline in importance, with first one industry and then another being affected. For a period, we undoubtedly face very heavy capital expenditures by business concerns, individuals and state and local governments, but these expenditures are likely to vary considerably from year to year. The problem of correcting internal maladjustments in the wage, price and cost structures and of obtaining better relationship between them is neither likely to be solved quickly nor without obstructions to production which at times may assume serious proportions.

Furthermore, it is to be expected that the Government itself will at times contribute to instability in our economy. Although the concept of "compensatory fiscal policies" by the Government is designed theoretically to offset irregularities in privately sponsored business activity, we know that in practice political as well as economic considerations will frequently be the determining influence in Government expenditures. Tax policies also are likely to have a disturbing effect. They are a cumbersome control device, for the effects of a tax reduction or a tax increase on the budget and on business are likely to be considerably delayed beyond the need for such action. In the field of debt management and monetary controls, the Government's often enunciated objective of keeping interest rates low is apt to find itself frequently in conflict with the problem of curbing speculative fervor and preventing inflation. Government policy is likely to be determined by first one consideration and then the other with consequent aberrations in policy. Government is, I am afraid, likely to remain a factor making for instability rather than stability, and with the level of expenditures as high as it promises to be, fluctuations in expenditures and shifts from deficits to surpluses and vice versa tend to have a magnified effect on the economy as a whole.

Other factors, such as changes in inventory policy by business, waves of speculative elation and pessimism, and rapid and wide changes in the climate of international affairs are likely to add to the instability which probably will mark the post-reconversion years.

4. *A High Level of Prices.*

Inflation is already present in our markets and in a broad, over-all sense, the upward pressures on the general price level* are still so powerful that, whatever may happen in the reconversion

*No index of the general level of prices is available but the concept is important, for inflation can express itself in the price of any one or all of the following: Commodities, wages, real property or securities.

phase, the level is likely in the post-reconversion years to remain substantially above that of the prewar period. We have in organized labor a powerful agency for raising wages in first one area and then in others. Here the spiral works to perfection, for each successive increase in the wage structure means a rise in costs and provides the basis for further labor demands. And the monetary structure puts no limit on the process; in fact, the policy of compensatory spending by the Government is inflationary in its longer - range implications for while under actual practice we get heavy deficits in emergency periods there is little or nothing in the way of surpluses in good times.

There are, however, some areas within the price structure where prospective demand-supply relationships suggest that at least temporary downward readjustments may occur in the course of time.

While the areas of uncertainty and the possibilities of misjudgment are great, the following broad tendencies appear probable:

1. Agricultural prices are due for a decline when demands for our domestic products fall off, as they must when the rehabilitation abroad transforms foreigners from consumers of our production to competitors with us in the world markets. Also, advances in farm technology should reduce farm costs gradually in the affected commodities. But, for a considerable period ahead, agricultural prices seem likely to remain on higher levels than they were prewar for the reason that Government supports are likely to remain.

2. Prices of labor seem destined to move upward under the impetus of pressure from organized labor, with only minor and infrequent setbacks during business recessions when labor reclassification and increased efficiency are likely to reduce actual labor costs even though labor rates remain unchanged.

3. Prices of non-agricultural raw materials may well trend irregularly upward because of increased labor costs, or reduction in the richest or most convenient sources of supply and probable increases in transportation costs.

4. Prices of finished goods should — when OPA restrictions are lifted—rise to compensate for increasing labor and raw material costs; thereafter what happens will depend on the outcome of the race between organized labor to raise wage costs and the scientists of industry to increase efficiency.

5. In the case of real property, prices of urban housing, especially of older houses, are likely to decline from present inflated levels when building activity increases and current shortages become less acute, but with the level higher than it was in the 30s. Great variations are likely to be evident, however, from one area to another and in different types of properties.

Under these conditions, it would be surprising if we failed to have quite wide fluctuations in the broader price indexes as well as in the prices of individual commodities, but, to repeat, the level is likely, on the average, to remain substantially above that of the prewar years.

5. *A Rising Trend of Interest Rates*

The post-reconversion period is likely to be marked by a shift from a buyers' market for credit, which has now lasted almost 12 years, to a sellers' market for long as well as short-term accommodation. With production and prices as high as they promise to be, savings are likely to be reduced and the demand for bank loans, mortgage money and new funds from municipal and corporate securities is likely to be substantial. Furthermore, the ever-present threat of inflation will probably forces the monetary and banking authorities in the end to restrict the amount of reserve credit available to the banks. Under such conditions the trend of interest rates is likely to be upward with credit terms less liberal than they were when the demand for credit was light and the Federal Reserve was flooding the banks with unlendable funds.

Conclusions Regarding Business Policy

If this picture of the post-reconversion period turns out to be correct, what does it imply as to business policy? The following are submitted as appropriate to the conditions I have outlined:

1. Production schedules should be geared to very careful thorough and skeptical analyses of postwar markets. While in general postwar volumes will be considerably above those of the 30s, the variation between industries will be quite large and some of the highly optimistic forecasts seem to me to be hardly justified by the conditions we may have to face. My point here is simply that it will be well for us to re-examine the basic estimates to which our production programs are geared.

2. Inventory policies should be reasonably conservative. Price fluctuations in commodities are likely to be quite erratic and my impression is that it will be far better for inventory policy to be closely geared to the conditions in individual commodities rather than to the assumption of general inflation. Most of us learned the hard way in the early post-World War I years that it is dangerous to expand inventories unduly in periods of inflation because we gain less when prices are rising than we lose when prices collapse. The times suggest that it will be better for business in general to stay in the business of producing and selling goods as efficiently and as aggressively as possible and to avoid going into the business of inventory speculation which generally has proved to be costly.

3. Financial policies should be conservative and closely adjusted to the sort of long range financial budgeting which many concerns have found indispensable. We face probably a significant change in the supply and demand relationships for credit. It is good advice all of the time, but particularly for the period ahead, that financial policies be conservative.

4. The prime objective should be the achievement of a low cost position with respect to one's competitors. In a period of broad technological progress it is incumbent on all of us to see that we achieve the highest standards of efficiency and the lowest possible cost of production and distribution. The low cost concerns should be the ones which profit handsomely in the good years ahead and survive the depressions.

Turn Right!

(Continued from page 2212)

followed his native custom and turned left,—"as they do throughout the entire Continent," he proclaimed.

Then he caught something in my eye which made him thoughtful.

"Possibly," he added, "that's what's the matter with Europe: turning too long to the left!"

America Instinctively Turns to Right

Whether he was correct or not is immaterial to our present discussion. The point is that we in America, ever since the Boston Tea Party, have instinctively turned to the right. We properly identify the word with the individual's right to live his own life and pursue his own ends, suffering meanwhile the least possible interference from the State and a minimum mulcting by way of taxes. That's been the American method from the outset, and it never was confined to any one section of the country. By way of illustration:

When Grandpa Junius Hillyer of Walton County, Georgia, was about to succeed Howell Cobb in Congress—that was back in 1851—he overheard a street-corner remark at Athens, the principal town of his district. A husby fellow in homespun, manifestly a non - slave - owning farmer, was boasting to a knot of listeners:

"I'm as inner-pennant a man—"

He paused, looked 'round for a subject, caught sight of Grandpa, at that time a judge and a large plantation owner.

"I'm as inner-pennant a man as Jonas Hilary or any other inner-pennant man!"

That declaration crystallized Grandpa's public career. Thenceforward he championed the independent men of Georgia, who owned no slaves but earned their bread and kept their self respect —a group hitherto without adequate representation at the national capital. In so doing, Grandpa turned to the right, for the independent man, who thinks and speaks as he pleases, and who acts as he pleases so long as he does not harm his fellows, is not the offspring of a leftish economy. He is distinctly an American product. We'll come back to him presently, because he has an instant lesson for all who sell or who plan and manage sales.

We Are Turning to the Right

If, on the eve of an election, I may seem to talk politics, that is because politics and economics are unsevered Siamese twins. When I tell you that there are plain signs of this country's turning to the right and ask you to trace with me the implications of such a trend, rest assured that we are not going to touch upon partisanship or political parties.

First of all, we'll sound brief requiems over the fallacies of yesteryear. Lustiest of these while it lasted was the notion that "excess purchasing power" was something to be "sopped up" or "siphoned off" by excessive taxation. You don't hear much of this theory nowadays. The more they siphoned and sopped, the bigger the inflation — $23,000,000,000 of surplus currency and still mounting—for the money was poured right back into circulation in the form of equally excessive Government expenses.

This "purchasing power" fallacy, was shared by many bankers and industrialists and was itself the offshoot of a still widespread error which mistakes the effects of inflation for its cause. Inflation is the act of printing too much money, not the results which flow from that money being in circulation. You can't stop the bullet after the gun is fired.

Interwoven with these two misconceptions is the whole theory of price control,—a fascinating sophistry so deeply planted that not until nearly a year after V-J Day, with the country overwhelmed by well-contrived scarcity, was any effective voice raised against it. Now it is unquestionably on its way out. Price control, except as to rents, is being sped into limbo.

Time will not permit enumeration of related fatuities. To mention only a few: That prosperity can be achieved by Federal spending; that inflation and its effects can be sidestepped without balancing the budget; that capital can be created in the printing office or on loose-leaf ledger pages; that big business is *per se* vicious while big labor and big government are uniformly benign; that wages can be raised without increasing prices; that the business man or farmer is at the mercy of the banks and that all he needs is a good, government-guaranteed, 5% loan.

These and many other once flourishing theorems are having their husks pulled off and their unsound insides exposed, not by cogent reasoning but by the disastrous impact of experience. The damage thus far wrought is terrific. Exclusive of war expenses, the cost to our citizens of experimenting with these absurdities has been not less than 100 billion dollars; and to complete their demolition will require many billions more.

Clearing Up a Gigantic Mess

The clearing up of so gigantic a mess will be a tougher problem than most people realize, because more than $65 billion of Governmen obligations, including Federal Reserve notes and U. S. Savings Bonds, are payable on demand. As much more fall due in a few weeks or months. Present Treasury policies contemplate increasing rather than diminishing the Government's quick liabilities. The avowed intent is to keep down fixed charges by borrowing on short time at low interest instead of funding for say 20 years at 2½%; yet Mr. Snyder is about to whoop up the sale of E bonds, which bear nearly 3% interest and are redeemable on demand. Though currently people are cashing about as many E bonds as they are buying, the Secretary is endeavoring to reduce interest while promoting the sale of his highest interest rate bonds.

As a further indication of the unrealism prevailing in official quarters, much is made of the so-called reduction since last February of $12,000,000,000 in the outstanding Federal interest-bearing debt, — purely a bookkeeping transaction, consummated through a corresponding withdrawal of the Government's bank balances. After the $5,000,000,000 remainder of such balances in excess of current working funds has been drawn down and applied on the national debt, together with an equal sum from Federal trust funds. the real test will come respecting actual reduction. The outcome will depend upon how far the Government's expenditures can be pared below its income. Here we encounter contradictions on the highest official levels. The Secretary of the Treasury assures us that he'll wind up the fiscal year with a surplus and the President predicts a deficit.

Nevertheless, the mere fact that budget-balancing is seriously proposed and that the national debt is going down even on paper, betokens a right turn in every sense of the word. It is my opinion that this liquidating tendency will gather momentum until the public debt is stabilized around $200 billion. Any attempt to drive it much below that figure, under foreseeable conditions, might involve a perilous course between the cliffs of oversteep taxation and the downward gyre of a deflationary whirlpool.

Effect on Selling and Sales Campaigns

What does this background mean in terms of selling and sales campaigns? To begin with let us remember that any debt-expanded regime or nation must sooner or later turn to the right in order to avoid ruin and that such a turn inevitably means contraction. Therefore we cannot expect a continuance of boom times. The current downslide on the New York Stock Exchange prefigures the impending shift from a seller's market to a buyer's market in all sections of our economy. Interest rates may prove a temporary exception due to shrinkage of loanable funds. While the contraction will at no time assume "tight money" proportions, persons and corporations will find it increasingly necessary to borrow. Despite flamboyant statistics, real wages—the effective sums which the average working family has to spend—are down $5 a week since 1943 and are almost to pre-war levels. Already the finance companies and the various loan departments of banks report a sharp rise in volume. Consumer durable goods now held back for want of some trifling part or by reason of labor disputes will be released in quantity next year and will be bought largely on the installment plan as soon as credit controls are lifted. These and other commodities will encounter at least a normal amount of buyer's resistance. Competition will reappear and price adjustments will be necessary. The accent in the business credo will revert to the great word, "sales."

You, gentlemen, to whom that word is a world in itself, must presently revive all that was best in prewar salesmanship and add thereto something uniquely consonant with the atmosphere of tomorrow. Our "independent man" of mid-19th-century Georgia may lend us a clue.

The individual—he who thinks and decides for himself rather than as one of a group—is reassuming his sway. Mass opinion, shaped by shibboleths, will lose much of its potency in 1947 and subsequent years. Sales effort directed to the independent cogitator will prove most effective—except, perhaps, on the purely hypnotic levels of five-and-dime consumer goods. Men who sell will do a wise thing for themselves and their country if they henceforward spread the gospel of the one-man brain. Encourage your customers to think clearly for themselves and, if your product is right, no power can take them away from you.

A hillbilly friend from Guyandotte, West Virginia, tells a true story that may comfort us somewhat in these uncertain times. Ed Simpson had come to town looking for somebody to repair the roof of his sawmill. He had made no progress, because what he wanted patched was the steep side that hung over the river and everybody knew that the shingles on that half were moss-covered and very slippery. At last he encountered old man Eli Ledbetter, a run-down bookkeeper who did odd jobs to pick up money for his toddies—two or three of which Eli was carrying on this occasion. Thus emboldened, he undertook the task without hesitation, thinking only of the perfectly safe roadside-fronting roof.

Quite a crowd gathered at the mill to watch Eli fulfill his foolhardy contract. Armed with the usual shingling implement and, having climbed the near side of the roof without trouble, he stood teetering on the ridgepole, surveying with surprise the dangerous prospect before him. He started to assume a sitting posture but he slipped and down he slid on his bottom, announcing in a loud voice:

"Goin' to hell, I reckon!"

With this downward journey more than half finished, the hook-end of the shingling tool accidentally caught in a hole in the roof and swung him around three times. When he came to a halt he nodded to the crowd and clamly proclaimed:

"Saved by a miracle, by God!"

Maybe that's what will happen to us here in the United States. We are unquestionably on our way to hell, but we can be saved by a miracle—the miracle of free individuals thinking and acting independently.

Margin Trading Prohibition and Disorderly Markets

(Continued from page 2204)

Exchanges. Securities markets are supposed to be the barometer of business. They should merely reflect conditions in the economic world. We have witnessed the spectacle of many quoted values decreasing by more than one-half in the course of a few weeks. This makes it necessary to determine whether the fault lies in the markets themselves, or in regulations which prevent the markets from being merely the mirror of business conditions, and which may even transform them into a cause of business recession or depression. Grave losses have been sustained. Business sentiment today is uncertain and timid. New projects which will give more employment to our people and more goods for their enjoyment are being postponed or abandoned. It is with respect to this inability of our markets to absorb liquidation in an orderly fashion that I wish to speak.

Credit has been banished from the securities markets. Never before has it been concluded that credit must be prohibited from activating the expansion of our national economy. Yet, in effect, this has been the edict of the Federal Reserve Board. In January, 1946, it decreed that listed securities could not be purchased by pledging other listed securities as collateral, nor by the deposit in cash of a reasonable percentage of the value of the listed security to be purchased. So-called margin trading, in other words, was eliminated. It is my contention that this prohibition of the use of credit for the purchase of listed securities has been the primary cause of the disorderliness of the decline in our markets. We had been told that disorderly markets were no longer possible, once they had been placed on a cash basis. Now that disorderliness has ensued in its most refined form, its effects on our recovery efforts are dismissed by the Chairman of the Federal Reserve Board with the observation that conditions have been "bettered" through the elimination of speculative factors in our economy. He professes to gain "encouragement" from the large declines in values. He states that "because of their prudent credit policy, forced selling has been practically non-existent." Whether the selling has been forced or voluntary, I confess myself unable to gain much "encouragement" from it.

Discrimination Against Listed Securities

Strangely enough, it is true that loans may be made freely and for any purpose by banks, though not by brokers, on securities which are not listed on any organized Exchange. Unlisted stocks may be employed as collateral for the purchase of other unlisted securities, but may not be so employed to purchase listed securities. And, as though for the express purpose of emphasizing the inequity, loans on listed securities are permitted for the purpose of purchasing unlisted securities. Such provisions represent a gross discrimination as between listed and unlisted securities.

The securities which are listed for trading on our Exchanges represent ownership in those companies which are vital to the welfare and prosperity of our country. The continued growth and expansion of these corporations not only add progressively to our national welfare, but provide increasing employment for our people. To stifle their ability to obtain new capital by prohibiting the use of their securities as a basis for credit, is to erect a barrier in the path of those units within our industrial system which have been the leaders in ability and efficiency. We cannot dismiss such a condition as being merely an anomaly in connection with the handiwork of our national planners, which the plebeian minds of our business men cannot fathom. We must recognize it as a tourniquet which is paralyzing the right arm of American industry, and fraught with grave danger to our nation as a whole.

Reconversion Requires Additional Corporate Capital

All competent students knew that the reconversion period would involve extensive financial programs; that corporations would require additional capital to make up war deficiencies, enlarge their businesses, and introduce the new products and processes which have recently been developed. Many corporations sought new capital from their own stockholders. Many others went to the public capital markets with new issues of stocks and bonds. All of this is normal and desirable. It represents the resumption of that expansion within the United States, which, with the single exception of the decade of the 1930s, has characterized our entire history.

The American Telephone & Telegraph Company is one of our premier institutions. With its natural expansion deferred by war, American Telephone now needs to raise huge sums of new capital. As usual, it turned to its own stockholders. For years they have not only furnished such capital, but have benefited both themselves and our country by so doing. No longer, however, may owners of American Telephone borrow against their existing holdings of stock to obtain part of the funds for purchasing the new securities of this same company. And why? Not because this company, by rendering the best telephone service in the world, has shown an inability to earn and pay suitable dividends. Not because the company has failed to utilize productively the vast amounts of capital which, in the past, have been obtained from its own stockholders. It is because of government restrictions on the use as collateral of shares now owned by stockholders. As a result, many of the 684,000 stockholders of American Telephone cannot obtain the ready cash to purchase the additional securities which the company intends to offer. The price of American Telephone fell abruptly by about 25 points, representing a loss in market valuation of some 500 million dollars to the owners of this company alone. In the past the right to purchase additional American Telephone securities has been a valuable perquisite to the owners of the company. Under prevailing conditions the rights deriving from the proposed new financing plan have had a diametrically opposite effect. And all because of a single restriction on the use of credit by the Federal Reserve Board, even when such credit would have been employed in the most conservative and constructive fashion.

Congestion in New Security Issues

There has been congestion in the market for new security issues. This congestion has been one of the major reasons for the decline in security values. It stemmed largely from the veto by the Federal Reserve Board of the use of existing listed stocks as collateral for obtaining funds to absorb new securities. Strictly cash resources became impaired and, since credit was not available, the minor uneasiness which had previously prevailed in the stock market resulted not in correction but in collapse. This is the fine, ripe fruit of credit control as applied to the securities market.

Aside from the prohibitions against the extension of credit on security collateral, the Federal Reserve regulations present one outstanding curiosity. Accounts having debit balances, built up in strict accord with the prior requirements of the Board, are frozen. The owners thereof have been deprived of their freedom of action, and the exercise of their investment judgment. A security held in such an account may not be sold for the purpose of replacing it with a more desirable issue. This is true not only when no additional credit need be extended. It is true even when the transaction would result in a decrease of the amount of credit already involved. Not until the owner of the account has completely extinguished his previously created indebtedness, may he purchase another security save for cash. He has been told either to hold what he has or sell out. The flexibility of his investment program has been destroyed. The unwillingness of investors to sell under such conditions drove the market progressively higher, and rendered it more vulnerable. No possible justification for such a provision can be offered, and it should be repealed immediately.

Progress Due to Credit

No great exaggeration would be involved in stating that the United States has been built on credit. Many of our early settlers were indentured servants who had to work out their passage money. To a substantial extent our railroads were built by credit from abroad. Farm ownership, home ownership, the purchase of automobiles, and the acquisition of household equipment have been vastly extended by making credit available to prospective purchasers. Government agencies have been established to supply credit for purchasing farms and homes, because of the social importance of broadening as far as possible the base of farm and home ownership. Comparatively few people possess the financial skill and the self-discipline to accumulate sufficient savings to purchase for cash expensive items such as homes, farms and automobiles. Yet the possession of these desirable durable and semi-durable goods increases the stability and efficiency of their owners and thus contributes directly to the prosperity of our country. Had not credit been available to people of honesty and energy, the standards of living in the United States would have been much lower and wealth would have been concentrated in fewer hands. Yet this credit device, which is useful in so many directions has, by the action of the Federal Reserve Board, been eliminated in the purchase of investment securities. Such action effectively prevents the small investor from making maximum financial progress. If he waits to accumulate the cash necessary for the purchase of securities, other demands frequently arise and the securities are never purchased. The stimulus of systematic saving and investment has been gravely impaired. Of equal importance to the welfare of our nation is the fact, already recited, that corporations with the most promising prospects can no longer obtain the capital which is essential to the maintenance of a vigorous economy. Thus, the restrictions imposed by the Federal Reserve Board on the use of collateral for obtaining funds for investment in listed securities may not only give the country a stock market panic but an industrial depression as well. A reasonable conclusion to be drawn from the spectacle we have recently witnessed is that government interference with the flow of capital is bound to be inept at best and disastrous at worst. The judgment of our bankers and the members of the Exchanges, combined with the good sense of investors, may be relied upon to do a better job in this connection than can be expected from government officials. When it is retorted that brokers' loans were a disturbing element leading to 1929 and its disastrous aftermath, the reply may be made that this was a unique phenomenon in the history of our country. There is no sound reason for anticipating its recurrence. To prohibit the use of credit in connection with listed securities because of 1929, is about as sensible as would be a regulation prohibiting tulip culture in the Netherlands because there was a tulip craze in 1720.

We all recognize that while credit produces beneficial effects when properly employed, it is also susceptible to abuse. But those who are interested in the development of our country and in the welfare of our population must be seriously concerned when a valuable asset, such as credit, is thrown aside because a few people have acted in foolish fashion in connection with it. We must not forget that credit, when properly used, creates capital, and that the amount of capital in any country, together with its productive application, determines the standard of living.

The action of the Federal Reserve Board in putting the stock market on a cash basis has been a disastrous failure. Losses to millions of stockholders have already been huge. A poor market exists whether one wishes to buy or sell. Many who wish to save and invest have been discouraged, and many who wish to obtain new capital funds can no longer go forward with their plans for expansion. Lower production, lower living standards, and possibly lower employment cannot fail to follow any break in the stream of savings and investment. It is time to re-examine these credit regulations and restrictions which have contributed so directly to the recent collapse of the market. This re-examination should be undertaken not in a spirit of recrimination, and certainly not as a witch hunt, but in order to promote the welfare of our country and to remove all obstacles which impede its welfare and prosperity.

In an address before the Chicago Association of Stock Exchange Firms in Chicago, on Oct. 24, Mr. Cabell urged a united securities industry to aid in the cause of free enterprise. In this address, Mr. Cabell stated:

This system of free enterprise and equal opportunity—this way of life which has enabled us as a nation to reach unparalleled heights amongst all the nations of the world — has long been and continues to be under subtle, insidious and malevolent attack. To you, I do not need to amplify this charge. You know that it is true. But what are we in the securities industry doing about it? Are we sounding the bells of alarm in the ears of those to whom we owe our responsibility? Are we calling, not only on securities holders, but on those millions who own homes, farms, insurance policies, and savings accounts, to rise up for the protection of those things for which they have toiled and practiced self-denial? Are we doing all which lies within our power to point out the inevitable fate which awaits them unless the unceasing assaults of our Communistic elements are restrained? Are we doing our full share in upholding the arms of those of our representatives in Congress who challenge these elements? We are not. And why not? Is it because we have been for years the whipping boys for so-called liberal politicians? Rabble rousers still seek applause from the unthinking, by inveighing against Wall Street and La Salle Street. The old Wall Street and La Salle Street are gone. They are today the channels through which the investment contributions of every city, town and hamlet, make themselves felt in constructive endeavor.

Directive Guides of Nation's Wealth

We are the directive guides of the wealth of America. As such, we recognize the propriety of governmental regulation. We have reason to hope that the rules and directives which emanate from our regulatory bodies may become more and more of a constructive, rather than a destructive quantity. More importantly, however, we have imposed upon ourselves an increasingly high standard of fair dealing and business conduct, which is not exceeded by the requirements of any other business or profession. Of what, therefore, have we to be afraid? It is our privilege to uphold free enterprise in America—that system of life which has brought to our people the highest living standards of any nation, and which has made us the envy and the marvel of the world. We are the agents of those whose savings have made possible this state of well-being. We can do no less than fight strongly in their behalf. While we may fight under a handicap, there is no true man who does not welcome the thrill of a handicap, and the challenge to his capacity which it presents.

During the last few months the securities markets of our country have been saying that something is wrong. They have been saying that despite a national income of $160 billions, despite 57 million people gainfully employed, despite record bank deposits and currency circulation, despite the overwhelming demand for goods and services of all kinds, there is a screw loose somewhere. Many commentators have hastened to assert that the market does not know what it is talking about. The Chairman of our Federal Reserve Board is reported as having blandly asserted that the collapse in security values, "encourages hope that we may be able to squeeze out the speculative factors in the economy and correct the distortions that exist in some lines, and maintain production and employment at high levels." Mr. Eccles apparently belongs to that school of thought which feels that security values create economic conditions rather than reflect them.

Eccles' View Attacked

If Mr. Eccles is of the opinion that the decrease in the value of American securities represents a constructive factor in our rehabilitation, he is the first presumed representative of capitalism to voice such a thought. His views at least possess the virtue of originality. Rarely do we witness such a collapse in values without there being economic reasons, entirely apart from internal market conditions, which sooner or later come to light as being the basic, motivating cause for the occurrence. I do not pose as an economist, and I shall not attempt to delineate all of the reasons which have been cited as contributing to the collapse which we have witnessed. I would hazard the thought, however, that one of the primary causes of the decline may be summed up in the phrase, "loss of investor confidence." For months after the fall of Japan the market forged steadily ahead despite the trials of reconversion, labor disturbances, governmental ineptitude, and the myriad handicaps of every character imposed upon industry. The investors of our land were saying they possessed confidence that the nation which had girded itself so amazingly and so rapidly for total war, would perform a similar miracle in preparing for the fruits of peace. Almost a year passed. Doubts began to manifest themselves. There arose the specter of division and distrust between the victor nations, rather than that spirit of amity and good will which would assure a stable world. But darker still appeared the clouds overhanging our domestic scene. Industrial strife, instead of diminishing, grew more ominous. The restraining hand of bureaucratic red tape and interference grew heavier rather than lighter. Production lines became clogged and stifled. Our political leadership has appeared confused, bewildered, and without a guiding purpose. The voices of those who pay tribute to a collectivist rather than a democratic State have grown louder. Uncertainty has replaced confidence, and this uncertainty is beginning to reflect fear for the continuation of private enterprise.

Urges Collective Strength

Fortunately, there are still those in high places who have become aroused to our internal dangers—who are prepared to fight for their heritage and for ours. And these men are not restrained by political tags or by party emblems. They are the conservatives of both parties—conservatives in the finest sense of the word—for they would conserve our nation as our fathers founded it. But they need help. Their adversaries are active and vocal, while those who have most to lose sit by supinely if not complacently. We of the securities industry can help. We can summon to their aid the investors and property owners of this nation. Properly aroused, they have a collective strength which can restore our economy to a state of health.

I know that what I advocate is nothing new. You may well say it has been tried before without success—that investors cannot be organized or aroused. Well, if it has been tried before, we have not tried it. And it is we who possess the closest contact both with management and with stockholders. If we, the members of the Exchanges, the Investment Bankers Association, the National Association of Securities Dealers, as well as the American Bankers Association, will properly organize ourselves for the task, the original economic and political fundamentals of our country can be preserved. The Association of Stock Exchange Firms would welcome the opportunity of joining in such an endeavor. Though we do not seek the position of leadership, we would not shirk it, and most assuredly would we pledge our wholehearted and unswerving cooperation. Surely, we know that our cause is just. We ask only to perpetuate the spirit of our nation's Constitution and its Bill of Rights, and to prevent its overthrow by those to whom it is anathema.

(The "Chronicle" invites comments on the proposals advanced by Mr. Cabell or on any related phases of the subject. 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.)

The Battle of Industry

(Continued from page 2215)

children and security for old age. These are universal problems, and the average man thinks and acts in terms of their ramifications. Economic principles have evolved through man's long struggle for survival, his gradual mastery over material forces, and the slow realization of the inter-dependence of human beings. This inter-dependence has been obscured by the complexities of industrial growth. We have far too often overlooked the fact that the welfare of one group depends on the prosperity of all.

Capital and management lost sight of this principle in the period when they pursued the short-range policy of reaping the quickest monetary rewards for the smallest possible outlay. And their fingers have been well burned in the past 15 years by the occasional public opposition which this policy has earned for them.

A Rule-or-Ruin Policy

Organized labor lost sight of it, when union leaders embarked on a rule-or-ruin policy of forcing wage concessions which were not justified by production records and which have been reflected in the price of the goods workers must buy. And their arrogance will undoubtedly provoke a similar public reaction.

Politicians lost sight of it when they yielded to demands of pressure groups and ignored the best interests of large, unorganized segments of the tax-paying population.

We, as business men, are losing sight of this principle when we are satisfied to attend to our immediate jobs, giving no thought or effort to the basic project of telling the public what the free competitive system is, how it works, and why it is the only system of making a living which offers opportunity for both material progress and personal freedom.

If we are satisfied only to go on making and selling things, in the conviction that our duty ends there, we are more than likely to see the end of the free competitive system as we have known it. To be sure, we would probably be allowed to work, but only when, where and how an economic dictator permitted.

This may seem a gloomy and exaggerated view, but we are living in an era characterized by the continuous spreading of the power of the state and the stifling of individual freedom. If the United States is to assert a moral leadership in behalf of the fundamental rights of man, its own citizens must believe in the system which has made the nation great. And to do that, they must be told more about that system.

Without simple, factual information on such subjects as how the job-making machinery works and what determines prices, they have fallen easy victims to the opportunist school of pseudo-economists, who dress up attractive theories with magnificent disregard for facts and figures.

The fair-mindedness and native shrewdness of the average American are sufficient to guarantee an equitable hearing for the case of business if it is put to him reasonably and factually. We have no right to blame the "stupidity" of voters in supporting economic nonsense at the polls. We should rather blame ourselves for their lack of information. We have not made them understand that the welfare of industrial workers, farmers, investors, distributors—in fact, the welfare of all groups—is interdependent, and that gains by one group at the expense of others only mean dislocations that harm everyone in the end.

Courses of Failure in Public Relations

Likewise, we haven't made these voters understand that the validity of a policy can be judged only by its long-range—not by its immediate—effect. The "shot-in-the-arm" psychology produced by carefully timed deficit spending is a big help in keeping politicians in office, but the whole country suffers eventually from the resulting hangover. Why has business made such an outstanding failure of its public relations that a large proportion of people actually do not know how it functions?

First, American industry overestimated the information about its operations which the public possessed, and judging by some of its later efforts to present its case, it underestimated the public intelligence. The mistake was also made of underestimating the zeal, tenacity and propaganda skill of the government-run-everything school of thought which was quick to make the most of its opportunity. And make no mistake about it—these state-socialism devotees have the ear of a great many American people. And no matter how much they may protest their allegiance to democratic principles, they are advocating policies which can destroy the American system.

The creeping paralysis which results from promoting class and group dissensions can stifle individual initiative just as surely as can violent revolution. This may or may not be their deliberate intent, but it will be the inevitable result if they hold and increase their power over the thinking and voting of American citizens.

When the financial crash of 1929 and the following depression focused public attention on the shortcomings of many business practices, there was no organized effort to prevent the public from blaming the whole capitalistic system for the errors of individuals.

Even when the late war emergency gave industry a chance to again perform its miracles of production, the same curious blindness kept business leaders from fully informing the nation of their achievements. To be sure, the war years saw outstanding individual examples of effective institutional advertising. The end of hostilities, however, found business without an organized plan on a scale necessary to re-win public confidence and cooperation for the hard road ahead.

At long last, business and industrial leaders are awakening to the necessity for doing something to change public attitudes toward the free competitive system. But a curious defeatism persists. This is difficult to understand, in view of the record—and the techniques and skills available for publicizing it.

It is late, to be sure—very late. Much time has been wasted and misdirected and sporadic effort will not avail. But this may well be our last chance. Here we are, a little more than a year after a smashing military victory was achieved through American production and organization, submitting tamely to the same old pushing around by the same old bogus-economics crowd who are still deluding the public with the same old promises.

Since the end of the war, business has been tagged with the war-profiteer label, its shortcomings blazoned to the world and its achievements soft-pedalled or entirely denied. Business has been hampered by unwarranted strikes, victimized by inter-union quarrels in which it had no part, shackled by unworkable price regulations, blamed for continuing shortages of consumer goods and accused of an all-consuming greed for profits. In short, business has been blamed for all the dislocations and hardships resulting from abnormal conditions and from the unrealistic methods employed by government in its attempts to cope with them.

The Post-War Record of Business

Let's take a brief look at the high spots of the record business has made in this first postwar year, in the light of some of the dire prophecies made by Washington sages in their efforts to retain their wartime controls indefinitely.

According to these gentlemen, we are going to have from eight to ten million unemployed by the spring of 1946—remember? And only an enormous made-work program could avoid a collapse of purchasing power. Instead, we have a continuing labor shortage, and the most assiduous efforts of government statisticians haven't been able to locate more than about two and a half million unemployed, including veterans drawing allowances under the GI Bill of Rights, many of whom are not yet actively in the labor market.

Remember when ex-Secretary Wallace announced with much fanfare his goal of 60 million peacetime jobs, as a daring challenge to American business? We now have 58 million men and women in civilian employment—four million more than in the summer of 1945—with the armed forces accounting for the remaining two million. And all this without the benefit of the original Full Employment Bill, which its proponents once insisted was a "must" if calamity was to be averted in 1946.

Our free competitive system has proved that it *can* make the jobs. What is needed now is cooperation from other groups, the will to work more and produce more, with profits for all in the shape of more and better goods, services and opportunities.

In spite of the crippling labor stoppages and shortages of basic materials, industry has made an impressive production record in 1946. The figures to date leave no doubt that, with labor peace and a free flow of materials and machinery, 1947 will see the miracles of peak wartime production more than equalled in an unparalleled flow of civilian goods to the markets of the nations of the world.

In the brief period since the end of the war, American industry has amply demonstrated its vitality and resourcefulness. Problems of reconversion have been dealt with swiftly, with the minimum of dislocations and delays in the fields which industry could control. This demonstration of efficiency and adaptability must indeed have been disappointing to those who had declared the free competitive system an outmoded one, incapable of handling the employment and production problems of a brave, new postwar world.

Factors Retarding Progress

Industry has already done much to correct past mistakes and to plan realistically for the future, but there are many factors in the present situation which will continue to retard progress unless they are recognized and corrected through the force of an aroused and directed public opinion.

In spite of high employment, record national income, vast foreign and domestic markets eager for our farm and manufactured products, and all the other outward signs of prosperity, there is widespread uneasiness about the future. There is much pointing-with-alarm at similarities between conditions now and those which resulted in the sharp deflationary period of 1919-20, but little emphasis is placed on the differences which make the present outlook more hopeful, such as more balance between the wage-price structure and a sounder financial set-up less dependent on sharp fluctuations of money markets abroad.

To those men who think that economics cannot be made simple and still be sound, and indeed to everyone interested in promoting a clear understanding of business principles, I would like to quote a three-line definition which recently came to my attention:

"The art of economics consists in looking not merely at the immediate, but at the longer effects of any act or policy; it consists in tracing the consequences of that policy not merely for one group, but for all groups."

In the light of this definition, it is easy to attribute the present inflated price situation to bad guessing on the part of the so-called government economists who took the short-range view of immediate postwar problems.

Their forecast was for a sharp deflation immediately after V-J Day, and for a quick drop in national income. Therefore, it became the policy of government to support organized labor in demands for high hourly wage rates when weekly earnings were reduced by shorter working hours, and at the same time to keep a rigid ceiling on prices.

When industrial reconversion proceeded more rapidly than expected, unemployment did not develop, but the damage had been done. The policy designed to combat a deflationary situation which failed to materialize—when applied to conditions in which inflationary pressures existed—had the effect of forcing prices higher and saddling industry with an artificial wage structure unrelated to the productivity of labor.

A short-range guess instead of a long-range analysis has resulted in the unnecessary prolongation of shortages and black markets, and an increase in the uncertainty and confusion which are the worst enemies of an expanding economy.

Finally, we are going to be judged by what we do to make our system produce more abundantly for ourselves and the world, and this can be accomplished only through unity of purpose, and the education of Americans to a strong belief in themselves and in their system of life.

This is not the time for either pessimism or over-confidence on the part of business. We can drift, or we can face up to a hard job and bring all we have to its successful accomplishment. Industry has a battle ahead, and the real enemy is ignorance. When we have accepted the challenger and won this battle, the way will be clear for unlimited progress and creative world leadership for peace and plenty.

Wage Increase By NY Reserve Bank

An increase of 10%, retroactive to Oct. 1, to all employees and some junior officers of the Federal Reserve Bank of New York was disclosed during the week. The increase is the second during the current year—a 10% wage rise to all employees having occurred in January. In addition, over the period beginning early in 1941 to Jan. 1, of the current year, it was noted in the New York "Journal of Commerce" of Oct. 22, the Reserve Bank gave a total of 15% in supplemental compensation on the first $3,000 in wages to its employees. These supplemental rises were made a permanent part of wages early in 1946 as well. It is further noted that the average of these several advances amounts in the aggregate to approximately 37½%.

Cotton Spinning for Sept.

The Bureau of the Census announced on Oct. 21 that, according to preliminary figures, 23,876,286 cotton spindles were in place in the United States on Sept. 30, 1946, of which 21,638,738 were in operation the last working day of the month, compared with 21,463,133 in August, 1946, and 21,359,866 in September, 1945. The aggregate number of active cotton spindle hours reported for the month was 9,037,485,750, an average of 379 per spindle in place, compared with 9,448,813,582 an average of 396 per spindle in place for August, 1946, and 8,368,963,824, an average of 352 per spindle in place for September, 1945. Based on an activity of 80 hours per week, cotton spindles in the United States were operated during September at 114.4% capacity. The percent on the same activity basis was 112.4 for August, 1946, and 111.8 for September, 1945.

The Road to Abundance

(Continued from page 2212)

thing wrong in itself. The safe road of experience was abandoned for paper schemes. Some sort of planned economy, part socialized and part private enterprise, the latter rigidly controlled to bend to the will of the all-wise planners, is one substitute offered for the American system, a system which has produced the highest standard of living the world has ever known. We need to look critically on any plan which is unproved because no one can foresee all of the consequences of even a slight change. Major changes may have devastating results.

Let us begin by saying that our system is not perfect and it never will be. You will have an opportunity to improve it, and you will improve it as the years go by. But it does represent the temporary end point of thousands of years of experience. It has been changing rapidly during the last hundred years. These changes have been mostly evolutionary, as they should be. Changes for the better can go on indefinitely if we analyze accurately and act wisely. But we should not forget that the system can be changed to the point of complete ruination if we are sufficiently unwise.

There are around 2,000,000 separate business enterprises in the United States. Many of these are one man affairs, but that is America. This figure does not include millions of farmers who surely are running separate businesses. In a broader sense there are about 75,000,000 separate businesses here because each person with money to spend as he pleases runs a business of his own. These people determine what shall be made, and how much, and at what times, and who can remain in business, and what businesses shall grow and at what rate. Even a child soon learns, or did in my time, to buy at a store where he can get six jelly beans for a cent if other stores give five. He also must choose between five or six jelly beans and a stick of gum. Maybe he has a yen for a mouth organ and is willing to save until he has enough to buy one. Or maybe he likes the feel which the possession of money gives him and he puts some in a savings bank. In any case, he is part of our economy. When he is a little older, he spends or saves nickels and quarters and still later he deals in larger amounts. Regardless of the amounts, the principles are the same. The lesson here is that the customers determine the magnitude and variety and distribution of our business. Of course, it is considered fair game to try to influence the potential buyers, but I shall not dwell further on this.

Big Business Does Not Hamper Development

It is charged that advancement in America is held back because we have too many big business enterprises. Holding back reminds one of the way China attacked Japan. China hit Japan in the fist with her eye. How did our big business come about? Certainly it was not planned this way. Our business structure evolved under a set of laws and rules. No person nor any group of persons could have planned so complex a structure as we now have. Too much planning would have resulted only in limitations. In 1849 the investment in the average plant was $4,000 and there were eight workers per plant. In 1939—ninety years later—the average investment per plant was $270,000 and the number of workers was 35. Each worker earned 4½ times as much in 1939 as in 1849. There was practically no mechanical horsepower in 1849, but in 1939 each worker had at his disposal 6.4 horsepower.

How could such progress be planned? No one knew in 1849 about airplanes, radios, automobiles, central station electric current, telephones, the open hearth and Bessemer processes for making steel, a practical process for producing aluminum, thousands of the newer synthetic chemical compounds and a host of other things that comprise much of our business today.

The larger units have evolved because that is what it has taken to provide abundance. We liked our larger business enterprises when they helped to make America the Arsenal of Democracy. We couldn't have been the Arsenal of Democracy without our large mass-producing units, nor our mass-producing know-how. Neither could we have been the Arsenal of Democracy without small business. When big business prospers, small business does also. In depressions they both suffer. Large business is the best customer of many small enterprises. We couldn't be America without both large and small business. All large business was once small and many small businesses are striving to be large and some will succeed. This also is America.

A short time ago a certain company observed its twenty-fifth anniversary. In 1921 it was but an ambitious group of three persons. In 1945 it had sales of around $50,000,000—definitely big business. But there is no dividing line between so-called big and small business. Some experts on the subject who talk a lot about it say anything over $500,000 sales per year or $500,000 investment is big business. If so, then we couldn't have low price pig iron, one of our most basic commodities, without having big business. If a blast furnace these days has a capacity of much less than 1,000 tons of pig iron a day, it can't compete in cost. Even at prewar prices, this is over $6,000,000 a year. A large locomotive or a large turbine can't be built at all without massive and expensive equipment. Nor could we have hundreds of everyday items in the quantities they are consumed if we did not have mass production. It is ridiculous to assume that we could enjoy such things as railroads, telephones, automobiles, radios, refrigerators, electrical energy, etc., on any other basis. We must have both large and small business.

The largest business in this country is the government, and it promises to remain so as far ahead as we can see. The smallest businesses are most of the 75,000,000 individuals mentioned earlier. In other words, the largest is the people collectively and the smallest, the people individually. So let us not deceive ourselves into thinking we could be the America we are, or the America we hope to be without a wide range in the sizes of the business units.

The Profit Motive

It seems strange, in view of the record, that profits must be justified or defended. Ours is a profit system, or as some one has said, a hope of profit system. Companies are formed for the purpose of making profits. If profits are not made a business must fold up. Only the profitable companies survive and the survivors are few in comparison to the ones that fall by the wayside. It is only in this way that efficiency is maintained. It is only in this way that we can be sure that business serves the public. Fortunately, a concern can't make profits over a long period without rendering valuable service. Also, the more valuable the service, the more is the potentiality for profit. Profits are the rightful wages of capital.

More than $6,000 capital is required to provide the plant and other facilities to give one person a job in industry. In order for our economy to be healthy, industry must grow, mechanism must be more, not less, and capital must be fed into the system continuously and in large amounts. To induce this capital to go to work, the promise of profits must be commensurate with the risks involved.

Wages and Prices Must Balance with Profits

There are two other factors that must be delicately balanced with the profits. These are wages and prices. When profits are too low, capital ceases to go to work and our system goes relatively down hill. If wages are too low, there is not enough purchasing power to buy the products and services of industry, and the workers may lack incentive to put forth their best efforts. If wages are too high, prices may be forced so high that the consumers will not buy in sufficient volume to keep the workers employed. If prices are too high, certainly the volume of goods will be low and, after all, it is the quantity of goods and services consumed that determines the standard of living. Also, if prices are too high, there may be temporary increases in profits, leading to unhealthy stock market booms. Therefore, a healthy economy demands fair profits, fair wages and fair prices. The fair path is straight and narrow. When any one of these factors deviates from the path, either it must be brought back into line or the others must be adjusted to restore health. The recent attempt to control prices without controlling wages has already had its near disastrous results.

In your lifetime you have witnessed three very interesting phases in the industrial history of the United States. The first was the late 1920's and the early 1930's when we enjoyed the greatest prosperity this or any country had ever seen, and suffered our greatest depression. The second phase was the acquisition and administration of great power by our Federal Government. This began in the early 1930's and is still with us. The third phase is the rise of labor unions to such power that they can turn on and shut off the production and services of the country as an individual can manipulate a water faucet. We are now in the union power stage, which is co-existent with the increased power of the Federal Government.

Industrial Phases in Last Two Decades

Let us try briefly to outline some of the high spots of each of these phases. Business management was short-sighted during the late stages of the prosperous 1920's. The depression could probably not have been prevented by anything management could have done because it was world-wide and because the people can't stand prosperity for a long period anyway without abusing it. But, in my opinion, the severity of the depression could have been greatly softened if, say, in 1927, 1928 and 1929 wages and salaries had been increased and prices reduced. Profits were relatively too high. Increased wages and salaries and reduced prices would have caused an increase in the physical volume of production, which would have increased the real standard of living, would have given more employment—an index of business health—and would have removed some of the causes of the stock market boom.

About 1924 I made a trip to Florida during the real estate boom. When I returned, some of my friends wanted my appraisal of that situation. I told them that the earlier reports of real estate inflation had been exaggerated—that, whereas it had been reported that property was selling for five times what it was worth, my opinion was that it was selling for only four times what it was worth. We all know how that boom collapsed. People were buying Florida property for no other reason than to sell to some one else at a handsome profit. This condition in itself should have warned people that the structure was built on sand.

The same general situation developed in the stock market in 1928 and 1929. The public bought stocks, not to hold for income, but solely to sell to others for a hoped-for big profit. Good business health was mistaken for immortality. Investment trusts were formed and they bid up stocks already too high by competing with one another and with the public. Large sums were borrowed to put into the stock market and to help feed the flames, some corporations placed cash in the call market. Buyers paid from 8 to 12% on call money to buy stocks that were then earning as low as 1% on their selling prices. People bought everything up to houses and yachts on their paper profits and then their paper profits not only were not realized but they turned into large real losses. Is it any wonder that this structure collapsed also? Is it surprising that the collapse brought in its wake the terrible dislocations of the early 1930's? Is it not probable that timely adjustments in wages, salaries and prices would have prevented the last stages of the stock market boom and, hence, the intolerable abuse of credit?

The depression following the collapse was so deep and long that there was a tendency to discredit the American system. People did not blame themselves for their follies but were, in general, willing to find some one else or something else to blame. The finest automobile can be brought to a dead stop by cutting one wire. If its trouble is accurately analyzed and the proper steps taken, the car can be readily repaired. If, however, the diagnosis of the trouble is wrong, the car may be partially wrecked in trying to correct non-existent troubles. The same is true of our economy.

There is little doubt that in the middle 1920's we had the most healthy economy in history. The fact that we were headed for a depression in the early thirties shouldn't in itself have caused undue alarm. We had been through many depressions. There is no proof that we can advance over long periods except by a stepped process consisting of ups and downs. The good times are always abused in one way or another and depressions have been salutary purges serving to correct abuses, to show us that there is no easy way and to test the strength of our institutions and our system. New upward surges have carried us to new heights and over a long period there has been great progress. On the contrary, there is no record in history of continuous prosperity. Furthermore, the old time depression was pretty well understood and it was known that a depression set the stage for better times, much as the abuses in a period of prosperity set the stage for depression. Even so, we don't like depressions and one of the major future problems is to find ways to make them shorter and less devastating.

Attempts to Cure 1930 Depression

In the early 1930's it was proposed to cure the depression by new methods. The Executive branch of our government took charge of legislation for a time. Federal power was immensely increased. Bureaus were formed with law-making functions. There were to be jobs for every one and we were to have a new dollar which would not change in purchasing power for 20 years. We would borrow money for a while and then pay it back with the profits created by its spending. The old ways were not only discarded but they were thickly smeared.

When things didn't work out as planned, still other things were tried. Little pigs were killed to raise the price of hogs, corn and cotton crops were partially plowed under, farmers were paid by the Federal Government for not raising pigs, not planting corn, wheat, etc. Various kinds of subsidies were created to provide what was termed "a gentle rain of checks" all over the country. Government agencies and relief operated to take around a million domestic workers out of homes.

Prosperity, however, didn't return. In the past the United States had nearly always led the world out of depressions but this time at least 17 other countries showed more rapid recovery. We had around 10,000,000 or more unemployed at all times. We haven't even yet balanced our national budget in spite of many promises to do so. Our national debt mounted to staggering figures.

This calls to mind the story of the approaching winter in Alaska while the Alcan highway was being constructed. To prepare for the winter, many workers were diverted from road building to cut wood. Progress in road building was so impaired that the boss, desiring to not overdo the wood cutting job, sought expert advice on the probable severity of the coming winter. He was eventually led to an old Indian with a splendid record as a weather prophet. Said he to the Indian, "Will it be a short, warm winter or a long, cold winter?"

Indian: "Long, cold winter."
Boss: "Are you sure?"
Indian: "Very sure."
Boss: "How do you know?"
Indian: "The signs."
Boss: "What are the signs?"
Indian: "White man chop much wood."

Some of the prophecies on the national debt must have been as profound as that of the Indian. For example, it was prophesied that a national debt of $55,000,000,000 would still be safe, but near the danger point. At that time it seemed reasonably certain that new borrowing up to $50,000,000,000 would be necessary, but that it would not be necessary to go beyond $55,000,000,000 and hence the "prophecy" that the latter figure was still safe. The minds of the people were thus conditioned for the new loan to be announced somewhat later. Only the defense program and the war brought back full employment and "seeming" prosperity. I call it "seeming" prosperity because it was generated entirely on vast borrowing out of all proportion to anything heretofore dreamed of. We have yet to pay the debt.

Unions Have Become Too Powerful

During the 1930's the Wagner Labor Act was passed and since then the unions have become too powerful for the good of labor, industry or for the country. Union leaders are in a position to demand and receive more than a fair wage for the workers. They have thrown the wage-price-profit relationship out of balance. Our economy is now sick. Although this partly caused by government controls, we can see an end to these and with the end is the hope that the troubles due to control can be taken care of.

But no significant legislation has been passed to correct some of the glaring deficiencies of the Wagner Act under the protection of which the unions are operating. A union can call a strike which would shut off the lights in the middle of a critical surgical operation. A union can do violence to or threaten violence to a farmer peaceably driving his truck load of produce to market. Laws have been on the books for more than fifty years to prevent business from forming monopolies. Yet, as recently as 1935 a law was enacted which, in effect, makes a labor monopoly legal. It has been against the law for more than fifty years for business to restrain trade. Yet unions can and do stop trade completely. It is probable that unions were too weak in the late 1920's, but there is no doubt at all that they are too strong now. It is not good for either labor or business to have too much power.

It is the experience of most employers that over 90% of the workers want to be fair, want to work and are loyal citizens. Many of their leaders, however, do not truly represent them. I quote a recent statement by the FBI Chief, J. Edgar Hoover: "The average American workman is loyal, patriotic and law-abiding. He wants security for his family and himself. But in some unions the rank and file find themselves between a communist pincers, manipulated by a few leaders who have hoodwinked and browbeaten them into submission. . . . The Communist party in this country is not working for the general welfare of all our people. . . . It knows no rules of decency. . . . Its unprincipled converts would sell America short if it would help their cause of furthering an alien way of life, conceived in darkness and motivated by greed for power, whose ultimate aim is the destruction of our cherished freedom."

The union leaders have not been responsible for our high production. We had high production before they became as powerful. At present they are interfering with the great production machine. Although many things are now scarce, we know the way to abundance. It has been evolved the hard way and it has taken a long time. It involves the generous use of science and engineering, an investment of over $6,000 per worker, wise and efficient management and many failures for each success. It requires millions of workers with many skills. There should be incentives for each worker to put forth his best effort. The output must be acceptable to the customers as to quality, service and price, and the business must be done at a profit.

To make this system work effectively, the wages should be as high as possible, consistent with adequate profits and fair prices. Increases in wages beyond the fair figure must necessarily be reflected in higher prices, which may lead to unwelcome and well known damage to our economy. We have now experienced such damage and the end seems to be not in sight. Where and when it will stop, no one can tell for the power to do damage is great and many of the union leaders are irresponsible and others have un-American objectives.

Such is the world in which you are soon to take a more important part. Can you face the future with hope? Notwithstanding what I have said, I feel certain that you can. First, on the plus side, is the fact that we won the war. There are many new products and technological improvements. Our plants are intact and we have all the ingredients for a great advance in the standard of living if we can only bring the essential elements into balance and use our vast facilities and know-how for production. Also, many labor leaders realize that there is no fundamental conflict between labor and capital or between employer and employee—that they constitute a team that can build for all. These labor leaders will welcome better labor laws as one means of curbing the irresponsible and the un-American elements.

Our System Is Sound

The trials and tribulations of business during the past 15 years have revealed a startling but welcome conclusion. Our system is much stronger and sounder than even the optimists thought. It has weathered the most severe depression in a hundred or more years; it even financed the depression by borrowing and from surplus to the extent of billions of dollars; it has been subjected to one unsound measure after another; it has been prosecuted, smeared and heavy taxes have been laid upon it—yet when the war came, it performed the greatest production and engineering miracles of all time. In many ways it strengthened itself through adversity. We have better proof today of the fundamental soundness of the principles on which our American economy has been built than at any time in history. We have found that it does not depend for its life on any kind of special favor. It does not depend on any political party. It must function whether the Democrats or Republicans are in office.

Even a strong and healthy tree must have the proper soil to harbor its complex and delicate root system, and it must have water and sunshine and the ingredients of the air. No one would expect a tree to thrive if it were transplanted every few months with perhaps the frantic hope that one of the transplantings would produce magic results. No one suggests that we deprive a tree of water, light and air to promote health. Why? Because we think we know what is good for a tree.

Business Needs Proper Soil and Environment

Well, we know much that is good for business too. It needs proper soil and environment. It needs proper laws and rules, including those relating to labor. It needs a friendly and helpful government—a government that believes in the American system—a government that does not manage but umpires. It needs to have laws and rules that stay put for a while. They need to be so clearly stated that at least lawyers and courts can understand what they mean. Not only do we want the right laws, but we want government by law and not by men. We need sound governmental finance. The budget not only needs to be balanced but there should be government debt reduction—not more increases. The budget should be balanced at a level low enough to avoid backbreaking taxes. This can only be accomplished by greatly reducing government expense.

We don't want too much government in business. Government competition with private enterprise should be kept to a minimum and where it is authorized for some special reason, taxes should be paid by the competing unit the same as if it were private. Also, the competing unit should be required to pay the interest on the invested money and the debt should be retired from the income of the enterprise. Otherwise private enterprise and individuals must carry the whole tax burden and there is grave danger that they can't stand up under the load. We can't operate long, half government and half private. We can operate best, as experience throughout history proves, on a private basis.

Given these things you can have faith that this system will continue to be strong no matter what temporary obstacles may be put in its way. You can be sure that the delicate balance among wages, profits and prices will be found and followed because there is no other proved road to abundance. It would be a pity if the current upward trend in wages and prices goes too far, because our past savings, including life insurance, would be decreased in real purchasing power. Also, the higher the levels, the longer will it take to bring about the necessary adjustments.

Finally, you can have hope because of yourselves and thousands more trained in our colleges and universities. Yes, and the still more thousands that will follow from year to year. An individual grows old, becomes weak and eventually dies. A business organization can grow old but retain its youth and vigor and it need not die of old age. This is accomplished by bringing in young people every year. You are needed to help keep the business organizations young and vigorous. You have great opportunities but also great responsibilities. Each of you is more, much more, than one two-billionth of the world manpower. You are among the select few and you can and will exert great influence in providing better industrial soil and environment.

Pittsburgh Bond Club To Hold Meeting

PITTSBURGH, PA.—The Bond Club of Pittsburgh will hold a get-together dinner and smoker Monday evening, Nov. 4, at the University Club, in honor of the members of the Bond Club who were in the Armed Forces during the late war. President Stephen W. Steinecke, S. K. Cunningham and Company, Inc., will preside and Howard E. Reed, State Director of the Bank and Investment Division, United States Bond Division, will act as toastmaster, and the boys who were in the service will be given an opportunity to tell some of their experiences—amusing or otherwise. There will also be professional musical and vocal entertainment. Door prizes will be given. There will be a reception at 6 p.m. followed by dinner at 7, and the usual facilities for cards following the dinner and entertainment.


John R. Klima


G. Clifford Bodell


Jos. Buffington, Jr.

John R. Klima, Johnson and Company, Chairman; G. Clifford Bodell, Young and Company; Joseph Buffington, Jr., Young and Company, and Franklin Maroney, Blair and Company, are members of the committee in charge of the event.

A. G. Heim Opens

MARION, IOWA—August G. Heim is engaging in the securities business from offices at 1390 Ninth Avenue. In the past Mr. Heim was connected with Lynn Swaney & Co.

Sees Trend Toward Better Business Halted

(Continued from page 2207)

tendency can be restrained for another sixty days, it may well sound the doom of the fear and possibilities of outright inflation.

"While the trend of price is still upward, it is not at the rate of the past few months, and indications are that prices may now level off for a few months, after which declines may show up.

"Canadian reports indicate that ceilings are still holding and price changes are negligible.

"West Coast buyers report prices continue to rise in that area, but they are of the opinion that more and more opposition to higher prices is developing.

Inventories

"Reports received indicate a slight (but very slight) drop in the over-all inventory situation. Deliveries are not improving, and inability to get suitable deliveries tends to reduce inventories in some plants and to unbalance them in others.

"Work-in-process inventories are becoming very difficult to control, due to the short supply of many items necessary to the completion of the finished product. Little change in this picture is expected for the balance of this year, at least.

"Industrial buyers are practically unanimous in their desire to reduce or balance inventories. This tendency is accelerated because higher prices are meeting resistance for the first time since the war. There is also a very definite policy of resistance to long-term commitments with the price prevailing at time of shipment.

"Many buyers report that inventory reduction is their number one problem, and is receiving major attention.

"In this connection, it is interesting to note the policy of a very large buyer in one of our major industries. Every open order is being checked, and those of long standing are either being canceled outright; or, as soon as traveling expediters locate the material or supplies elsewhere for nearby delivery, the order is canceled. There appears little value to the purchasing department in having orders on so-called standard items dating back many months, when no deliveries are being made. Many vendors may be in for quite a surprise as they receive such cancellations and learn how very serious this back-order situation really is.

Buying Policy

"The buying policy of industrial buyers is more and more one of caution. A general policy would seem to be about a three months' position, with variations in different items, the goal being to try to keep inventories in balance with demand, supply and deliveries.

"Many buyers are deferring forward commitments for 1947 beyond the first quarter, awaiting a clarification of the situation.

Specific Commodity Changes

"The constant change in commodity prices and situations continues to make more difficult the smooth operation of industrial business. Frequently, substitutions are necessary, even though there is no restriction on the use of the desired materials. Little improvement is expected until raw materials are produced in a more balanced supply.

"In the midst of advancing prices one item, fuel oil, is lower. No. 6 Grade fuel oil has been reduced 10½c per barrel.

"Spruce lumber from the Canadian mills has advanced $4.00 per M feet.

"A rise of 10% is reported for cotton goods. Some higher priced textiles are somewhat easier.

"Electrical equipment is up 12% to 15%; batteries, up 5%; insulators, 5%; and large mechanical equipment, generally up 9%.

"Paper continues to be very tight.

"Ceilings have increased on coated abrasives. Rubber goods, such as belting and hose, have advanced.

"Acetone, castor oil, butanol and butyl acetate, chlorine, soda ash, caustic soda and phenol are all reported higher in the chemical field. Linseed oil is very short. Menthol is stronger, due to limited stock piles at Brazil and limited exports from China. Oil of cassia and anise are lower, due to arrivals from China.

"Cast iron scrap is up $5.00 per gross ton; malleable scrap, $2.00 per gross ton.

"Roller bearings are up 12% to 20%, depending upon size.

Employment

"The gain in employment in the industrial field is slowing down. There is a slight increase in the number of reports showing lower employment. Generally, the picture is about the same as a month ago.

"The machine tool industry reports more applications for work, probably due to the fact that Winter is approaching. Unrest in the present labor situation continues to slow up production.

"Employment in the Pittsburgh area was drastically reduced, due to the effect of the power strike.

"In general, the critical labor shortage has not yet been satisfied. In most areas, there are very few remaining unemployed who want to work. The demand is more for skilled than for unskilled.

General

"In the sense that there is a good demand, business generally may be said to be good. The picture, however, is clouded by general disappointment in production and the tendency to price inflation. There is much talk of a coming 'buyers' market.'

"The recent action of the government in the decontrol of meat and acceleration of decontrol of other products, has sparked considerable optimism. This speeding up of decontrols, buyers believe, will expedite the reconversion of the material and supply markets from their wartime basis. It may result in a flurry of higher prices, but these should bring out higher production, and, the resistance of consumers to higher prices should result in stabilization at a somewhat lower level."

Nat'l Rockland Bank Opens Bond Dept.

BOSTON, MASS.—The National Rockland Bank of Boston has announced the formation of a bond department to deal in State and municipal bonds. The main office of the bank is located at 30 Congress Street.

Campbell Co.

CHARLESTON, W. VA.—John H. Campbell, Jr., is conducting an investment business under the firm name of Campbell Co. from offices in the Union Building. Mr. Campbell was formerly a partner in Campbell, Carmichael & Co.

Post-War Role of Business Inventories

(Continued from page 2204)

of this movement has been the subject of conjecture and concern as to its significance with regard to future economic tendencies. Specifically, several basic questions have been asked in this connection. What is the position of the current inventory volume relative to production or sales? Is the recent rapid rate of inventory accumulation a danger signal? What are the implications of changes in inventory policy which must come after the pipelines have been filled and this source of demand stops?

Business Inventories at Record High

To appraise the current position of inventories relative to sales it is necessary to compare the inventory accumulation of the past year with earlier experience and to evaluate over-all inventory totals. Table 1 shows that the book value of inventories held by manufacturers, wholesalers and retailers was $31 billion at the end of August of this year, compared with $27 billion a year ago.[1] The **net** accumulation of $4 billion in 12 months, representing an increase of 15%, was divided about equally between the manufacturing and distributive trades.

Gross Change in Business Inventories

However, the net accumulation of $4 billion, i.e., the change in book value of inventories shown by the firms' records, does not represent all of the accumulation of civilian goods which took place since the end of the war. As a result of contract terminations and liquidations a large volume of war goods was transferred from business inventories. Business firms not only replaced the total amount of "war" goods liquidated but also accumulated aditional amounts so that a **net** accumulation actually took place over the liquidation period (see Table 2). The value of civilian goods offsetting the "war" goods liquidated, plus the **net** accumulation is the **gross** accumulation. The latter is the real measure of the extent to which current production flowed into inventories in the postwar period.

TABLE 1

Business Inventories
(Billions of Dollars)

End of Month	Mfg.	W'sale	Retail	Total
1939—August	9.8	3.4	5.0	18.2
1940—August	11.3	3.7	4.9	19.9
1941—August	13.9	4.3	5.8	24.0
1942—August	17.4	4.3	7.7	29.4
1943—August	17.6	3.9	6.6	28.1
1944—August	17.3	4.0	6.5	27.8
1945—June	16.2	3.8	6.5	26.6
July	16.3	3.7	6.4	26.4
August	16.3	3.8	6.6	26.7
1946—June	17.2	4.5	7.1	28.8
July	12.0	4.6	7.5	30.1
August	18.4	4.8	8.0	31.2

TABLE 2

Gross Change in Business Inventories for Civilian Use
(Billions of dollars)

	7-12 1945	1-6 1946	Combined
Book value of total inventories:			
Beginning of period	26.6	26.4	26.6
End of period	26.4	28.8	28.8
Net change	—.2	+2.4	+2.2
War inventories liquidated through contract termination during period †	3.0	1.5	4.5
Gross change	+2.8	+3.9	+6.7

† Excludes inventories retained or repurchased by contractors. Includes an undetermined amount of inventory held for use in fixed-fee management type contracts, some of which did not appear in contractors book-value figures. The estimated total was derived from reports issued by the War and Navy Departments on the inventory turned over to them through termination claims and are not, therefore, strictly comparable with the figures taken from business accounting records.

The great bulk of the liquidation of war inventories in business hands took place in the year period July 1945 to June 1946. During this period the liquidation amounted to $4.5 billion. Therefore, to secure a reported net increase in book inventories in the 12 months following July 1945, the gross rise of inventories of goods in all stages of fabrication for use in the civilian market was about $7 billion. This is the largest accumulation on record for any 12-month period.

The major portion of this took place in the second half of 1945 and in the so-called "war" manufacturing industries. Though the liquidation movement reached a peak late in 1945 (see Chart 1) and had virtually stopped by June 1946, it was a continuing significant factor during the first half of this year. The net increase of $2.6 billion plus the $1.5 billion required to offset the liquidation meant that the gross increase in business inventories for the first half year was over $4 billion, or an annual rate of $8 billion.

By mid-year of 1946 the liquidation of war inventories had about run its course so that in the current quarter it is a negligible factor. The reported, or net accumulation, is again a measure of the actual change. The rise in July was $1.3 billion and in August $1.1 billion, an average of $1.2 billion per month, or an unprecedently large annual rate of over $14 billion. There has been a marked acceleration of trend, even discounting the effects of the price rise of the summer months and the resulting irregularity of the movement of some goods through distributive channels.

Most of the offsetting through liquidation of war inventories by the accumulation of stocks for civilian use was in manufacturing, where the bulk of the war contracts was held. The billion dollar rise in manufacturers' stocks from July 1945 to June 1946, therefore considerably understates the gross change, or actual inventory accumulation, which would be over $5 billion. The book value of manufacturers' inventories at the end of August was $18.4 billion, $500 million above the wartime peak reached in late 1943 when nearly half of the production total was of war goods.

Viewed in the perspective of the historical relation of inventories to sales, the position of manufacturers' inventories was approximately in line with aggregate sales at the end of June, while the distributors' inventories were still low. In addition, inventories of both manufacturers and distributors were unbalanced as to composition as will be evident from the discussion which follows. While manufacturers' shipments have risen since June, the more rapid advance in inventories has, in the third quarter, raised manufacturers' stocks somewhat above the indicated level derived from the past sales-inventory relationships.

Wartime Relation of Manufacturers' Shipments to Inventories

To appraise the significance of this record level of manufacturers' inventories in relation to shipments it is of interest to examine the pattern of this relation since 1939. During the 1939-46 period there have been several distinct inventory movements, a fact which prevents any uniform treatment of the relationships which existed between inventories and manufacturers' shipments. Obviously, changes in inventories are associated with changes in shipments, though not always by any fixed amount or ratio. Obviously, also, inventory changes anticipate sales fluctuations to the extent that it is possible to project them with reasonable accuracy, though not always by the same time lag.

A variety of factors such as price and material controls operated throughout the war to influence management decisions and the ability to carry them out, so that no pattern is discernible which was consistent with the prewar shipment-inventory relationships. However, the shifting importance of the more pertinent factors is clearly evident from the actual movement of inventory holdings.

Manufacturers' shipments, reflecting first the improvement in general business from the 1938 recession and then the impetus of the war and war production, expanded quite regularly from 1939 to the early months of 1945. (Table 3.) Total inventories, however,

Estimated Value of Shipments and Inventories for All Manufacturers 1939-1946
(Millions of Dollars)

	Avg. Monthly Shipments			Avg. Inventories*					
							All Manufacturers		
	All Mfrs.	Durable Goods Mfrs.	Nondurable Goods Mfrs.	All Mfrs.	Durable Goods Mfrs.	Nondurable Goods Mfrs.	Raw Mat'ls	Goods in Process	Fin. Goods
1939	4,741	1,939	2,801	9,969	4,653	5,316	3,980	1,679	4,310
1940	5,482	2,463	3,019	11,180	5,386	5,794	4,545	2,101	4,534
1941	7,783	3,849	3,934	13,414	6,934	6,480	5,721	3,193	4,500
1942	10,110	5,407	4,703	16,943	8,938	8,005	7,761	4,336	4,846
1943	12,390	7,189	5,201	17,574	9,848	7,726	8,149	4,985	4,441
1944:									
1st Quarter	11,641	6,641	5,000	17,677	9,703	7,974	8,141	4,996	4,541
2nd Quarter	12,318	7,185	5,133	17,304	9,469	7,835	7,744	4,909	4,651
3rd Quarter	12,486	7,324	5,162	17,206	9,299	7,907	7,481	4,932	4,793
4th Quarter	13,114	7,604	5,510	16,937	9,027	7,910	7,445	4,741	4,751
1945:									
1st Quarter	13,332	7,444	5,888	16,378	8,760	7,618	7,366	4,495	4,517
2nd Quarter	13,263	7,292	5,971	16,167	8,751	7,416	7,353	4,393	4,421
3rd Quarter	10,519	5,072	5,447	16,364	8,564	7,800	7,507	4,204	4,653
4th Quarter	9,604	3,923	5,681	16,288	7,908	8,380	7,940	3,550	4,798
1946:									
Jan.	8,913	3,344	5,569	16,369	7,938	8,431	7,975	3,583	4,811
Feb.	8,163	2,791	5,372	16,590	8,082	8,508	8,043	3,648	4,899
Mar.	9,507	3,619	5,888	16,829	8,377	8,452	8,073	3,852	4,904
Apr.	9,956	4,010	5,946	16,837	8,422	8,415	8,107	3,904	4,826
May	10,058	4,089	5,969	16,934	8,545	8,389	8,003	4,013	4,918
June	9,702	4,041	5,661	17,175	8,777	8,398	8,020	4,131	5,024
July	10,032	4,303	5,729	18,026	9,015	9,011	8,491	4,316	5,219
Aug.	11,221	4,805	6,416	18,430	9,275	9,155	8,770	4,300	5,360

*Inventories for 1939-44 are 13-month averages; inventories for 1945 and 1946 are as of the end of each quarter or month.

reached a peak in late 1943, fully 18 months before the peak month of shipments. The time lag between the high point in inventories and in shipments of finished goods was extreme and not indicative of a normal or peace-time production period.

An early over-all ceiling was reached on inventories because of actual supply shortages. Critical materials were placed on an allocation basis early in 1942. As a matter of fact, there was comparatively little increase in total manufacturing stocks after late 1942 by which time the bulk of war supply contracts had been let and contractors were beating the bushes for materials in preparation for large war production. That inventories were excessively high in relation to shipments in that initial war production period is evident from the rapid drop which occurred throughout 1944 and up to June 1945 while shipments were maintained at peak levels. With improved controls and production in high gear, inventories were reduced by mid-1945 to the level of January 1942. Shipments were then 50% larger than in early 1942.

The significance of this adjustment should not be lost sight of when viewing the present accumulation which stems from the same basic conditions, and must of necessity be likewise temporary in character. When the many bottlenecks to present output are overcome and a smooth flow of goods through productive and distributive channels again obtains, a somewhat parallel reduction in inventories can be expected.

Inventories by Degree of Fabrication

The internal composition of inventories also shifted rapidly during the 1939-46 period (see Chart 2). The classification in the chart is not precise as an absolute measure of degree of fabrication. Rather, it represents an aggregation of individual company designations. Many companies consider any purchased supplies as raw materials irrespective of the amount of processing which may have been done—the finished goods of one company are often the raw material of another. There is more uniformity within the goods-in-process category, but no way of determining how closely they approach the finished stage or whether the ultimate market is the consumer or another manufacturer.

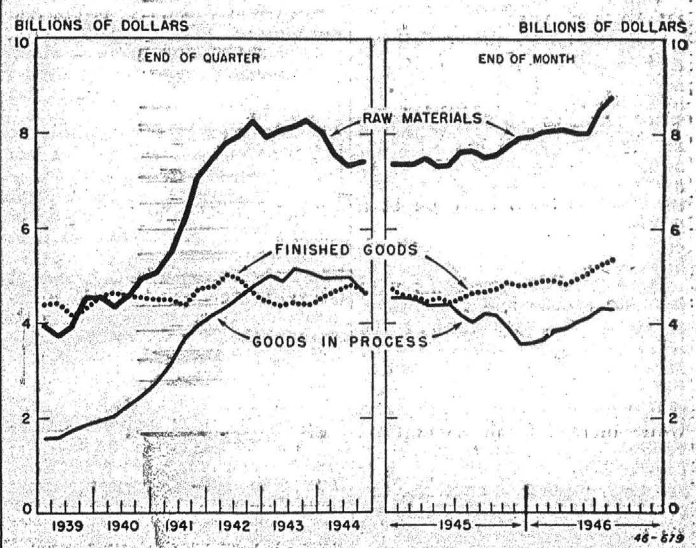
Raw material holdings began to increase in mid-1940 with the initiation of the defense program and reached a peak at the end of 1942. After a period of relative stability, they declined until June 1945, from which point they have again risen quite steadily. The sharp rise of the past two months carried the dollar value of raw material stocks to a point well above the war peak. (See Table 3.)

Inventories of goods-in-process also increased as the war production program advanced. The high point of the rise, however, was not reached until late in 1943, some time after the peak in raw materials. The drop which characterized the end of the war production period began in late 1944 and continued until the end of 1945, reflecting the liquidation of war inventories. The value of work-in-process has risen steadily throughout 1946 as civilian output has expanded, but the total is still considerably short of the 1943 levels.

There has been some feeling that the recent inventory accu-

Chart 2

MANUFACTURERS' INVENTORIES, BY STAGES OF FABRICATION



Source of data: U. S. Department of Commerce.

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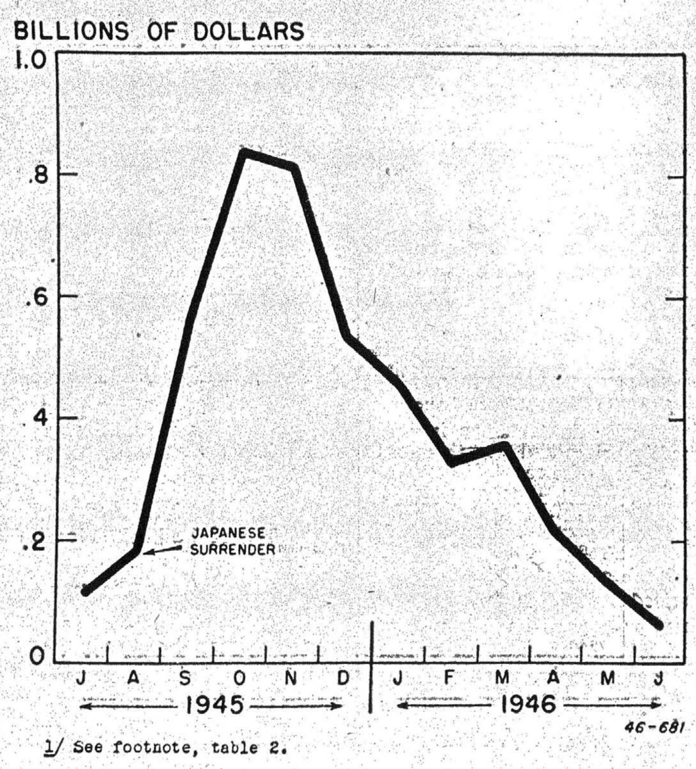
[1] These are estimates derived from many sources. The manufacturing data are based on reports to the Department's monthly "Industry Survey" by a representative group currently comprising over 2,500 firms. For a detailed description of the method used see this "Survey" September, 1940. The data on wholesale inventories are based on a sample of wholesale firms reporting monthly inventory changes to the Bureau of the Census; tests for representation and for reliability of estimates were made by comparison with the Census of Wholesale Trade for 1935 and 1939; all wholesale establishments were combined into four homogeneous groups, the sample for each of which provided fairly reliable results on the basis of the Census movement from 1935 to 1939; the Census value of inventories for 1939 has been carried forward on the basis of the changes shown by the sample for each of the groups. Estimates of retail inventories are perhaps somewhat less reliable than manufacturers' and wholesales' because of the more limited availability of current data; for details of sources and methods see this "Survey" March 1944, pp. 18-20.

Chart 1

MANUFACTURERS' INVENTORIES LIQUIDATED THROUGH WAR CONTRACT TERMINATION 1/



1/ See footnote, table 2.

Sources: U. S. Department of Commerce, based upon data of the U. S. War and Navy Departments.

mulations are to a certain extent involuntary, representing work-in-process which manufacturers were unable to complete as shipping stocks because a part or component was missing. This reasoning continues with the thought that when supply difficulties are adjusted, output and shipments of finished goods would increase sharply, and while this may bring a temporary rush of goods to market, it would also cut down stocks. To some extent this is true, but only to a limited degree. The rise in goods-in-process since the year-end low has been only about $1 billion, or less than half the rise in total inventories, and has not been more than could be expected in face of the $2 billion increase in shipments.

Finished goods stocks, in marked contrast to the movement of other types of inventories, have remained quite constant throughout the entire period. There was a slight increase early in 1942 reflecting the finishing off of the civilian goods before production was prohibited or curtailed, and a rising tendency has been evident since June 1945. However, the aggregate is now less than 20% higher than the dollar value in 1939, or less than the average price rise over this period. Manufacturers appear to be handling a dollar volume of shipments 130% above 1939 with shipping stocks which undoubtedly represent a lower physical quantity of finished goods.

Are Inventories Too High?

The gross rate at which business inventories were being accumulated in the year following VE-day, July 1945 to June 1946, was extreme in any terms in the light of past experience. However, it can not be considered excessive; it was prompted by compulsion for speedy reconversion. In order to achieve an approximate balance between civilian stocks and output it was necessary to replace the liquidated war inventories as fast as possible and to further augment them to support the higher potential production.

This rise, however, has been accented by an even more rapid increase in the months of July and August when manufacturers alone added $1.2 billions to the value of inventories at the end of June. With total inventory holdings at an all-time peak, the natural reaction is to question the level—are inventories too high, or has the postwar accumulation merely succeeded in filling pipelines necessary to high level peacetime business?

As previously pointed out, only the manufacturers' holdings are above earlier peaks but it is only recently that they have moved above the historical line of relationship. Stocks of retailers are still below the level of 1942, and while there was an obvious inventory bulge at that time, the present levels reflect a sizable price increase and probably represent a lower physical volume. Meanwhile, dollar sales at retail in 1946 are running 60% above those of 1942. Much of the same situation applies in the wholesale fields. That is, in the distributive areas, despite recent additions to inventories, the current level of sales would indicate that some further accumulations, over-all, will be needed to bring stocks into line with normal relationships.

Within the manufacturing field, there is less uniformity. As pointed out above, stocks of finished goods have not risen sufficiently to reflect the higher prices. Undoubtedly some further rise is to be expected, although movements in shipping stock figures are never of very great magnitude.

The levels of goods-in-process inventory, when related to shipments, shows an approximate balance even after the recent sharp rise. (See Chart 3.) The relationship pictured on the chart, indicates that throughout the entire 1939-46 period, work-in-process was geared rather closely to shipments. The normal rate of increase in stocks is much slower than that of shipments as the slope of the regression line shows—a rise of $2 billion in shipments is associated with an increase of less than one billion in inventories. The July-August figures are not out of line in light of past experience.

Inventories of raw materials, on the other hand, having achieved a new peak, with shipments still below the high, stand well above the line of relationship shown on Chart 3. Manufacturers appear to be anticipating a level of shipments equal to or in excess of the wartime peak; in terms of present shipments volume, however, over-all holdings are high. With respect to certain components and critical materials, this does not hold true—lack of balance in inventories which prevents smooth production is a big factor in the present low output and low productivity of labor. Apparently, the lag in production time between raw materials and finished goods has been extended to allow for contingencies such as strikes, material shortages and price changes.

On an over-all basis, total manufacturers' inventories are not excessive in view of the volume of business expected for the first part of next year. However should shipments volume fail to materialize, trouble could quickly develop particularly since the time lag has become unusually long to hedge against production uncertainties.

Durable vs. Nondurable Goods Industries

The sales-inventory situation as between industries and industry groups is not uniform. The difference in pattern during the 1939-46 period between the durable and nondurable groups is pictured in the tops parts of Chart 4 and 5. Combined working stocks (raw materials and goods-in-process) of durable manufacturers (Chart 4) are still below the wartime peak and are considerably in excess of requirements based on current shipments. However, shipments are also relatively low, and are expected to rise considerably as output reaches more normal proportions. In light of expected shipments, therefore, working stocks are not too high, but the extended time lag is marked.

The durable goods picture is pointed up in the lower half of Chart 4 relating to the transportation equipment industry, including automobiles. Shipments have been held down by the difficulties of automobile production, and a sharp rise from the levels existing during the first part of 1946 could develop rapidly, which would bring working stocks into balance.

In the nondurable industries, conversely, both inventories and shipments are high—above previous peak levels. However, there is as yet no marked disparity evident in the relationship existing between sales and working stocks. (See Chart 5.)

In the lower half of Chart 5 sales of the textile, apparel and leather products group are related to working stocks. It is in this group in the past that weakness in the output-price situation has first developed. Despite the recent inventory accumulations here, the relationships do not appear far out of line with past experience; however, the present shipments level is very high. It should be noted that the data for this group are presented on a 4-quarter average basis to eliminate seasonal influences.

In general, working stocks held by manufacturers must be weighed in terms of the varying sales-inventory relationships. In the durable industries, inventories obviously anticipate larger shipments. In the nondurable industries there is an approximate balance, but at a very high level of both shipments and stocks. If shipments of durable goods can meet expectation without disturbing sales of nondurable goods, the present inventory position is not excessive.

Inventories and the Price Rise

During July and August when inventories were rising rapidly, prices also advanced. The most persistent question is: how much of the inventory increase was price and how much represented larger physical stocks? To this, there is no definite answer. Undoubtedly some of the rise was purely price, but it is impossible to determine the amount. There are several methods presently used by business accounting to value the inventory, each of which might yield a different average price for existing stocks. Furthermore, a good part of the value arises from cost of labor and direct overhead applicable to the goods-in-process and finished goods which may not have changed materially over the period. A third unknown is the time interval in converting purchased materials into finished goods shipments—the inventory turnover period. There is no way to ascertain how much of the inventory was replaced during this period.

From the standpoint of the analysis of the current inventory position as related to shipments, however, the price problem makes little difference. Any increase in prices which affects inventories will be reflected also in the value of shipments. The question of inventory adequacy—are stocks low or high in relation to shipments—can be judged in current price terms without reference to price changes.

Implications of the Recent Accumulation

There are two distinct questions raised by the present inventory situation. One, are stocks adequate—is the existing level too high or too low and what will be the future trend? Two, what is the economic significance of a rapid rate of inventory accumulation, particularly with respect to any slowing or reversing of this rate?

The current level of inventories is not unwarranted when measured objectively against sales. However, the conditions are not uniform and would seem to indicate that further inventory increments will take place merely in the process of achieving balance.

As pointed out above, distributive inventories are below the level of adequacy in view of present sales. The same holds true of finished goods stocks of manufacturers. The lack of balance within the working stocks of manufacturers also presages some further increase as parts deficiencies are overcome. How much inventory will be added and in what period of time are imponderables; certainly, the gap could be filled rather quickly at the July-August rate, but this pace is not expected to continue. The major problem in this connection concerns the rise in sales which must accompany the increased stocks if the present over-all balance is to be maintained.

In the realm of economic significance, the danger inherent in a period involving an increase in inventories is that it leads almost inevitably to a subsequent lowering of the level of output. Whenever a part of current production is channeled into stocks, the amount available for consumption is reduced. This exerts an upward pressure on prices because of the relatively short supply situation created, and on output in an effort to increase the supply. When inventories stop rising, the pressure is removed and unless outside forces act to increase consumption, output quickly becomes adequate and prices less firm.

The real damage in the past has been that in this adjustment proc-

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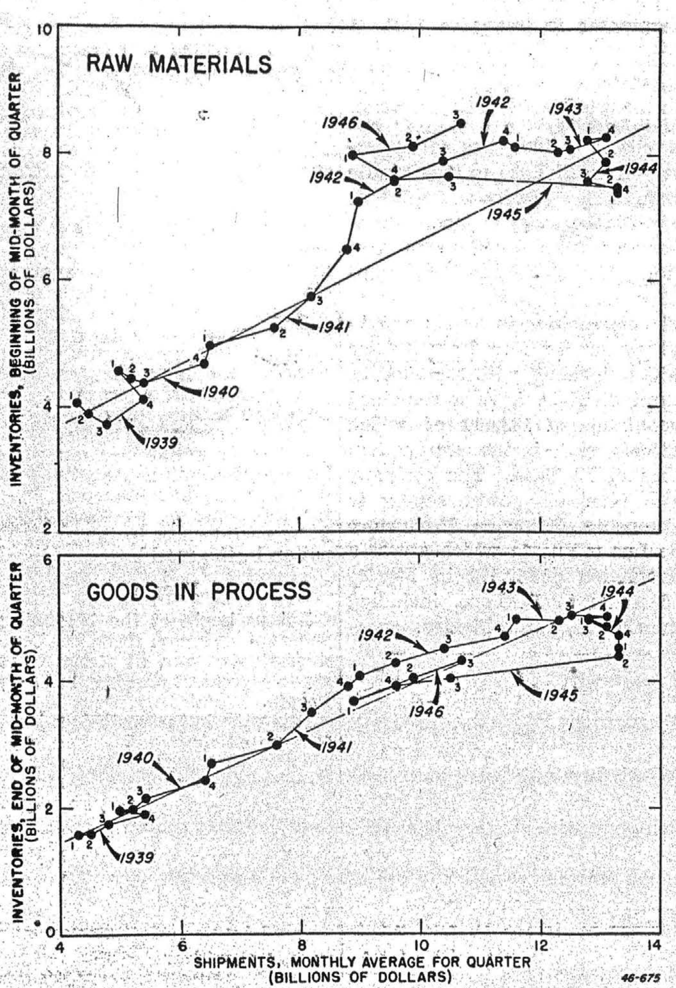
Chart 3

RELATIONSHIP BETWEEN MANUFACTURERS' INVENTORIES, BY SELECTED STAGES OF FABRICATION, AND SHIPMENTS 1/

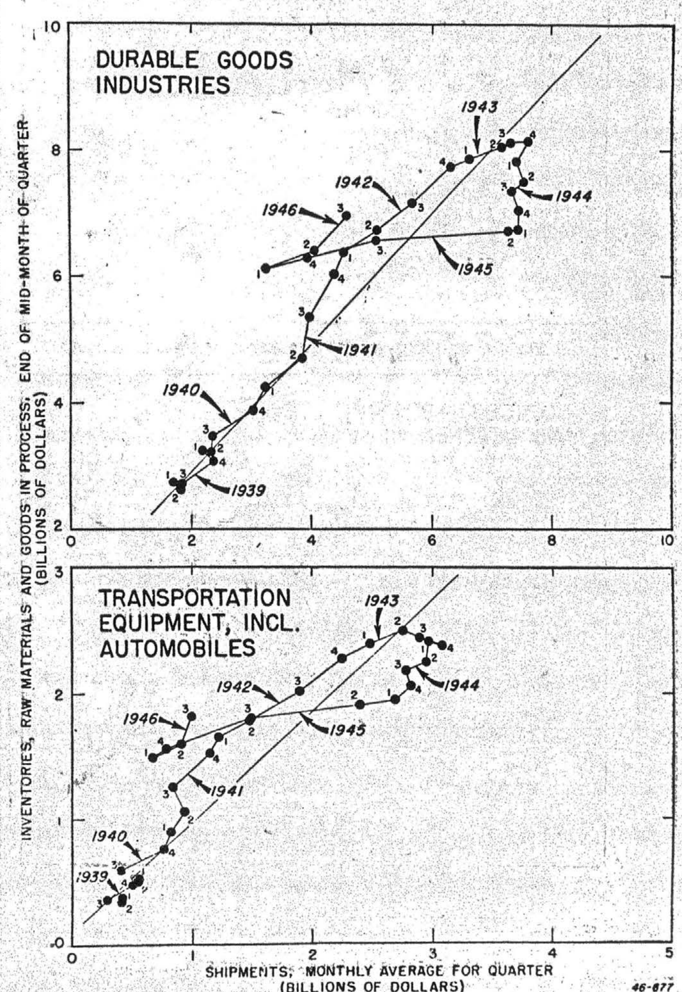


1/ Lines of regression were fitted to data for prewar years.

Source of data: U. S. Department of Commerce.

Chart 4

RELATIONSHIP BETWEEN MANUFACTURERS' INVENTORIES AND SHIPMENTS, ALL DURABLE GOODS INDUSTRIES AND TRANSPORTATION EQUIPMENT 1/



1/ Lines of regression were fitted to data for prewar years.

Source of data: U. S. Department of Commerce.

Post-War Role of Business Inventories

(Continued from page 2243)

ess, current output is usually discovered to be more than adequate when inventory building subsides. Hence, prices drop in an attempt to move output into consumption, and inventories once considered inadequate are now suspect or may prove too high. A recession in output, employment and income normally ensues.

A further danger is that some time during the process the increase in inventories may shift quickly from a voluntary to an involuntary accumulation because buying slackens, or increases less than anticipated. Under these circumstances much the same economic reaction described above develops, but perhaps to a more striking degree. Thus, in any period of rising inventories, particularly one of a rapid increase, the problem is one of attempting to moderate the severity of the subsequent decline, and to determine, insofar as possible, the timing of the downturn.

Summary

In order to bring particular areas into balance and to complete filling the pipelines, business inventories can rise moderately for another three to six months without being excessive relative to sales or shipments. Further sharp increases, however, of the kind experienced in July would soon bring over-all inventories out of balance with sales and would inevitably be followed by a serious readjustment.

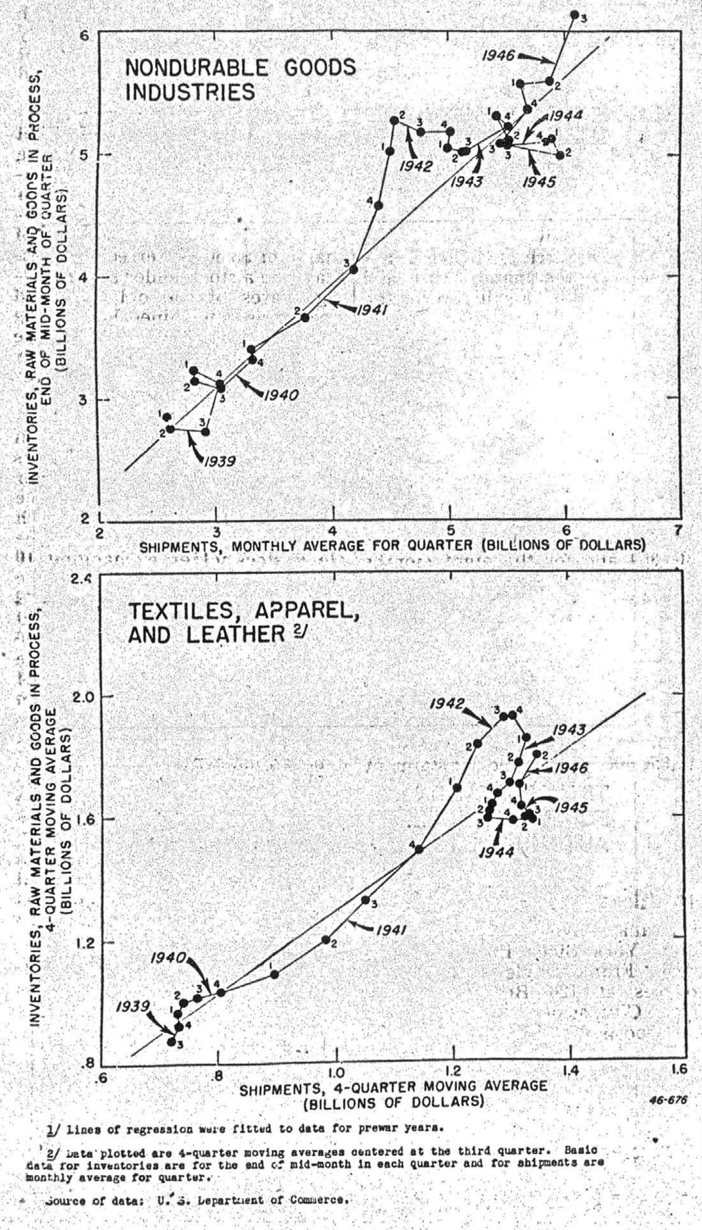
In any case, however, buying for inventories can not go on indefinitely. At some time in the future, a time which is not now predictable, the pipelines will be filled and inventories will be sufficient or more than sufficient to support the current high volume of shipments. At such time buying for inventories will be cut at least to a replacement basis. The problem will then be what will absorb the added output shifted to consumption channels when inventory accumulation stops or is reversed.

While increased buying may come from any of a number of sources, it may be well to examine the possibilities of a few of the more important ones. Government expenditures, for example, have been a large balancing factor for a number of years. However, the present tendencies are toward curbing these outlays. Other central forces are business capital outlays, construction, exports and consumer expenditures. With these, two problems arise. The rate of consumption in these areas is already high and will be higher when the peak of inventory building is reached. Although further expansion can not be ruled out as an offsetting factor, it is pertinent to question the timing. Will the offset be gauged so as to neatly counteract any deflationary impact?

These considerations indicate the current tendencies and the factors which must be taken into account in appraising the effects of a cessation in inventory accumulation. Inventory accumulation in the third quarter of this year at the rate of $14 billion per year contributed at least $7 billion when adjusted for price advances to the annual rate of output of goods and services (gross national product) estimated at between $190 and $195 billion. Unless the economy is not to suffer a setback when inventory building stops, somewhere in the private and government sectors must be found an aggregate increase in demand to offset the loss in inventory demand. This must be in addition to the increased demand necessary to absorb the higher output which is implied in the present level of inventories when related to shipments.

Chart 5

RELATIONSHIP BETWEEN MANUFACTURERS' INVENTORIES AND SHIPMENTS, ALL NONDURABLE GOODS INDUSTRIES, AND TEXTILES, APPAREL AND LEATHER 1/



1/ Lines of regression were fitted to data for prewar years.

2/ Data plotted are 4-quarter moving averages centered at the third quarter. Basic data for inventories are for the end of mid-month in each quarter and for shipments are monthly average for quarter.

Source of data: U. S. Department of Commerce.

Halsey, Stuart & Co. Offers El Paso El. Bonds

Halsey, Stuart & Co. Inc. headed a group of underwriters that made a public offering Oct. 29 of $6,000,000 first mortgage bonds, 2¾% Series due 1976 of El Paso Electric Co. at 100⅞% and accrued interest. The bonds were awarded to the bankers Oct. 28 on a bid of 100.279.

Proceeds, together with an additional amount from the general funds of the company, will be used to redeem at 108% all of the company's first mortgage bonds, Series "A" 3¼%, due Nov. 1, 1970, now outstanding in the principal amount of $6,500,000.

The new bonds are a first lien, subject to minor qualifications, on substantially all present physical electric properties of the company other than motor vehicles, office equipment and supplies, etc. They have an annual sinking fund beginning Sept. 30, 1947 calling for deposit of an amount equal to 1% of the total issued new bonds, after deducting new bonds retired by release moneys, etc., if $500,000 or more. They are redeemable in whole or part on 30 days' notice at the regular redemption prices ranging from 103⅞% to 100% and at the special redemption prices ranging from 100⅞% to 100%.

El Paso Electric Co. was incorporated in Texas in 1901. It generates and purchases electric energy and distributes and sells it in El Paso, Texas and in an area in the Rio Grande Valley in Texas and New Mexico extending approximately 100 miles northwesterly from El Paso to the Caballo Dam in New Mexico and approximately the same distance southeasterly from El Paso to Van Horn, Texas. The company supplies electric energy at retail in 14 communities in Texas and in 20 communities in New Mexico which, together with surrounding rural districts, have a combined population of 182,000 of which 125,000 reside in the metropolitan area of El Paso. The company also furnishes power supply to Compania Mexicana Productora de Luz y Fuerza which serves a population of 62,500 in Mexico adjacents to El Paso, including the City of Juarez, Mexico.

Lambuth & Company Is Formed in New York

Earl Lambuth and Morris T. Sitkoff have formed Lambuth & Company with offices at 76 William Street, New York City, to engage in the securities business. Mr. Lambuth was formerly a partner in James D. Cleland & Co., for which Mr. Sitkoff was manager of the trading department.

Common Sense and Progress

(Continued from page 2211)

Freedom from Fear and Freedom from Want and provide a new era of industrial labor and racial peace by dispensing with antiquated laws of the horse and buggy days and building up instead new intruments of public power, which were to result in the placing of only a few controls needed to drive the money changers from the temple, to redistribute the national income, increase the standard of living, reduce the hours of work, and provide more hours of leisure in which to enjoy the milk and honey of this new alleged Heaven on earth. What a picture of unalloyed joy and bliss that was—yet millions believed and still believe today that it was desirable and possible and could be had merely by developing enough energy to go to the polls and elect the man who would pass the laws to bring it into being. The thinking was just as unrealistic and naive as that.

If anyone was bold enough to express the fear that all or any part of the picture was impractical, impossible of attainment by the means suggested, dangerous to the preservation of our freedom and form of government, costly beyond our means, and certain to fail—he was told not to fear but to have faith, that the only thing to fear was fear itself, or he was dubbed, a reactionary, a prince of privilege or a bloated plutocrat and laughed off accordingly as of no consequence in the new scheme of things.

Results of New Deal

Now that the chickens are beginning to come home to roost, and the people are finding that the abundant life is abundant largely in the things that we have not, that security is chiefly composed of insecurity, that freedom from fear is a myth, that peace on the home front is further away than ever, that the promised few controls of the new instruments of public power have grown into so many that even the controllers have become lost in their controls, and now must decontrol, that the standard of living is going down, not up, and that the greater leisure provided in working less is chiefly consumed by standing in queques waiting for that which is not there—now that such prevails, great is the disillusionment of the people and great is their confusion, a confusion that even the President lately remarked might well become chaos.

There is an old saying that "It's better to light a candle than curse the darkness," and also another old saying that "One candle may well light ten thousand others," and so tonight I am going to try to light a few candles of common sense in the hope they in turn may light many others until the terrible darkness of disillusionment and confusion is dispelled, and this great Nation of ours returns to the Path of Progress that it has lost awhile—the path that for 150 years or so brought us from a wilderness to the greatest nation in the world.

People

Let us begin at the beginning and apply common sense to a consideration of our, as well as the world's, greatest problem, namely, **People.**

It is trite, but nevertheless true, to say that if there were no people there would be no problems. If such is the case then common sense would conclude that basically all of our problems are related sooner or later to human beings. When we view human beings we are immediately impressed by their infinite variety, no two of which, like snowflakes, being precisely the same, and yet all having certain similar general characteristics in varying degrees that is the thin thread of brotherhood and kinship that ties the human race together. The Bible says that we are all "children of God." Of that there can be no doubt—but also there can be no doubt that the way we hundreds of millions of children perform not infrequently belies our paternity. It's this last point that the "do-gooders," the "bleeding hearts," the "one-worlders," etc., generally overlook in forming their viewpoints and establishing their premises. Because they abhor the thought of dropping atomic bombs on anyone, they assume others will feel likewise, and so we should give others our bombs and atomic secrets so they won't distrust our intentions. It never occurs to them that others may not have our same good intentions. It was this same foolish line of reasoning prior to Pearl Harbor that caused us to continue shipping scrap iron, oil and other war materials to our little brown "brothers" in Japan, and to refrain from fortifying Pacific military bases, because we were told if we did not do so it would cause them to mistrust our good intention. Now it seems because the "do-gooders" haven't yet learned the lesson, we've got to listen to the same old arguments all over again regarding the atomic bomb and other military secrets. People who continually have their heads in the clouds and the clouds in their heads just never seem somehow to learn the elementary facts of life. Common sense dictates, that in this life, you have to deal with people as they are rather than as they ought to be from your own idea of ought, and that passing laws to redistribute wealth and national income is not going to make the stupid person intelligent, the lazy industrious, the profligate thrifty, or the irresponsible responsible. And that's true whether such persons are one-tenth, one-fifth or one-third of the population or whether they are white, black, yellow or brown. Outside of sheer compassion there is ever only one excuse for extending help to the other person or peoples and that is to help them help themselves. If they are unable or unwilling to do that, no amount of help, no matter how extended, will accomplish anything of a constructive nature.

I submit, therefore, that Common Sense tells us that human beings being what they are means that we cannot legislate peace and abnegation of war into the hearts of men, or virtue, character and economic sufficiency into our own or other peoples. Oliver Cromwell's edict of "trusting in God and keeping the powder dry" still makes sense to me, as well as the observation of the Good Book, "The poor, ye shall ever have with ye."

Necessity of an Ordered Society

Now let us come to Common Sense Candle Number Two—The Necessity for an Ordered Society.

The problem of how to get order in the affairs of human beings has long been one of the principal problems of mankind. Most of us have only to look into our own lives to appreciate the scope and size of the problem that has existed since the beginning of the human race—that of getting first things first and everything else in its proper order. Common Sense tells us that order is the first prerequisite of progress, and that national order must precede world order; that is if the proposition still holds true that the whole is merely the sum of its parts. History teaches that order in the affairs of men has only obtained when there was one authority whose business it was to rule, regulate and order. In past ages the authority was generally a military conqueror such as Hannibal, Alexander the Great or Caesar. Later it became absolute monarchies headed by Kings and Emperors, and in very recent years by dictators of the Hitler, Mussolini, Stalin, Franco type. The human race found out, however, that great absolute authority and power centralized in one person was generally more than one person could stand, and as a consequence said person in time became a tyrant, and the price of order became slavery. So only 731 years ago at Runnymede the system of a central authority limited by law came into being with the signing of the Magna Carta, which developed in time into what is now known as the Limited or Constitutional Monarchy.

The Constitution—Supreme Authority

When the framers of our own government went to work, however, they had had enough of even constitutional monarchy, with its King George III, so they established a new form of government, where the supreme authority was to be, not a person or group of persons, but a body of broad basic laws which they termed the Constitution of the United States, to which every official of the government was to swear allegiance to uphold, preserve and defend. Thus was conceived, for the first time in history, a central authority consisting of "laws and not of men," so that those who lived under such authority could enjoy both the blessings of an ordered society, and freedom from the danger of a tyrant or any form of tyranny. The Fifth Amendment of the Constitution of the United States reads "No person shall be deprived of life, liberty or property without due process of law." And yet for a number of years we have read of goon squads and organized mobs working with impunity, beating up people, overturning cars, smashing windows; of people desiring to work turned back at the gates by strong armed pickets; property owners denied admittance to their own property; traffic stopped by barricades, and all of the rest of the disgraceful defiance of Article V of the Constitution that were I to detail it would take the rest of the evening.

As one editor recently put it—"What is happening to this nation, when a handful of pickets can deprive 50,000 workers from earning their livelihood, and cause fifty million dollars of property to lie idle, merely because some union boss says "close her up"—while the law enforcing agencies look the other way and the average citizen reading about it in the paper merely yawns and turns to the sport pages or the "funnies."

Well, I'll tell you what Common Sense tells me what is happening, and that is that the great idea of the Framers of the Constitution, of a government of laws and not of men—is dying, first, because those public officials who have sworn to uphold, preserve and defend the Constitution of the United States have broken their oath, and disregarded their duty, and, secondly, because the citizens of this nation have permitted them to do so without material protest.

Without Order Progress Is Impossible

Common sense also tells me that unless this nation can have an ordered society, whether it be through the central authority of the Supreme Laws of the Land or through the personal predilection of a King or Dictator, we as a nation are headed indeed into a condition where progress is impossible, for without order, nothing constructive can be accomplished, and the Liberty and Property of persons will be tenuous indeed.

I cannot believe that the citizens of this nation realize, in what is taking place, precisely what is at stake—for if they did, I feel sure that the overwhelming majority would rise and as one would say to constituted authority, "Stand by your oath—Defend, Preserve and Uphold the Constitution of the United States—the guardian of my Liberty and all I hold dear—Do that or else." If one loves Freedom and our American Way of Life—just plain Common Sense would so order.

Work and Standard of Living

The third matter for Common Sense consideration is Work and its relation to the Standard of Living. Work is one of the oldest forms of human activity and yet today there is probably no subject that is more misunderstood or more fallaciously regarded. Most people regard work as a curse rather than as a blessing. That is probably because the average person is as lazy as he dares be—or has failed to learn that work can be fun and provide satisfaction beyond almost any other activity of the human race. I pity the person who has never found work that he learned to love to to take pride in its accomplishment, for Common Sense tells us that the Creator intended that the human race should live by toil and effort, and that most of our waking hours shall be devoted to our work.

There was a time when to be a good worker merited one the respect and admiration of his fellow men and I might add parenthetically, increased the value of one's services, but in these past fifteen years when millions of persons have had dinned into their ears by leaders in high places and others that the hours of labor should be reduced and that penalties should be imposed for overtime, and that limitations of productive effort were desirable provided the take-home pay was preserved by higher hourly rates, the emphasis has shifted to glorifying the inferior and indifferent worker. The good worker, told to slow down or else, has become the objection of derision, suspicion and scorn.

What the purposes were in advocating and insisting upon this change of attitude toward work is perfectly clear but need not be gone into here. What is more important is whether the change has redounded to the benefit of the country and the worker himself. The answer to that question Common Sense tells, and experience is showing, to be clearly in the negative.

The explanation why is extremely simple. All of us have only our productive effort to exchange with each other. If our production is X percentage less than it was, we have X percentage less to exchange with each other and hence less to enjoy.

If we endeavor to compensate for less production by increasing pay and thereby exchange our lessened production for comparably more production of the other fellows, we thereby increase the cost of our production for the other fellow and as we increase cost, we reduce the standard of living for the other fellow. If the other fellow pursues the same tactics, the exchange ratio returns to its former status, only now both parties have less to exchange with each other and the standard of living is lower for both.

In other words, as Common Sense tells us that something for nothing is economically unsound and that in the long run most of us only get out about what we put in, so even the Politician and Worker are discovering that there is no royal road to a higher standard of living that it is not paved with increased production at lower cost.

In the 8th Report, just released, of the Director of War Mobilization and Reconversion to the President of the United States are these significant words, the meaning of which I trust Mr. Walter Reuther, Mr. Philip Murray, and John L. Lewis and all leaders of labor will understand:

"This downward trend in real wages should . . . be reversed. Basically the only cure lies in the output of more finished goods and services. Any significant decline in production, however caused, must necessarily reduce real wages of the workers of this country."

Better Economic Life From Productive Work at Lower Cost

What a shock it must be to some after all the years of economic humbug and hokum to realize that two and two still make four and that if we want the more abundant life, we can't get it by reducing hours of work, producing less for each hour worked, raising costs, and raising pay. Common Sense and experience at last are teaching us all that a better economic life has to be earned by better, more productive work at lower cost. There is no other way.

So I come to the Fourth and last candle of Common Sense I intend to light tonight. It pertains to the human spirit.

One of the tragedies of our times is that the phrase "the more abundant life" in the way it was used and the connotation it came to have in the minds of millions was a perversion of the thought of its Originator. Jesus said "I came that ye might have life and have it more abundantly." He was talking about life—not things. And yet the words of that beautiful thought conception were twisted to mean in these latter days the abundance of things. We were to have as a result of everything but our own efforts, more and more things, so that the mass of the people were persuaded that the abundant life was to be found in an abundance of things—even though the Good Book has told the human race for centuries that "Life doth not consist of an abundance of things." Common Sense confirms that truth beyond all question, because we know that it does not follow that he who has the most possessions is necessarily the happiest or most contented or the best off. Not infrequently it is exactly the reverse.

A Theory of Devastating Materialism

In the repeated emphasis that has been placed on a more abundant life of things, however, the people of this nation, without sensing it, have been led into a philosophy of devastating materialism akin to that of the communists and fascists and their like. All the signs point, however, to the fact that in the greatest buying binge of our history the people at long last are becoming aware that happiness and contentment and the abundant life are not to be found in the acquisition of things. At least the records of the divorce courts, juvenile courts and social service agencies indicate a new all-time high of human frustration and heartache and broken homes. Verily, man cannot live by bread alone.

Experience is teaching and Common Sense is telling us that we have strayed from the way to greatness and fineness of life in this Country in our pursuit of the materialism of things and that what we need to do is turn back to the American Idealism of the past, the idealism that made and preserved us a nation—the ideals of freedom and justice for the individual set forth so eloquently in the Declaration of Independence and confirmed in the Constitution of the United States, the ideal of self-reliance and independence, the ideal of freedom of opportunity for each person to make the most of his talent and capacities, the ideal of reward and honor for those who accomplish much for themselves and their fellow men, the ideal of Liberty under the law to enjoy the fruits of one's labor, and be protected in that enjoyment, the ideal of endeavoring to make this nation under God the hope and inspiration of all mankind. When such ideals again dominate the thinking of the people of America, then will the hearts and souls be filled with aspirations and urgings above the level of furs and fineries, ice boxes and motor cars, less work and more pay, and will be directed instead to building character and integrity and decency and sound purpose and practical idealism into their own lives, the lives of their children and the life of this great and glorious nation. Where there is no vision, the people perish, and no nation however great can long endure unless its people possess in their hearts and minds Idealism, Integrity of purpose, and moral Stamina.

Blyth & Co. Offers Rheem Mfg. Stock

A new issue of 130,000 shares of common stock ($1 par) was offered to the public Oct. 23 at $21.75 per share by Blyth & Co., Inc., and was quickly oversubscribed. In connection with public offering of the 130,000 shares of stock, the company will offer 70,000 additional shares to Bethlehem Steel Co. at the initial public offering price.

Proceeds from the sale of the 200,000 shares will be used to repay outstanding short-term bank loans totaling $2,511,069; to complete the construction of buildings at the company's plants in Illinois and Maryland; to complete the purchase of equipment and machinery required to increase production in the present manufacturing lines at various plants; the balance, if any, will be used to augment working capital. The $2,511,069 bank loans were obtained by the company to fulfill prior commitments in the inauguration of its program of expansion.

The company, with principal offices in San Francisco and plants located throughout the country, manufacturers and sells gas-fired, electric and oil-burning water heaters, automatic coal stokers, drums, barrels and other steel containers. The company has two wholly-owned subsidiaries: Rheem Research Products Inc., engaged in the manufacture and sale of "Iridite," a solution for the coating of metals to prevent corrosion, and Rheem Manufacturing Co. of Brazil, Inc. The company has interests in Rheem Manufacturing Co. (Australia) Proprietary, Limited, and in Rheem de Mexico S. A. both of which manufacture steel shipping containers and household products in their respective countries.

Net sales for the 12 months ended Dec. 31, 1945, totaled $91,309,854 and for the eight months ended Aug. 31, 1946, totaled $21,030,688. Profit for the year 1945 carried to earned surplus was $1,498,414 and for the eight-month period this year the company reported loss of $137,950.

Capitalization of the company, adjusted to give effect to the present financing, will consist of $1,850,000 unsecured instalment note; 30,000 shares of 4½% cumulative preferred stock and $1,000,000 shares of common stock, $1 par value.

Frank Doyle & Co. in NYC

Frank Doyle, member of the New York Stock Exchange, will form Frank Doyle & Co., with offices at 120 Broadway, New York City, as of Nov. 7. Mr. Doyle will be a general partner in the firm, with J. Norman Lewis and George F. Bauerdorf as limited partners.

Rejoins Gearhart & Co.

Gearhart & Company, 45 Nassau Street, New York City, announces that Jacques Scholle has rejoined their organization.

J. S. Fassett Maher Dir. Of Plastics Wire Corp.

J. S. Fassett Maher, of Putnam & Co., 6 Central Row, Hartford, Conn., has been elected a member of the board of directors of Plastic Wire & Cable Corporation. Mr. Maher, a native of Hornell, N. Y. and a graduate of the University of Pennsylvania, was associated with the Hartford-Connecticut Trust Company and Guaranty Trust Company of New York before joining Putnam & Co., in 1939 as analyst for the Syndicate and Buying Departments.

J. S. Fassett Maher

Plastic Wire & Cable Corporation is a manufacturer of electrical cords, wires and cables insulated with vinyl chloride, polyethylene, nylon and other thermoplastic materials. Its plant is located in Jewett City, Conn. Other directors of the corporation are L. W. Lord, President and Marvin H. Phillips, Vice-President and Treasurer, Norwich, Conn.; Paul H. Hershey, Girard L. Clemons and Harry C. Powley, Jr., Ansonia, Conn.; and George C. Conway of Guilford, Conn.

Dillon Read & Co. Offers Standard Brands Pfd.

Dillon, Read & Co. Inc. and Blyth & Co., Inc., headed an investment banking group which underwrote the exchange offer by the company of 220,000 shares of its $3.50 cumulative preferred stock (no par).

The exchange offer, which expired at 3 p.m. Oct. 29, afforded holders of the company's existing $4.50 preferred stock the privilege of exchanging such stock for shares of a new issue of $3.50 preferred stock. The number of shares of $3.50 preferred stock issuable to a stockholder surrendering shares of the old preferred stock, was determined by valuing the old preferred at $110 per share which is the redemption price, and valuing the new $3.50 preferred stock at $98 per share.

No fractional shares of new preferred stock are to be issued in exchange; instead the company is to pay the exchanging stockholder a cash adjustment based on the foregoing valuations plus a cash dividend adjustment. For example a stockholder exchanging 10 shares of old stock would receive 11 shares of new stock and $22 cash for his fractional share, and a stockholder exchanging 100 shares of old stock would receive 112 shares of new stock and $24 cash for his fractional share. In addition, in each case the stockholder would receive a cash dividend adjustment.

The cash proceeds to be received by the company from the sale of unexchanged shares of new preferred stock will be applied, together with treasury funds to the extent required, to redeem at $110 per share plus accrued dividends all unexchanged shares of old $4.50 preferred stock.

The new $3.50 cumulative preferred stock will be redeemable at $102.50 per share on or before Sept. 15, 1947, and at prices declining to $100 per share if redeemed on and after Sept. 16, 1951.

Giving effect to this financing, outstanding capitalization of the company will consist of the 220,000 shares of $3.50 preferred stock and 3,174,527 shares of common stock.

Future of Textile Decontrol

(Continued from page 2215)
controls to assure enough osnaburgs and sheetings for bags. Other shortages soon developed in lighter weight sheetings and plain print cloths. Gradually L-99 was extended until virtually all cotton looms were brought under control.

As shortages spread, controls over distribution were also put into effect. Three important ones remain. They are M-317C, which directs the distribution of yarn; M-317A, which controls the distribution of fabrics, and M-328B, which channels some of the cotton fabrics to the more essential types of low-cost clothing.

These controls were worked out in every case with the advice and assistance of people from your industry. Throughout the war years, there was no serious question about their need.

As the problems which first called for controls on production and distribution of cotton fabrics diminish, there is growing insistence that these regulations be diminished also. We recognize these demands, and in general are sympathetic to them. As a matter of fact, the loom freeze is by no means as broad today as it was during the war. As for M-317A, it is a far cry from the day when there were even allocations for horse and cow blankets.

Viewpoint of CPA

But don't forget that your viewpoint and ours cannot always be exactly the same. You men are looking after your own interests. That is only natural. Our job, on the other hand, is to try to keep the boat from rocking during reconversion—to look after the veteran who wants a new suit of clothes, the mother who can't buy diapers and infant clothes, the workman who needs overalls and work gloves, and the miller who needs feed sacks.

Recently some of you have expressed fear that there is too much low-cost clothing. You say you are worried about the market being glutted with garments which formerly were scarce. The changing cotton market and other conditions are altering the picture, but it seems to me that the indications we have received so far do not yet show a serious threat. The two surveys made a few weeks ago—one by our own people and one by a private research agency hired by the cotton industry itself—both showed that the demand for low-cost clothing continued high and that there was as yet no substantial "backing up." Recently, buyer resistance to low-quality goods shows signs of increasing.

I wish you could see the flood of letters which crosses my desk daily, complaining about the lack of yard goods, of shirts, of diapers, of baby clothes, of bed sheets, and of good quality, inexpensive dresses. I believe that unless the manufacturers price themselves out of the market, they can continue to sell your goods on a scale never before possible in peacetime.

When it comes to decontrol, the question which CPA faces is simply this: How far and how fast should we go? That is a question we will have to decide with your help and advice. Today, I want to tell you what our thinking is on the matter.

If there are any facts which I have overlooked, I know you'll bring them to my attention.

Let's look first at the positive side of the picture. Production of cotton fabrics in recent months has been on the upgrade. During the third quarter, output was at an estimated rate of more than 170,000,000 yards a week—an increase of 10% over the same period last year. During the last week in September, estimated production reached the highest point for the entire year of 1946. The cotton consultants told us less than two weeks ago that production of some kinds of cotton fabrics should soon be meeting demand. I am only too happy to see this development.

I am aware that a sizable inventory of cotton goods has accumulated at some points in the pipeline and that if these goods were to be released at one time, it might make a substantial difference in today's cotton fabric picture. There can be no doubt that the industry is entering a transition period during which a more normal relationship between buyers and sellers should come about. The recent break in cotton prices is a significant development, and I want to assure you that we are watching the market closely.

I appreciate the fact that it takes weeks to make large-scale changes in your looms. If, as you have told us, the market is beginning to weaken for some fabrics, we want to watch those changes carefully in consultation with you and plan a reduction of our orders so that the industry can deal with new market conditions without delay.

Believe me, CPA's desire is to help industry and not to hinder it. We certainly do not want any mill to be caught with large quantities of goods it cannot sell because of CPA regulations. We don't intend to keep regulations on the books any longer than they are needed.

Final Decisions Compromises

But there is another side to this picture, and I want to outline it for you in some detail. So long as CPA is in existence, it has a very important responsibility for seeing that certain of the essential requirements of the nation are met. I have already mentioned such things as diapers, shirts, work clothing, yard goods and industrial fabrics. In reducing our orders, therefore, we must walk a fine line. We consider the interests and needs of the textile industry itself, but we also have to consider the needs of other industries, as well as of the consumers of this country. The final decision must inevitably be a compromise.

There are two propositions we cannot ignore. The first is that while production unquestionably is improving, cotton textiles in general are still in short supply and will continue to be short for some time to come. The world shortage brought about by the demands of war has not yet been overcome.

Prewar exporters of cotton textiles — Belgium, France, Italy, Germany, and Japan—have been out of the market for years. Prospects of substantial shipments from these countries in the near future are still discouraging. Moreover, the export of cotton goods from India has taken a sharp drop—as in the case of burlap—because of political unrest. Thus the export demands on United States cotton fabric production are abnormally heavy.

Sometimes people ask, "If cotton goods are so short, why do we export any of them?" The answer to that is—we export cotton goods because we have to. In many parts of the world today, money is less effective than cotton fabrics in stimulating production. We need rubber. The Malayan rubber worker doesn't want to work for cash if that money won't buy him anything, but he will work gladly for something he needs and wants.

Not only rubber but also tin and a number of other critical materials come to us today because we export certain commodities from this country. Perhaps some of you fellows have been having trouble getting tires for your car, or electrical appliances which require hard-to-get metals. You would find still fewer of these products if the government did not make export commitments.

Not only is there an overall world shortage of cotton textiles, but—what is more important—some of the most basic fabrics are still very hard to get. The latest available figures for production this year show that combed broadcloth—essential to shirt manufacturers—is 60% below 1939 production. Class C sheetings under 42 inches in width are down almost 50%. Plain print cloths are down almost 30%.

I don't have to tell you men how important these particular fabrics are for certain uses. The man on the street may not know a poplin from an osnaburg, but he does know that he must tramp through many stores before he can find a shirt at anywhere near a reasonable price.

High Textile Demands to Continue

How solid is this demand for clothing and other scarce textile products? Occasionally someone expresses the fear that it is temporary. Some people feel that it is unsafe to base future production plans on any higher demand than we had before the war.

I disagree. Present demand is inflated, yes. But while customers may not knock your door down a year or two from now, they will still buy your goods.

The American people have learned to enjoy a higher standard of living than they ever had before. They can afford to continue this higher standard, and they intend to do so.

Consider these facts: National income has more than doubled since the war began. Even when you take into account the higher prices we are now paying American consumers today have roughly 50% more purchasing power than they had six years ago. And because of population increases, there are 10 million more customers than there were then.

Gentlemen, we don't need to quibble about whether demand will be for 9 billion or 10 billion or 11 billion yards of cotton fabric a year. Unless we muff the ball and destroy our chances for prosperity, the extra money in the pockets of the American people will call for more goods than you ever thought of producing in any peacetime year. That's what is important.

To assume that demand will be no greater than it was before the war, and to plan production on such a pessimistic basis, would be one of the surest ways of helping to destroy the nation's prosperity and your own profits.

What Will Happen After Decontrols?

The second proposition I want to examine is what will happen when controls are lifted. From now until CPA goes out of business, it is absolutely essential that we have an adequate supply and proper distribution of certain fabrics. Some of these are the ones I mentioned a moment ago which are not being produced in normal volume.

In general, there are three classes of fabrics in which CPA has been concerned: (1) certain agricultural fabrics such as tobacco, seedbed covers, and bag materials including A and B sheetings; (2) apparel fabrics such as broadcloths and print cloths, coverts for work clothing, and pocketing drills and twills; and (3) industrial fabrics such as 80-square print cloths and medical, surgical and hospital cloths. Farmer's, millers, hospitals, apparel manufacturers, and other users of these fabrics still are worried that they won't get enough—or anywhere near their fair share.

In the case of bag fabrics, we face the prospects of even lower imports of burlap than we have been getting from India because of political trouble, famine, and transportation difficulties. As a result, the demand for cotton bagging may go up rather than down. The Department of Agriculture recently forecast that the grain crop this year will be the biggest in history. Within four to six months most of that mammoth grain crop will be milled, and milled grain must have a textile container. CPA would be falling down on its job if it did not make reasonably sure that these bags can be made.

We must make sure no major industry gets so little of the industrial fabric it needs that it can't function. Ours is a highly integrated economy in which no industry can long prosper if other major industries are losing production for lack of a little fabric.

If I knew that these basic needs for agricultural, industrial, and apparel fabrics would be met without any government controls, I would not hesitate for an instant to recommend lifting those controls immediately. However, I cannot help recalling what happened just after V-J Day when we did curtail M-317A and L-99. You know what happened. Immediately there was production of mountains of chenile bedspreads, upholstery fabrics, shower curtains, draperies—everything except low-price print cloths and other staple fabrics. So CPA was forced to reinstate some of the controls it had dropped.

I recognize perfectly well that yours has been a feast-and-famine industry, and that there is the strongest urge to make a good profit while you can. I know that problems of price have provided a powerful incentive to the production of fancy rather than staple fabrics. Also, I realize that the conditions which existed a year ago are not identical to those today.

Nevertheless, after we relaxed our controls a year ago, practically every industry in the United States came down to Washington and wept on my shoulder because they couldn't get enough cotton textiles for their products. I want to be reasonably sure today that that situation does not develop again.

It is logical to assume that most mills will produce fancy fabrics so long as there will be a strong demand for those fabrics, and will shift to other goods only when they no longer can sell the ones which are now so profitable. When will that demand fall off? There are some signs that it is beginning to drop off, but I don't think it has dropped substantially yet.

The Integration Problem

There is also the integration problem to consider. With the great growth of vertical integration in recent years, there is a strong possibility that many of the little fellows who do not have connections may be left out in the cold.

Now CPA is not opposed to integration as such; don't misunderstand me. But it cannot be denied that the spread of integration has meant a widespread shift in distribution which at present is indirectly restrained by CPA's distribution controls. When those controls are lifted, therefore, there there will be inevitable scramble by consumers for new fabric resources, and in the resulting mixup business will suffer for a time. A certain amount of unemployment also may follow.

Liquidation of controls will be painful under the best of circumstances. If CPA can reduce the pain by relaxing the controls gradually instead of abruptly, it ought to be so.

I ask you as an industry to exert a special effort to protect these needs I have discussed, and to give CPA a maximum of cooperation. Let's work together on this thing right up to the finish line. You yourselves can speed decontrol by the extent to which you can show that decontrol will not do serious harm to the economy.

The best possible way you can convince the American people and their government that textile controls are no longer needed is to produce and sell a maximum amount of fabrics we need most. Production and proper distribution is the only real answer to the shortages that have plagued us since the early war days. And it is the surest and quickest way to get rid of government controls.

Sees No Need for Slump

There is a great deal of talk these days about a so-called "inevitable" slump or recession which is supposed to hit this nation some time next year. Such talk, it seems to me, is selling America short.

A slump could come so soon if producers themselves, because of fear, curtailed production and threw people out of work. That sort of thing could quickly become contagious. A wave of fear—already started by the drop of the stock market and some of the commodity markets—could quickly sweep the country and destroy the prosperity ahead of us.

Or it could come in another way. If producers continue to take advantage of shortages and squeeze out the last drop of profit, they can compound the problems which have faced us in recent years. Producers might refuse to produce and sell the things people need most because those things are not always the most profitable at the moment. Such a shortsighted doctrine of scarcity would force prices higher and higher and encourage repeated demands for higher wages. The inevitable result would be a disastrous bust for every one.

But these things need not happen. We have today all the ingredients needed for a long period of prosperity if we only use restraint.

We have relatively full employment. Fifty-eight million people have jobs. Since V-J Day the fears of postwar unemployment were proven false and seven million workers have been added to payrolls in industry and commerce.

We have nearly full production of many basic materials. Steel production is close to practical capacity. Electric power is at the highest level ever achieved at this period of the year. Production of coal and petroleum are at peak rates.

Output of many building materials, such as asphalt roofing, gypsum board, and bricks, is at record levels. The same is true of many finished products—washing machines, vacuum cleaners, electric ranges, table-type radios, trucks and all types of tires.

Put high employment and high production together with high purchasing power, and we have the golden opportunity of prosperity for years to come. If the American people — industrialists, laborers, and consumers—do not lose their heads during the critical months ahead, we cannot fail to realize that opportunity.

With R. L. Day & Co.

(Special to THE FINANCIAL CHRONICLE)

BOSTON, MASS. — Harry V. Keefe, Jr. and Clair C. Pontius are now associated with R. L. Day & Co., 111 Devonshire Street. Mr. Pontius in the past was with Hotchkin Co.

With Wahler, White & Co.

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, MO. — John A. Foltz has become associated with Wahler, White & Company, Dwight Building. He was previously with B. C. Christopher & Company and Prugh, Combest & Land.

Diagnosing the Dip

(Continued from page 2203)

propulsion, plastics, drugs and atomic energy. The world has never faced such a need for re-building—houses, factories, power plants and railroads. The need for consumer goods is of equal proportions. In this country there is an unsatisfied demand for nearly everything. Ten years of building will not fill the need for residential construction. Automobile production has not caught up with the current rate of scrapping. The railroads need rehabilitation and new equipment to make up not only for the complete lack of reconditioning for five war years but also in order to compete with other fast growing means of transportation. Farm machinery, office equipment, and household furnishings are wanted to fill the five-year gap when none were available. Our participation in two world wars has taught us a lesson in preparedness and our armament program dwarfs that of any prior peace-time period.

The World Starved for American Goods

Not only does the whole world, including our own population, need American goods, but there never has been such wherewithal to pay. Foreign customers have enough dollars and gold accumulated during the war. In addition, sufficient credit and loans have been since extended. Our own record savings, bank deposits, high farm income and wage scale are far above anything that existed in any former prosperous period. Besides this, there is the soldiers bonus which may amount to nearly $10 billion, our expanded social security, pensions and insurance payments.

The problem is one of production and profits. The delay in production is merely a postponement. The factor of profits lies in management and the nature of each industry. There is no doubt that capacity operations in some lines may be profitless while in others profits will break all records. Specific and intelligent analysis can determine this rather than over-all generalities.

If the above facts are more than an assumption, why did the stock market break? When one analyzes the known facts, the mystery is easily dispelled. When World War II came to an end in August, 1945, how difficult was it to forceast the near term business and economic situation? The public's emotional victory celebration in buying stocks indiscriminately is another matter. Who sold them all the stocks and continued to supply the demand? For there was a seller for every buyer. Intelligent and far-seeing investors knew for some time that the war would end eventually, and had been accumulating peace stocks for several years. The public as usual jumped on the band wagon after the event materialized. They continued the trend, followed the charts (the course of which they themselves were making) and fell for the tips they generated.

What made investors, taking advantage of the wild scramble subsequently sell out? It was obvious to them that Uncle Sam, the $100 billion a year customer for 75% of America's business, would practically disappear. The $25 billion aviation industry would face a former peace-time demand of less than $1 billion. The big mass production industries would need a year or more to reconvert and then reach capacity operations, only under which profits are possible. The railroads needed but a small decline in volume, under their inflexible set-up of high costs and fixed rates, to show rapidly deteriorating income. Many small businesses thriving on war contracts would revert to their former unexciting and mediocre status.

The six months' financial statements supplied the realism to this change. All the automobile companies, electrical equipments, aviation manufacturers and many other contractors and subcontractors reported deficits. Railroad earnings collapsed with N. Y. Central and Pennsylvania showing huge losses. The public started to unload. The reconversion period of business became a reality. Although one year on the way to postwar rebuilding, those prospects were forgotten when faced with the inevitable facts of the liquidation of our war effort.

The stock market break therefore largely reflected the inevitable losses that many companies had to suffer in the reconversion period. How long will it take for the satisfactory results of other industries to convince the public that the postwar world is resting on enough dynamite to cause an explosion of unprecedented, though selective, prosperity?

* * *

Past and Future Selectivity

The varying effects of business profits and losses on specific companies are indicated in the following table, showing the divergent amounts by which they respectively declined from their prices on Feb. 4 last, when the Dow-Jones Average was 210 (contrasted with the current 166). It seems evident to me that such divergencies will continue in the market, with the above-mentioned constructive economic factors becoming fully reflected in the equities of many industries.

	Feb. 4, 1946	Oct. 24, 1946	% Change
Abbott Laboratories	97 old	a73 (146)	+50
Acme Steel Company	37	43	+16
Allis Chalmers	54	35	—35
American Airlines	80 old	b10 (50)	—37
American Can	100	82	—18
American Home Products	107	97	— 9
American Safety Razor	38 old	c15 (45)	+18
American Telephone	194	173	—11
American Tobacco "B"	89	83	— 7
American Woolen	49	52	+ 6
Anderson Clayton	48	56	+17
Baldwin Locomotive	38	20	—47
Baltimore & Ohio	29	14	—52
Barber Asphalt	43	52	+21
Bendix Aviation	57	32	—44
Bethlehem Steel	112	95	—15
Caterpillar Tractor	75	64	—15
Celotex	25	26	+ 4
Certainteed	17	18	+ 6
Chicago, Milwaukee & St. Paul	38	14	—63
Chrysler	140	79	—44
Colgate Palmolive Peet	50	50	----
Commonwealth Edison	34	32	— 6
Consolidated Natural Gas	46	47	+ 2
Container Corporation	44	41	— 7
Continental Baking	15	19	+27
Continental Motors	24	11	—54
Corn Products	69	69	----
Cudahy Packing	48	41	—14
Curtis-Wright	12	6	—50
Deere	46	39	—15
Delaware & Hudson	49	31	—37
DuPont	204	175	—14
General Electric	51	38	—25
General Motors	80	50	—37
Gimbel Brothers	49	39	—20
Goodyear	69	59	—14
Graham Paige	16	6	—62
Greyhound	33	37	+12
Gulf Oil	62	65	+ 5
Hayes Manufacturing	15	7	—53
Hazel-Atlas Glass	138 old	d31 (155)	+12
Homestake Mining	55	40	—27
Hudson Motors	33	15	—55
Illinois Central	43	23	—46
Indiana Rayon	83 old	e42 (84)	+ 1
International Paper	44	45	+ 2
Johns-Manville	154	127	—17
Lockheed	42	23	—43
Montgomery Ward	78	f68 (73)	— 6
Murray Corporation	22	11	—50
N. Y. Central	34	16	—53
Paramount	70 old	g31 (62)	—11
Penn. Central Airlines	40	20	—50
Pennsylvania RR	47	27	—42
Pfizer (Chas.)	40	58	+45
Philco Radio	44	23	—48
Philip Morris	57	39	—31
Pressed Steel Car	29	13	—55
Radio Corp. of America	19	10	—47
Remington Rand	37	37	----
Schenley	120 (840)	h62 (620)	—26
Sharp & Dohme	27	28	+ 4
Sperry	38	21	—45
Squibb	40	42	+ 5
Standard Oil of N. J.	68	69	+ 1
Sterling Drug	45	50	+11
Sylvania Electric Products	40	22	—45
Union Carbide	108	93	—14
United Airlines	50	25	—50
United Aircraft	36	20	—44
U. S. Gypsum	116	108	— 7
U. S. Plywood	46	56	+22
Western Auto Supply	60	63	+ 5
Western Union	52	19	—63
Westinghouse Electric	39	24	—38
Willys-Overland	25	10	—60
Woodward Iron	39	43	+10
Youngstown Sheet & Tube	73	64	—12
Zenith Radio	42	20	—52

a 2 for 1 split, b 5 for 1 split, c 3 for 1 split, d 5 for 1 split, e 2 for 1 split, f adjusted for stock rites worth about 5, g 2 for 1 split and h 10 for 7 split.

Status of Savings Bond Program

(Continued from page 2216)

freshet behind an irrigation dam; so that, instead of washing out the bare plowed fields in the springtime, they will make the fields of the summer even greener.

The purchase of savings bonds also helps to combat inflation by making possible the retirement of additional amounts of bank-held debt. As you know, the government no longer needs the net proceeds of savings bond sales to help finance a deficit. The accounts of the United States are now more than balanced on a cash basis. Every additional dollar which we raise by the sale of savings bonds, therefore, makes possible the retirement of another dollar of bank-held debt.

These, then, are the two primary objectives of the savings bond program: to maintain a widespread distribution of the public debt, and to aid in our fight against inflation. Some dollars, I think you will agree, are much more important than others in attaining these objectives; and, almost without exception, it is the hard-to-get money which is the most important. That is why we need salesmen and sales promotion. That is why it is taking, and why it will continue to take, plenty of hard work to maintain our savings bond record.

The over-all record of savings bond sales and redemptions is very good. Cash sales of all series of savings bonds in the first nine months of this year amounted to $5,900,000,000, and exceeded redemptions by about $900,000,000. For E. bonds only, the record is also good; but not as good as for all series. Cash sales of E bonds during the first nine months of the year amounted to $3,500,000,000, and fell short of redemption by about $800,000,000—a record which I consider remarkably good, especially in view of the period which we have been through, and of the predictions, which all of you heard, about the flood of savings bond redemptions which would follow the end of the war.

But I should like to go further than the fine over-all record, which has been built up, in large part, by high sales of series F and G bonds. It has also been helped by the continued high sales of $1,000 denomination E bonds—which are bought, for the most part, by institutional investors and by individuals with high incomes.

Sales of smaller denomination bonds have fallen off more than the over-all figures, and it is the sales of these bonds which count the most in the terms of either of our major objectives—that of combating inflation or that of maintaining a widespread ownership of the public debt.

Our most powerful instrument for selling bonds to the small investor is the payroll savings plan. Experience has demonstrated that most people can save money month after month only if they participate in some type of regular savings plan. The payroll savings plan provides the most convenient method of buying savings bonds—and, in addition, assures their purchase in advance of expenditures on consumers' goods.

I think that you will be interested in some of the results of an analysis which we have made of the present status of the payroll savings plan. Total participation in the plan has fallen from a high of about 27,000,000 persons during the war to about 7,500,000 at the present time; but the average deduction has continued about the same, amounting now to around $18.50 a month. This means that many of the employees with smaller deductions have dropped out of the plan altogether.

There have been many causes for the decrease in employee participation. A sharp decrease, of course, was to be expected after the end of the war. But there are also important causes which you can do something about. A major one is labor turnover. When a man changes jobs, his old payroll savings allotment is automatically cancelled. It requires a conscious effort—and often a real sales job—to get him back on the payroll savings plan at his new place of employment. This is one of the ways in which you are now helping the most, and in which, I am sure, you will help.

There are plenty of reasons, based on legitimate self-interest, why every worker should want to get on the payroll savings plan, or to increase his allotment if he is already a participant.

The most powerful of these reasons is also the most general one. A reserve accumulated in the form of Series E savings bonds, payable on demand, gives protection, so far as it can be provided financially, against misfortune in whatever form it may strike. Every person has greater peace of mind when he knows that he has, or is accumulating, such a reserve. Every survey has shown that the most common reason given for buying savings bonds is still, "to provide for a rainy day."

But savings bonds provide more than security; they also provide opportunity.

They provide family opportunity—opportunity to provide a reserve for educating our children, or for purchasing a home or a farm.

They provide individual opportunity — opportunity to accumulate the capital necessary to go into business for one's self, or for further education or travel.

Savings bonds represent the ideal way of holding purchasing power in reserve. Today we are confronted with shortages on every side. But in the years to come, goods will be available in greater variety and for immediate delivery. We shall be able to get what we want when we want it. This is worth saving for. It is worth buying bonds for.

In conclusion, I leave this message with you. The savings bond program, backed so unselfishly by you people, is doing well. It is having its effect in the battle against inflation, and is helping to maintain a widespread ownership of the public debt. Naturally, we want to do better. We want to increase small bond sales—to bring in more and more of those hard-to-get dollars, which count the most.

The E bond is a good investment—and you are doing a favor to the one you urge to buy. You are contributing to the future well-being of the individual, and to the economic stability of our Nation.

The experience of the war period, and the period that lies between V-J Day and the present hour, has taught the Treasury Department that it can always rely on your group for fine, effective cooperation. For the good deeds of the past, and for your continuing efforts in the future, I again extend my personal thanks and the thanks of your Government

In your own plants, through your business connections, and through your influence in widespread communities, I know I can count on you to again work with us in this renewed bond drive—particularly in promoting the payroll savings plan.

Stock Market Break and Holding Company Integration Plans

(Continued from page 2202)

the "bundle of rights" theory to pursue more expedient procedures.

The major difficulty confronting both holding companies and the SEC in the integration of utility aggregations has been the determination of an equitable and workable formula for the elimination of the liquidation preferences of senior stocks, and it was for the fair satisfaction of these claims that the "bundle of rights" theory was evolved. But it did not jump full-born from the minds of the Commission and its staff, like Athena from the mind of Zeus. Serious consideration and deep analysis over a period of years were devoted to the problem and it was further developed through a series of Findings and Opinions dealing with specific cases. For that reason, an acquaintance with those opinions is necessary to an understanding of the philosophy of the Commission with regard to liquidation preferences.

The first lucid, though incomplete, discussion of the "bundle of rights" theory appeared in the United Light and Power Company opinion — Holding Company Act Release No. 4215—of April 1, 1943. Although no debt securities were involved, United Light and Power had outstanding 600,000 shares of Class A Preferred with a liquidating value of $100 a share and on which dividend arrearages of $64.50 a share existed as of Dec. 31, 1942. In addition, there were outstanding 2,421,192 shares of Class A and 1,055,576 shares of Class B common stock, both with a stated value of $4 a share. But the only major asset of Power was 1,000,000 shares of United Light & Railways common stock, so the problem confronting the SEC, which had previously held that the existence of United Light and Power unnecessarily complicated the holding company corporate set-up, was how to equitably distribute the Railways common shares among the stockholders of Power.

The plan before the Commission proposed to give 91.20% of the Railways common to the Class A Preferred holders of Power in full satisfaction of their liquidation preferences, 6.13% to the Class A common and 2.67% to the Class B common. But the SEC decided that the two classes of common stock would receive too liberal treatment under this distribution, and that all they were entitled to was 5%. In applying its "bundle of rights" theory to this problem, the SEC said the following. (To aid those who would like to examine these remarks in connection with those preceding or following them, page numbers of the multigraphed releases will precede these excerpts.)

Page 9—". . . it is not inconsistent with the bankruptcy and equity precedents to conclude that in reorganizations and liquidations to comply with Section 11, stockholders affected should be given participations according to their contractual or other rights determined as *though in a continuing enterprise*, and that the purpose of compliance with the statute should not be permitted to mature liquidation preferences."

Page 10—". . . if a class of preferred stock has a measurable interest in an enterprise absent the maturing of liquidation preferences and a proportionately greater interest upon the maturity thereof, it would not be fair or equitable under the statute to give recognition to the greater interest at the expense and to the detriment of the common stock. And conversely, if the common stock has a measurable interest apart from the maturing of liquidation preferences, we must not sanction the destruction of that interest through the operation of the statutory mandate."

Then, after reciting the intent of the Holding Company Act to correct certain evils, and stating that the elimination of United Light and Power was an important move in that direction, since it would place the Power stockholders one layer closer to actual operations, the SEC continued:

Page 10—"This process of improvement of position must not be permitted to destroy any legitimate interests of the common stock, or present a windfall to any senior security."

Page 12—"It is our conclusion that we must judge the fairness of the plan according to legitimate investment values existing apart from the duty of liquidation imposed by the statute. The existence of the liquidation preference does, of course, enter into the question as it is one of the bundle of rights belonging to the preferred stock and affecting its normal value. The preference itself, however, will not be permitted to operate so as to be conclusive in the division of assets between the preferred and common stocks."

Page 13—"To accelerate the arrearages and translate them into matured claims at their full face amount, so as to entitle the preferred stock not only to all the assets but also in perpetuity to the entire earning power of those assets—a portion of which would otherwise have been applicable to the common stock—would clearly be to enrich the preferred at the expense of the common. Under the circumstances, fair and equitable compensation will be given to all the claimants if their rights are measured not in terms of the situation created by the statute but rather in terms of the situation terminated by it—i.e., as though no liquidation were to take place."

Again, after noting the possibility of improved future earnings for United Light & Railways, the SEC said:

Page 19—"That improvement should be shared by the common as well as the preferred, and the process of securing improvement in compliance with the Act should not be permitted to destroy existing investment values."

The United Light and Power opinion has been quoted at considerable length not only because it is the first rather full expose of the Commission's "bundle of rights" theory but also because it was upheld by the U. S. Supreme Court in a case in which the distribution formula of the SEC was attacked.

Although not in chronological order, the SEC's Findings and Opinion of April 26, 1945—Holding Company Act Release No. 5745—in the Northern States Power Company of Delaware case should be considered next, because of its similarity to the United Light and Power case. Again, no debt securities were involved, while preferred arrearages were of meager proportions, totaling $4,776,374, and were partly erased by cash before any distribution of portfolio assets was made. Moreover, practically the sole asset of the Delaware Company consisted of the common stock of Northern States Power Company of Minnesota. And having decided that the Delaware Company served no useful purpose and should be dissolved, the problem confronting the SEC again was the equitable distribution of the portfolio holdings.

As of Dec. 31, 1943, the capitalization of Northern States of Delaware was comprised of 391,077 shares of $100 par value 7% preferred, 391,099 shares of $100 par value 6% preferred, 341,551 shares of $25 par value Class A common and 729,166⅓ shares of no par Class B common. Under the plan before the Commission, the Delaware Company was to pay from cash on hand dividends of $3.50 and $3, respectively, on the 7% and 6% preferred stocks; the Minnesota Company was to reclassify its common shares, and the Delaware Company was to distribute the new shares to its stockholders in the following proportions:

47.60% to the Delaware 7% preferred.

42.84% to the Delaware 6% preferred.

8.32% to the Delaware Class A common.

1.24% to the Delaware Class B common.

In its Findings and Opinion, the SEC said:

Page 21—"The question presented is thus substantially similar to that in United Light and Power Company . . . where we held that, in reorganizations and liquidations made necessary by Section 11 of the Holding Company Act, the requirements of Section 11 do not operate so as to mature liquidating preferences of a preferred stock. As in that case, our task here is to measure the present value of the respective rights in the enterprise held by the several classes of Delaware stockholders. To reach a fair result, we believe we must measure the rights on a going-concern basis without regard to the consequences flowing from Section 11, giving proper emphasis to immediately operative rights (such as rights to current dividends) as against inchoate rights (such as liquidation preferences)."

A confusing element was injected during the hearings in this case by a Preferred Stockholders' Committee. Since 69.9% of the voting power was vested in the senior shares and Minnesota laws provided that a two-thirds majority vote might dissolve a corporation, the preferred stockholders contended that they had the requisite power to mature their liquidation preferences. But the SEC pointed out that this majority of voting power was purely a product of one of its intermediary steps in the elimination of the Delaware Company; that a few years earlier, before granting to the preferred its dominant voting position, it held only a minority of the votes. So the SEC said:

Page 22—"The fact is that the liquidation is being proposed not by the preferred for the purpose of maturing liquidation preferences but by the management as a step necessary for compliance with Section 11 (b) (2), and we believe that the rights of the representative classes should be governed by the standards we have applied in previous cases where the requirements of the Act motivate the elimination of a corporate entity from the holding company structure."

Probably because the preferred arrearages were of modest proportions and were largely extinguished with cash, the SEC permitted the Northern States of Delaware common stockholders to receive 9.56% of the Minnesota common, whereas it had cut the proportion of United Light & Railways common to be given the United Light and Power common stockholders from 8.8% to 5%.

A somewhat analogous set of circumstances confronted the SEC in the plan submitted for approval by Standard Gas & Electric Company. As of July 31, 1944, Standard Gas had $59 million of Notes and Debentures outstanding, while its stocks consisted of 338,348 shares of no par $7 Prior Preference of $100 liquidating value, 100,000 shares of no par $6 Prior Preference of $100 liquidating value, 757,442 shares of no par $4 Preferred of $50 liquidating value and 2,162,607 shares of no par common. In addition, dividend arrearages on the $7 Prior Preference were $27,159,526, those on the $6 Prior Preference amounted to $6,320,000 and accumulations on the $4 Preferred were $34,589,851, or combined arrearages of $68,069,377.

Unfortunately, the book value of Standard's assets bore no relation to their intrinsic or existing worth, while application of the highest appraisal presented to the SEC — $123 millions made by a company witness — would have left no eqiuty for the $4 Preferred, let alone the common stock. In the light of this situation, the Standard Gas plan proposed to discharge its Notes and Debentures by the distribution to each $1,000 of debt the following:

$304.95 in cash

3 shares of Pacific Gas & Electric common

12 shares of Oklahoma Gas & Electric common

5 shares of California Oregon Power common

2 shares of Mountain States Power common

18 shares of Wisconsin Public Service common.

In addition, Standard Gas proposed to reclassify its outstanding common stock into 6 million shares of new common of $10 par value and to issue 5,202,135 shares of that stock, to be distributed as follows:

10.5 shares for each share of $7 Prior Preference stock, plus dividend accumulations, or 77% of the new common to this class of stockholders;

9 shares for each share of $6 Prior Preference stock, plus dividend accumulations, or 18% of the new common to this class of stockholders;

⅓ share for each share of $4 Preferred, plus dividend accumulations, or 5% of the new common to this class of stockholders.

In commenting on the contemplated distribution of the new common stock among the three classes of senior stockholders, the SEC stated:

Page 59 — "The liquidation preference of the Prior Preference shares, in the amount of more than $80,300,000 as of July 31, 1944, substantially exceeds the value of the new Common stock of Standard Gas. Nevertheless, viewing the enterprise as a continuing one apart from the requirements of Section 11, we think it would be unfair to allocate all future earnings to the Prior Preference stock in perpetuity. This class is obviously entitled to the great bulk of the new Common stock and future earnings applicable thereto, but to give it 100% would be to confer a windfall upon it at the expense of the junior Preferred stockholders who, at the end of a term of years in the foreseeable future, have a prospect of participating in earnings of a substantial amount."

After the SEC had approved this plan and its fairness had been confirmed by the U. S. District Court, Standard Gas decided it would not be advantageous to adopt it. Since the investing public was bidding for the common stocks of operating utilities on a substantially higher times-earnings basis than when the plan was devised, it had become possible to sell portfolio holdings to the public at prices that would produce sufficient cash, along with the proceeds of a bank loan, to retire the debt securities, and, after taking care of the senior stocks, leave some equity for the common shares which had been denied participation under the reorganization plan.

Nor was Standard Gas alone in this attitude. Since the times-earnings ratio fixed by investors not only continued to rise but, after repeal of the Federal excess profits tax by Congress, earnings themselves increased sharply, utility holding companies as a group no longer looked with favor on the distribution of operating company common stocks to their senior stockholders. At existing market levels, sale to the public of operating company equities would provide holding companies with ample cash for preferred retirements and reserve to the common stockholders a substantially larger participation in future earnings than was possible under plans proposed by the three holding companies herein examined.

There was, however, one fly in the new brand of ointment. As indicated by the foregoing excerpts from Findings and Opinions, the SEC has consistently held that a distribution of portfolio assets in mandatory compliance with Section 11 of the Holding Company Act does not operate to mature liquidation preferences of senior stocks, since the enterprise continues to function in essentially the same manner as before and the various rights of the senior stockholders, recognized in the security distributions, are largely preserved. But where a holding company chooses to ignore the privilege of satisfying senior stock claims through the distribution of portfolio assets in a proportion and manner approved by the SEC, and seeks to eliminate these claims with proceeds arising from sale to the public of a part of its assets, it thereby matures the liquidation preferences of senior stocks by terminating their continuing participation in the enterprise. Accordingly, it must satisfy these matured liquidation preferences. This may be seen in the refusal of the SEC's utility staff to approve the retirement of holding company preferred stocks at their face values and its insistence that call prices must be paid.

It becomes apparent, then, that the device of selling a part of the portfolio assets and of satisfying the liquidation preferences of the senior stock with the proceeds can be successfully employed only in a market in which investors bid the common stocks of operating utilities to a sufficiently high times-earnings level. And conversely, it is obvious that when the times-earnings valuation drops to too low a level to provide sufficient cash from the sale of a part of the portfolio assets to retire senior stocks, portfolio assets must again be distributed to all stockholders according to the existing investment values of each class.

But when this condition prevails, it cannot be truthfully said that the SEC has reverted to its "bundle of rights" theory. Actually, it never has departed from that theory; it has held it in abeyance while holding companies and their bankers have enjoyed a field day, but it is still there, awaiting the pleasure or need of the holding companies. And unless the market does an about-face and returns to at least the levels of last June, numerous holding companies may again be employing the "bundle of rights" device.

To be sure, recent market drops do not necessarily mean that all holding company integration plans must be revised. As a part of its plan for compliance with the Act, Commonwealth & Southern has proposed the sale by Consumers Power Company of a sufficient number of its common shares to provide the sum of $20 millions, while The Southern Company, its new holding company to own its southern operating subsidiaries, will sell to the public sufficient common stock to provide $10 millions. Obviously, at lower levels than prevailed when these distributions were first proposed, it will require a greater number of common shares to produce the fixed number of dollars required. Yet, according to Holding Company Act Release No. 6930, page 13, covering an October 4th hearing on one phase of the plan, the SEC said:

". . . the management has asserted that, despite the recent market declines, it intends to proceed with its program for the financing of Consumers Power and The Southern Company."

Fortunately, both the Commonwealth & Southern and the Electric Bond and Share plans contain escape provisions which fit nicely into a retreat to the "bundle of rights" theory; both reserve the right to distribute portfolio holdings to preferred stockholders in lieu of cash. But in cases where holding companies are committed to a program of selling portfolio assets and the retirement of preferred liquidation claims in cash, the common stockholders of these companies will be called upon to bear the entire shock of stock market declines.

In many instances, the present integration plans of holding companies will have to be revised to reflect lower market values, which will mean not only added work for utility executives and further costly legal work, but many preferred stockholders doubtless will fuss because they must accept payment in kind. Yet, unless the SEC will be willing to postpone holding company integrations until such time as the market rises to the June levels, there would appear to be no other solution to the problem.

Offering and Present Market Prices of Operating Utility Common Stocks Distributed During the Past Six Months

Common Stocks—	Date Offered	Shares	Offering Price	Oct. 19 Price
Tennessee Gas & Transmission	4-9	484,444	19¾	*16¼
United Transit	4-26	200,000	15	*10¼
Scranton Electric	5-2	1,214,000	22½	*16½
Indianapolis Power & Light	5-8	142,967	31	†26
Pacific Gas & Electric	5-9	177,000	44	†40¾
Public Service of New Hampshire	5-9	133,142	39	*34
Central Maine Power	5-10	373,832	28	*22
Columbus & Southern Ohio Electric	5-23	744,455	53½	†40¼
Tucson Gas Electirc Light & Power	6-7	147,000	40	*31
Dayton Power & Light	6-10	1,530,000	35¾	†32½
California Electric Power	6-20	169,636	13¼	‡10¼
Ohio Edison	6-25	204,153	41¼	†33½
Cincinnati Gas & Electric	8-22	2,040,000	26	†27
Average prices			31.46	25.90

*Over-the-Counter. †New York Stock Exchange. ‡New York Curb Exchange.

The Anglo-Swiss Monetary Agreement

(Continued from page 2219)

in that area, are permitted to make to residents of the sterling area—

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

(b) if the balance standing to the credit of the Bank of England's No. 1 Account with the National Bank of Switzerland amounts to 86,750,000 Swiss francs against gold to be set aside in the Bank of England's name at the National Bank of Switzerland, Berne.

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

(a) against sterling to be credited at the official rate to the National Bank of Switzerland's No. 1 Account with the Bank of England, provided that the balance standing to the credit of that Account is not thereby increased above a maximum of £5 million, plus such additional sum as may be determined by the Contracting Governments in the light of the estimated balance of payments between the sterling area and Switzerland, or

(b) if the balance standing to the credit of the National Bank of Switzerland's No. 1 Account with the Bank of England amounts to £5 million, plus the additional sum referred to in sub-paragraph (a) above, against gold to be set aside in the name of the National Bank of Switzerland at the Bank of England, London.

(3) The National Bank of Switzerland shall at all times maintain on their No. 1 Account with the Bank of England a minimum balance, the amount of which shall be determined in agreement with the Bank of England.

(4) The Bank of England shall at all times maintain on their No. 1 Account with the National Bank of Switzerland a minimum balance, the amount of which shall be determined in agreement with the National Bank of Switzerland.

Article 3

(1) The Bank of England shall have the right at any time to sell to the National Bank of Switzerland, against all or part of the sterling balances held by that Bank, either Swiss francs at the official rate or gold to be set aside at the Bank of England in London.

(2) The National Bank of Switzerland will have the right a any time to sell to the Bank of England, against all or part of the Swiss franc balances held by that Bank, either sterling at the official rate or gold to be set aside at the National Bank of Switzerland in Berne.

Article 4

(1) Gold set aside in Berne in accordance with the provisions of Articles 2 and 3 of this Agreement shall be at the Bank of England's free disposal and may be exported.

(2) Gold set aside in London in accordance with the provisions of Articles 2 and 3 of this Agreement shall be at the National Bank of Switzerland's free disposal and may be exported.

Article 5

(1) Subject to the provisions of Article 2 of this Agreement, the Government of the United Kingdom shall not restrict the availability of sterling at the disposal of residents of Switzerland for making—

(a) transfers to other residents of Switzerland;

(b) payments to residents of the sterling area; or

(c) transfers to residents of countries outside Switzerland and the sterling area to the extent to which these may be authorized by the Government of the United Kingdom under the arrangements contemplated in Article 9 (3) hereof.

(2) Subject to the provisions of Article 2 of this Agreement, the Swiss Government shall not restrict the availability of Swiss francs at the disposal of residents of the sterling area for making—

(a) transfers to other residents of the sterling area;

(b) payments to residents of Switzerland; or

(c) transfers to residents of countries outside the sterling area and Switzerland to the extent to which these may be authorized by the Swiss Government under the arrangements contemplated in Article 9 (3) hereof.

Article 6

To the extent to which the National Bank of Switzerland requires sterling area currencies, other than sterling, for the purpose of providing for payments in the countries where such currencies are legal tender, the National Bank of Switzerland shall purchase them through the Bank of England against payment in sterling.

Article 7

The two Contracting Governments shall cooperate with a view to assisting each other in keeping capital transactions within the scope of their respective policies, and in particular with a view to preventing transfers between the sterling area and Switzerland which do not serve direct and useful economic or commercial purposes.

Article 8

Any sterling held by the National Bank of Switzerland shall be held and invested only as may be agreed by the Bank of England, and any Swiss francs held by the Bank of England shall be held and invested only as may be agreed by the National Bank of Switzerland.

Article 9

(1) If the two Contracting Governments adhere to a general international monetary agreement or if either Government changes its monetary policy in such a way that the provisions of the present Agreement would be affected, the two Governments shall review the Agreement with a view to making any amendments that may be required. In any event, they agree to meet for the purpose of making such a review not later than twelves months after the date of the coming into force of the present Agreement.

(2) While the present Agreement remains in force the Contracting Governments shall cooperate to apply it with the necessary flexibility according to circumstances. The Bank of England and the National Bank of Switzerland, as agents of their respective Governments, will maintain contact on all technical questions arising out of the Agreement.

(3) As opportunity offers, the Contracting Governments shall seek with the consent of the other interested parties—

(a) to make Swiss francs at the disposal of residents of the sterling area and sterling at the disposal of residents of Switzerland available for payments of a current nature to residents of countries outside the sterling area and Switzerland; and

(b) to enable residents of countries outside the sterling area and Switzerland to use sterling at their disposal to make payments of a current nature to residents of Switzerland, and to use Swiss francs at their disposal to make payments of a current nature to residents of the sterling area.

(4) Notwithstanding that each of the Contracting Governments shall be alone responsible for its monetary relations with third parties, they shall maintain contact wherever the monetary relations of the one affect the interests of the other.

Article 10

(1) For the purposes of the present Agreement the expression "the sterling area" shall have the meaning from time to time assigned to it by the exchange control regulations in force in the United Kingdom; and the expression "Switzerland" shall mean the Swiss Confederation and the Principality of Liechtenstein.

(2) Transactions between the Bank of England and the National Bank of Switzerland are to be considered as transaction between the sterling area and Switzerland.

(3) Transactions entered into by the Government of any territory within the sterling area or by the Swiss Government are to be considered as transactions entered into by a resident of that area or of Switzerland, respectively.

Article 11

The present Agreement, which shall be subject to review and adjustment after mutual consultation, shall come into force on the day of its signature. At any time thereafter either Contracting Government may give notice to the other of its intention to terminate the Agreement and the Agreement shall cease to have effect three months after the date of such notice. It shall terminate three years after the date of its coming into force, unless the Contracting Governments agree otherwise.

In witness whereof, the Undersigned, being duly authorized by their respective Governments, have signed the present Agreement and have affixed thereto their seals.

Done in duplicate in London, this twelfth day of March, 1946, in English and French, both texts being equally authoritative.

(L.S.) ERNEST BEVIN.
(L.S.) PAUL RUEGGER.

Dept. of Justice Finds It Is Not Easy to Prove Underwriters Are Violating Anti-Trust Law

(Continued from page 2214)

which means that the Department of Justice now desires oral evidence to substantiate or to supplement its other findings or its suspicions. There is no doubt the Justice officials intend to follow up every possible clue — to leave no stone unturned, as it were — in its attempt to ferret out whatever of monopoly or monopolistic practices they believe can be found in the investment banking field.

Some observers have felt that the launching of the Grand Jury part of the investigation at least was timed to influence the current election contests. That such diversified elements thought they could make political capital out of the Grand Jury's work at this time is in itself perhaps a reliable indication that very little political capital exists in the situation either way or that such political capital as may exist is of a very doubtful quality. The Justice officials themselves have a one-track mind on the question of monopoly in the underwriting industry. They are probably not unmindful of the fact the elections are just around the corner but it is questionable whether they have concentrated much attention upon them. It is probably true that the initiative for capitalizing on the Grand Jury investigation most likely has come from sources outside the Department of Justice.

To the charge the current investigation is "secret," it can be replied of course that all Grand Jury investigations are secret. Thus, there are or can be no hidden implications to the fact the Justice Department is not publicizing the details of its investigation.

From what can be learned, the price-fixing practices of the underwriting group are indeed receiving the closest scrutiny of the investigators. The Justice officials, in fact, raise the question of just exactly what constitutes the underwriting function. It probably would be correct to say that some of the investigators at least are inclined to take the view that underwriters as a group are little better than wholesalers of securities. The underwriters, by adopting a language of their own—like the lawyers and the doctors—have surrounded their activities with and air of mystery which they definitely should not, do not have, they hold. As wholesalers, underwriters are no different than wholesalers of any commodity that could be named, they believe. Consequently, they hold underwriters are entitled only to a wholesaler's profit.

To float some new issue, an underwriting house may merely borrow a sum of capital—though admittedly perhaps a very large sum, running sometimes into the tens of millions—from some bank for a few hours, at least one official sauce contends. Through dealer arrangements built up through the years, the underwriting house then quickly shifts any risk it may have taken on in the venture over to others and the money is returned to the bank without delay, he says. In effect, all this merely means, he feels, that a bank writes out a check which it gives to the underwriting house heading a syndicate or acting as agent for a group of dealers in the morning and receives another check in payment for the first from the same underwriting house in the afternoon. For this, the underwriter receives very good pay, he states.

Of course, it could be pointed out here that underwriting practice is as it is today very largely because of the twenty-day incubation period required of all new issues by the SEC. Formerly, an underwriter might actually forward cash in substantial amount to some issuer at the initial stage of an underwriting venture, taking his chances on his ability to raise the remainder of the money later through the traditional underwriting channels, including the public offering. This did constitute true underwriting in the real sense of the term. But it is the SEC and the laws giving rise to the SEC and not the underwriters who have changed all that.

The Justice officals are also known to be concerned over what they call the "family relationships" that have developed between underwriting houses, security dealers and issuers. The officials are understood, too, to be taking the view that the make-up of underwriting syndicates follow certain consistent patterns not so much to divide risk according to the ability to assume risk, but to divide the available business between a few firms in a more-or-less closed circle. In a sense, the Justice Department links the question of family relationships in syndicate formation to price-fixing, since it feels that syndicates so constituted can eliminate competition by steering business along very definite channels.

Collective Bargaining With a Club

(Continued from page 2209)

and sabotaged their defenses. You remember how the President marched up the Hill to demand a law to protect the people and their government; and then marched down the Hill to veto the law that an angry, frightened Congress had passed.

What you want to know today, and what about a hundred million other Americans want to know, is: How long is this thing going to last? To answer this question without imposing on you the gloom of a factual report requires imagination. It calls for the optimism of the man who, at the start of the rainy season, says: "Soon the sun will be shining." It calls for the almost offensive good cheer of one who in November burbles: "If winter comes can spring be far behind?" In short, it calls for the report of one who, though bald and gray, is still, at heart, a boy scout—wanting to serve God and country and to help other people to do the things they don't want to do.

Selfish Interests Must Be Subordinated

By the misfortune of being born 24 years before the Boy Scout Movement was born, I have never been an authentic boy scout. But in 42 years of law practice I have spent several thousand hours trying to persuade my clients to do things they do not want to do, because that way they might serve God and country as well as themselves. So perhaps there has always been a boy-scoutish quality in my thinking, particularly in recent years when, first as a public official and then as a private meddler, I have been trying to convince tough labor unions and hard-boiled employers that their selfish interests must be subordinated to the public welfare.

But, the boy scout has been getting old and intolerant of stupidity, treachery and greed. He has allowed himself frequently the luxury of denouncing the enemies of peace and the flouters of law and order, in harsh and even rude language. You might think from recent utterances that I believed that all labor leaders should be put in jail. You would misunderstand me. I only think that labor leaders, like all other citizens, should be notified to obey the laws and to keep the peace—or else be put in jail.

There is just one reason why industrial warfare has disgraced our nation, ruined our economy, and stifled our prosperity in the last year. That reason is that, as a people, we haven't had the common sense and political courage to write laws providing peaceful ways for the just settlement of labor disputes and requiring both employers and employees to obey those laws.

Law Permits Force to Be Arbitrator

You and I have no right to condemn labor unions and their leaders for using force to win their battles, so long as the law of the land not only permits force, but actually makes force the final arbiter of labor conflicts. But I do condemn labor leaders and business leaders who oppose any effort to establish by law the ways and means of peaceful settlement and to place a legal duty upon both management and labor to give peaceful methods a fair trial before they begin to make war on each other.

Private armies and private wars are not private business. The public has a right to insist upon a rule of law and order — which means a rule of public force for the protection of the public interest, and the outlawing of any rule of private force for private gain.

No government worthy of respect can tolerate the tyranny of organized mobs or the tyranny of economic monopolies. The United States never tolerated for long the tyranny of organized mobs, until they organized in the name of labor. The United States never tolerated for long the tyranny of economic monopolies, until they monopolized in the name of labor. But the tyranny of a labor boss or a labor monopolist is just as destructive of liberty as any other tyranny. It is the duty of a government of free people to stop or to destroy every newly-rising private force that menaces their liberties.

No Crippling of Labor Unions

But it is not the duty of our government to cripple or to destroy labor unions simply because the powers of organized labor have been abused. It is not the duty of our government to reestablish the powers of property owners and managers to dictate wages and conditions of employment to wage earners. Let us not forget that those powers were also abused. It is the duty of our government to maintain a democratic balance of power between economic interests, and to maintain a really competitive and free economy. This balance of power is frequently upset by laws, either well-intended or deliberately designed to favor some special interest.

Tariffs may be intended to protect a national standard of living; or they may be designed to favor a few manufacturers at the expense of the rest of the people.

Labor laws may be intended to prevent the oppression of unorganized labor; and they may become the instruments of oppression by organized labor.

Immunity from anti-monopoly laws may be granted in order to free labor from undue restraints upon concerted action; and this immunity may be transformed into a license to monopolize the production of the necessities of life, a license to force the public to pay tribute to the most far-reaching and vicious monopolies ever devised.

It is no answer to a nationwide demand for industrial peace, either merely to repeal the laws granting special privileges and immunities to labor unions, or merely to enact repressive laws to cripple the unions. Nor is it an answer for the government to stand aside and let organized labor and organized employers fight out their disagreements, while the strength of the nation is exhausted in civil warfare.

Time for Government Positive Action

We have come to a time when the Federal Government must take positive action to undo the evils that have been wrought by its unwise actions and its timid inaction in the past. It is time to reestablish the supremacy of the public interest in the settlement of all conflicts of private interest that have serious effects upon the general welfare.

If you are one of those slogan-ruled persons who shudder and shrivel at the words "compulsory arbitration," just relieve your tremors by advocating an "administration of justice under the law." This is the sweet-sounding description of that compulsory arbitration of disputes which has been accepted for centuries as essential to the maintenance of a civilized society.

You and I may have a violent disagreement over whether you will sell me goods that I need urgently at a price that I can pay. But I am not permitted to organize a gang to compel you to sell to me, or to prevent you from selling to anyone else. If I have a contract right I can sue you. If there is competition I can deal with others. If you have a monopoly I can call upon the government to break it. But, even though my livelihood and everything dear to me depend upon getting you to agree with me, I cannot use force, intimidation and extortion as the means to save myself.

A man and wife separate; and custody of the children becomes the most precious and priceless desire in the world—far more important than any wage increase. But neither father nor mother is legally free to settle their dispute by force. They must submit to a compulsory arbitration—the binding decision of a court.

An automobile knocks down a pedestrian who may be crippled for life. But the law does not permit the injured man to collect damages with a gun, or to besiege the driver's home and intimidate him into a settlement. There is a compulsory arbitration required by law through which one man may be compelled to pay, or another may be denied, compensation for a ruined life.

Compulsory Arbitration

If there were a law compelling the arbitration of all unsettled labor disputes and forbidding all strikes, that law would simply extend an essential process of civilization into the one remaining field of social conflict wherein men are now permitted to settle their differences by force and violence.

But it is not necessary to advocate such a law . We can tolerate economic battles and even physical violence within limited areas wherein losses and suffering will be confined largely to the fighters, and little public discomfort or hardship will result. We need not strain ourselves in an effort to become wholly civilized, all at once.

Sometimes it seems that there are several million persons in the United States today who only wear the clothes of civilization and try to talk its language, but who, underneath, have the brutish desires and low selfishness of their savage ancestors. When such persons come in conflict it may not be altogether wrong to let them slug it out, so long as they don't disturb or harass their innocent neighbors. It is always difficult to enforce any law designed to require men and women to behave better than they are willing to behave.

It is, however, practical to require by law that all persons conform to the minimum standards of good conduct which a strong majority opinion approves. And so, I believe it is practical now to enact laws which will require the peaceful settlement of all economic conflicts which ought to be speedily decided in order to avoid serious injury to the public. Furthermore I believe that a majority of the organized wage earners have come to realize that widespread and prolonged stoppages of production cost the workers themselves far more than any gains they may achieve, even by an apparent victory in the end.

It is a healthy sign that we have at least begun a national debate over what kind of Federal law would move us forward toward industrial peace. Those who do not want peace, those who believe they profit by continual warfare, will, of course, find plausible reasons to oppose any legislative program. Others, exasperated by years of expanding bureaucracies and political interferences with individual liberty, will protest against more laws and more political controls.

Need More Federal Regulation of Labor Relations

These radical and reactionary oppositions must be overcome before progressive and truly liberal laws can be enacted. That is why it should be emphasized over and over again that the object of new labor legislation must not be an increase of Federal regulation of labor relations. On the contrary, the object of new labor legislation must be to free management and labor from dictatorial controls, by labor leaders, by large employers or by government.

The object of new labor laws must be primarily to make available orderly procedures for the just settlement of labor disputes, to require all parties to use those peaceful procedures, and to prevent the disruption of peace by those who, because of ignorance, brutality or malice, would resort to force and violence in order to advance their selfish aims.

Agreements between employer and employees upon the terms of their voluntary cooperation, should be the product of free negotiation in a truly competitive industrial system. It is not the function of government to dictate or even to try to shape the terms of these agreements. But it is the function of government to provide the ways and means and the orderly surroundings in which free men may freely bargain; and to provide assurances that contracts once made can be enforced. It is the neglected task of our government to fulfill its ancient duty to assure its citizens that their lives shall not be ruled by force and fraud and fear.

It is the duty of the government to establish freedom of collective bargaining without intimidation and dictation, to insure collective bargaining with open hands and to put an end to collective bargaining with a club.

International Trade Conference Making Rapid Progress

(Continued from page 2205)

The American draft of the proposed International Trade Organization charter has been made the basis of the current discussions. Considering demands already voiced by others, it will emerge with various not unimportant modifications and escape clauses. But American delegates express optimism at the outlook.

British, in public and private comment, lead in emphasizing the subordinateness of any International Trade Organization to the maintenance of prosperity within America, because so much of the world's trade hangs on American imports.

While current discussions stem from the Atlantic Charter, Lend Lease, Bretton Woods and statements attending announcements of British and French loans, in which latter the borrowers affirmed agreement with the general principles of the American trade proposals, the current London gathering has before it not those proposals but instead a suggester charter to which not even the United States is committed.

Because coordination is indispensable, the Fund and Bank and the Food and Agriculture Organization have observers here who participate in discussions.

While Indians and some others would like a perfectly free hand to protect growing industries and therefore registered blanket objection to certain features of the proposed Charter, the Australians, who also seek industrial growth, came with concrete suggestions for modifying the American Charter. The Australians propose an International Industrialization Commission, with certain affirmative and permissive functions. The Americans, however, feel that subsidies rather than tariffs and quotas can meet underdeveloped countries' needs. Some compromise, of these different views therefore must emerge.

Empire preference naturally is the big issue between the United States and the British Empire. It will be remembered that imperial discussions preceded the present meeting. Clearly the British and Dominions won't surrender any present advantages without alternative benefits on the barrelhead. This firm position held by public opinion was clearly revealed in the Bretton Woods debates.

The present conference is now expected to conclude sometime in November instead of December as was earlier thought. Before its next meeting in March, probably in Geneva, an interim drafting subcommittee will carry on where this leaves off. That interim committee will be much smaller than the present one, will prepare language to carry out the decisions reached here, and will draft further suggestions where no agreement is now attainable. By March the United States will be ready for bilateral negotiations under the trade agreements' authority with countries comprising the preparatory committee now sitting here. The March meeting therefore will be "the proof of the pudding," while the general International Trade Conference called later in 1947 to adopt the International Trade Organization promises to be anticlimactic.

The World Bank is very anxious that the International Monetary Fund be strong and the Fund recognizes that ultimate outlawing of exchange restrictions could be circumvented by trade controls. Similarly, establishment of a world food board under the Food and Agriculture Organization would greatly interest the International Trade Organization. The Bank of England is directly interested in three aspects of the current conference, namely Industrialization, Buffer States and Employment. It wants to protect its absolute independence so that no agency like the International Trade Organization can commit the Bank to any policy. In this Conference, for instance, there have been proposals that national directors of the Fund and Bank should pursue their policies based on home employment conditions and the like. However, the Bank is jealous of its function to judge cases on their merits and feels that the sale of its securities would be impaired by any such interagency tie-in. It has explained this viewpoint here and so blocked the proposals mentioned.

The Silver Situation Being Critically Examined

Explaining Britain's silver Lend-Lease repayment plans to Parliament on Oct. 15, Chancellor of the Exchequer Dalton, observing that silver has now become too expensive to be used any longer as a means of currency, added: "We and India cannot possibly buy this silver in the market." Mr. Lokanathan, a member of India's delegation here, discussing the foregoing with the "Chronicle," today stated that there is no justification for having required India to treat silver any differently from any other Lend-Lease goods. Although India has used the silver for coinage which can now be recovered, as in the United Kingdom, Mr. Lokanathan said: "If we have to acquire the silver for return at a higher price than prevailed when we got it, we shan't consider it very fair."

Doubtless silver Senators in securing ounce for ounce repayment thought they were repeating the Pittman Act, which subsidized the market by Treasury buying. Actually by the Lend-Lease clause they have pushed silver another long step into demonetization.

Legal Aspects of Bretton Woods Agreements

(Continued from page 2207)

to be placed in the proper organizational setting. The United Nations provided for the Economic and Social Council, which has had far too little emphasis. Its work will be most essential in the coordination of all of the subsidiary international agencies, of which the Bank and the Fund are two of the most important. One of the great fears of foreign countries in cooperating for the restoration of trade and business is the possible development of depression and unemployment in the United States. A high level of employment is the universal goal of all governments. This depends essentially on restoration, stabilization and peace. The organizations principally interested will be the International Labor Organization, the proposed International Trade Organization, and the Bank and the Fund. The trade Organization will include cooperation in regulating cartels, in setting up commodity agreements, and in reducing trade barriers. The Bank and the Fund constitute the financial underpinning for the operations of the other two.

Forty-four nations set up the Bank and the Fund, and, after a vigorous debate, they were both approved and supported by Congress at its last session. As a result of this debate, certain changes were made in the original plans, although they will probably not require any amendment of the agreements. For instance, a National Advisory Council on international monetary and financial problems was set up by the Bretton Woods statute, which provides for the first time a formal coordinating body in the United States Government to insure a thoroughly integrated and uniform foreign policy in this field of activity. This council is made up of the Secretary of the Treasury as chairman, the Secretary of State, Secretary of Commerce, the chairman of the Board of Governors of the Federal Reserve System, and the chairman of the Board of Directors of the Export-Import Bank. The present holders of those offices make an extremely strong committee: Messrs. Snyder, Byrnes, Harriman, Eccles, Martin (former head of the New York Stock Exchange).

Two additional provisions of the statute instruct the American representatives of the Bank and the Fund to secure interpretations which would make it perfectly clear that the Bank was authorized to make major stabilization loans and that the Fund was not, but would be restricted to current operations covering seasonal and other similar influences on exchange rates, as well as possible sudden emergencies. With these amendments, the statute was passed with comfortable majorities in both Houses.

The Bank got into operation last May, and the Fund became active at the end of the summer. The appropriate interpretation just referred to has now been adopted by the Bank, but the Fund directors have as yet not had time to do so.

Of Concern to Lawyers

The first item which is of concern to lawyers is the fact that the Bank is now laying the ground work for the issuance of its debentures. It can finance reconstruction and development through the direct lending of the currencies or gold in which the first 10% of its capital has been paid in; or, by using the funds raised by the sale of its debentures in a member country with the consent of that country; or, by guaranteeing the loans made by private investors. The latter method is the one which it will attempt to promote, but in the meantime it expects to use the second method.

Purchasers in the United States are quite interested in the availability of these securities, but they will find in many cases that the statutes of the various states do not as yet permit certain kinds of investors to handle these bonds. Possible investors are commercial or savings banks, trustees, or private individuals, and investment bankers are much interested as intermediaries in this connection. Insurance companies are also a very possible market.

In the State of New York the statute with reference to the investments of savings banks has already been amended to permit the inclusion of these debentures. Statutes vary greatly; certain of them provide that certain kinds of financial concerns may invest in any securities which are recognized as eligible for the securing of United States deposits. Since the Treasury has recognized these debentures for that purpose, they have become automatically eligible in these cases.

The bank officials have been consulting with various representatives of these groups. The insurance companies, for instance, have been looking into the matter, and a group of New York commercial banks is giving serious study to the problem. The American Bankers Association, through their general counsel, is in close touch with developments in Washington. Investment bankers have offered their services and appointed two special committees through their President, O. S. Garland, of Baltimore.

The Securities and Exchange Commission is directly concerned, since the Bank apparently expects to qualify its debentures under the Securities and Exchange Act. A technical committee advises the National Advisory Council, and its subcommittee on investment is headed by Mr. Walter Lauchheim, of the Securities and Exchange Commission.

Legal Status of Fund and Bank

Litigation may develop in connection with operations of the Bank, as it has occasionally for similar international financial institutions, and the statute fixes the venue of any such actions in the District Courts of the United States, and authorizes removal from State courts.

The status of the Bank and the Fund is of some interest. Section 12 of the Act gives force and effect within the United States, its territories and possessions to certain provisions of the articles of agreement. Both the Bank and the Fund will have legal personality, the ability to contract, to acquire and dispose of property, and to sue in our courts. Their assets and archives will be free from interference; their committees will be treated with the same respect as those of foreign governments; they will be immune from taxation. Their officials and employees will have diplomatic immunity, though they must pay taxes on their salaries in their own countries. The securities will be protected against discriminatory taxation, but will have no other special tax privilege.

Fund Immune from Suits

The Bank and the Fund will differ in one respect: the Fund will be immune from suit unless it consents to be sued, and its property will not be subject to attachment except to execute a judgment.

When other member countries have exchange controls which are consistent with the Fund articles of agreement, the United States courts will not enforce exchange contracts that violate such controls.

Your committee has had some doubt as to the extent of the interest of lawyers and therefore of the Association in the activities of the Bretton Woods organizations. We have cooperated through several of our members in facilitating the approach of the representatives of the Bank to the appropriate legislators who would be concerned with any modifications of the statutes. I am perfectly satisfied that there will be increasing interest of lawyers in the operations of these two organizations if their business is concerned with investment or to foreign trade. This is why we have not completed membership of the committee for the moment.

This is especially true because international investment is a most important element in the reconstruction of our world economy, and it is especially important for the United States. We are in the position that England occupied a hundred years ago and more, as the greatest and perhaps the only major creditor nation which can finance the expansion of trade. We have the same opportunity which England seized to raise the standard of living of many backward countries, and at the same time to profit ourselves in an increasing standard of living here through the import of necessary and desirable goods from all over the world. The business features of this international investment are being seriously considered by the Securities and Exchange Commission and by the New York Stock Exchange. These two organizations are cooperating in expanding the opportunities for the registration of foreign securities here.

More and more American business will be concerned with the establishment of branch plants in foreign countries, which has proven, especially in the last 25 years, a successful form of foreign investment. Of course such enterprises are seriously threatened and perhaps prevented in some areas, by war or the threat of war. Their wide establishment, however, and an appropriate division of labor among the nations of the world, can become one of our surest guarantees of peace. In this respect, the International Bank and the Monetary Fund are essential elements which deserve the sympathetic interest and attention of the American Bar Association.

Banks and Government Bonds

(Continued from page 2206)

boom in business, to draw in current income of savings banks and insurance companies and use the proceeds to pay off maturing bank obligations. In this way the national credit base would be reduced and banks would not be so willing to lend at current low rates. On the other hand, if a recession should develop the Treasury would probably offer bank eligible issues to expand the credit base. It is entirely likely that unless conditions run away on either side, actual Treasury policies will be a combination of these extremes. As outstanding issues mature or become callable, bank issues of different maturities may be offered at one time and long term bonds may be offered to insurance companies and savings banks at another time to take up some of their funds. Normal refunding operations would call for a flexible policy. In this connection, Dec. 1944, was the last time anything except ⅞% certificates or .90 notes was offered to refund maturing issues. Since that time all refunding has been done with 12 or 13 month maturities. As of Feb. 28, this year $46.3 billions certificates of indebtedness and .90 notes were outstanding. However, it should not be expected that the Treasury will continue indefinitely refunding with only ⅞% certificates.

The important development this year has been the use of surplus cash obtained by the Treasury largely through the heavy subscriptions to the Victory Loan Drive to reduce the debt. The debt reached its peak figure of practically $280 billions on Feb. 28. This was the peak after a steady increase from a mere $16 billions at the end of 1930. Our debt consisted of almost $200 billions marketable issues and $80 billions savings bonds and notes, guaranteed and other special issues. The subsequent pay offs of maturing and called issues will have reduced the outstanding Treasury certificates to $30.5 billions after the Nov. 1 transaction is completed, other Treasury notes have been reduced $1.2 billions and Treasury bonds about $2.3 billions. During the same period, however, savings bonds and special issues have had a net increase so that the actual debt reduction is not quite as large as the $19.5 billions paid off, but will be about $18 billions. Treasury cash at the beginning of this program was about $26 billions, of which $24 billions was in War Loan Accounts of banks. After the November pay-off the cash balance will be about $6 billions.

Additional maturities due this year are $3,768 millions certificates due Dec. 1, and $3,261 millions notes due Dec. 15. $3 billions of the certificates are held by other investors than banks and insurance companies and for this reason many people expect these will be rolled over into another certificate. The notes, on the other hand, are mostly held by commercial banks and if the Treasury wants to concentrate on reduction of bank held securities it is logical to expect any pay off to be in this issue. Some holders of the 1½% notes, expecting at the most a refunding into a ⅞% certificate, are doing their own refunding now by purchasing in the market outstanding issues that are acceptable to them.

The official pattern for this market has been consistently repeated and the Treasury has, perhaps, never been more powerful to maintain what it considers desirable. The fact that the corporate and municipal market now offer suitable investments has been pointed out by Federal Reserve and Treasury officials when they say they do not see why long term investors should call upon the Treasury to issue acceptable bonds. The Treasury is not now seeking new money, and they believe these funds should go to industry rather than rely upon government financing.

In view of all this you are probably interested in the adjustment or maintainence of your portfolio to provide the largest income return and necessary liquidity. It is generally felt that in spite of the fact as some bankers have told us that they are now getting back into the banking business and making commercial loans, you will continue to hold comparatively large amounts of government bonds. Accordingly, there is no reason why all your governments should be certificates or two or three year bonds. At the same time it does not seem conservative to hold only long term bonds. If you anticipate deposit withdrawals or large loan increases, monthly certificates maturities to provide needed funds would be sufficient. Additional investments could be spaced longer to provide more income. One suggestion by a banker of actual percentage for an average moderate sized bank is 20% of deposits in cash, with investments divided about ⅓ in one year maturities, ⅓ in two to four year maturities, and ⅓ in five to ten year maturities. Specific issues depend upon your own preferences. Issues that apparently are most popular right now are the 2s of 1953-51 and 1954-52. These were the issues pushed by the Treasury Department during the War Loan Drives for attracting bank funds. They are large issues, widely held and experience a broad market. As time goes on and holders of earlier maturity 2% issues want to secure the premium they have on them it is likely they will look toward the 2¼% bonds of 1959-56. Trying to guess whether the market is going lower or will return to higher prices does not appear to be part of investing on a continuing basis for income. If you keep well spaced maturities you will always have funds available to take advantage of higher rates and at the same time you will not sacrifice income gambling on buying at the bottom.

However, I know you are interested in the outlook for the future. It appears to us the future of the money market is dependent upon the demand for loans, the policies of the banks concerning their investments and the policy of the Treasury Department. It seems generally agreed that commerical and real estate loans will continue to increase. Opinions of banks as expressed to us are varied. A Chicago banker feels the market cannot move up much under present conditions. He expects money to be tight again early in November and mid-December. One New York banker says long term bonds will be appreciably higher next six months. A western Pennsylvania banker expects the Treasury to go to the limit to keep rates low on governments. A Kansas City bank believes governments will move gradually lower along with municipal and corporate issues. One New York banker is definitely bearish on everything. Some savings banks think the long 2½ are a buy under 102, others feel the market is in a buying range now. We have seen many banks giving up there certificates and short notes for 1½s of 1950 and 2% issues. Rather than wait until the certificates are partially refunded and having that bother each month, they are extending the portion they feel they will continue to hold. The policy of the Treasury Department has been pretty well commented upon. The ⅞ to 2½ range seems assured. I do not believe the Treasury or Federal Reserve Officials, however, want to see a return to the high prices established early this year. The Open Market Commitee has many times said it does not make the market but simply serves to keep it orderly. Under present conditions we see no reason for losing confidence in the stability of the government bond market.

New Chi. Exch. Member

CHICAGO, ILL.—Hempstead Washburne, Secretary of Harris, Hall & Company, 111 West Monroe Street, was elected to membership in the Chicago Stock Exchange by the Board of Governors, it was announced.

With the election of Mr. Washburne, Harris, Hall & Co., becomes the 33rd member corporation of the exchange.

Observations

(Continued from page 2205)

375 soldiers and sailors are maintaining this pool, with a complete mobile repair unit constantly patrolling the roads between New York, Lake Success and Flushing.

Despite general squawking by the rank and file of foreigners in the Secretariat, it has appeared to many local observers that such personnel also has been getting de luxe service at least as far as transportation is concerned. As at San Francisco—in contrast to the working press and others attending UN on business—all the clerical and stenographic staffs, since the start of the proceedings at Hunter College, have been taxied to and from their homes and work by special cars.

Printing represents another gargantuan process. In addition to turning out a daily Journal, the printing-plant is on a round-the-clock basis, producing over a million mimeographed pages each day. According to officially-disclosed statistics, the "over-run" of mimeographed documents and other surplus, alone amounts to a half-ton, each day; the removal of which together with the other waste, occupies the services of 80 porters, matrons, and technicians.

* * * *

Such large-scale operations and expenses (epitomized in the $25 million annual budget), are unfortunately coupled in the public mind with net results that have been cumulatively negative. In the first place, the public is getting the impression that the UN organization and machinery are being used by some Powers mainly as a sounding board for propagandizing for their own nationalistic political aims. Whether the stage has been set at UN meetings in London, at Peace Conference sessions in Paris, at Security Council meetings at Hunter College in the Bronx, or now at the Assembly session in Flushing Meadow, the common themes of U. S.-in-China, British-in-Greece, Franco-Spain, recur and recur, phonograph-like and without decision. And the public is beginning to realize that, at least in the General Assembly, no definite or important decisions are possible. For example, in the case of the *VETO*, concerning whose fatal implications the public has gradually become awakened since San Francisco, it is rather generally realized that the Assembly is wholly without power to effect a binding solution. Even if the delegates at the Assembly should (which is highly unlikely) be able to compromise on a reform of the veto privilege, it could only make recommendations to the Security Council, where the privilege has already been hopelessly manhandled, and where any of the Big Five has the right by its single vote to decide that *consideration* of any question—including the very one of the veto—is itself veto-able. Amendment of the Charter is impossible, as all amendments require both a two-thirds vote of all the member countries, and affirmation by each one of the Big Five. Thus, all that it is possible for the Assembly to do on the vital question is to formulate a declaration for the public, which probably would be either vague, and so recognized; or else an incomprehensible restatement of the current status—neither being very inspiring to the layman or to the expert UN observer.

Rightly or wrongly—it at any rate appears that the public's apathy and resentment toward UN are being intensified by the fanfare and seeming extravagance in combination with the disappointing results. This is true to such an extent that the man in the street almost desires the elimination of all its pageantry, and perhaps might even visualize a procedure of single representatives from each country locking themselves in a hotel room, getting down to shirt-sleeves, and coming forth with one or two concrete decisions. Meanwhile he resents the attribution of sacrosanctity to the Organization or to its individual participants.

Public's Interest Tied to Molotov's Daily Diary

The American public's predeliction for personalities in lieu of seemingly-drab institutions is being continually demonstrated by the close correlation of UN interest with the day-to-day rate of activity of M. Molotov. This motivation of successive quickening and decline of public attention to the Assembly's proceedings is clearly reflected in the frantic activities of photographers, in his lionization at cocktail parties, and is quantitatively measurable by devotion of newspaper headlines and space when he is "on the stage" in any capacity. An official certification of the Russian's promotion to full stardom was furnished this week by the exception uniquely made regarding the delivery of his speech, in setting for him, but for no other delegate, the time for his appearance 24 hours in advance.

* * * *

A good example of the mis-emphasis and over-emphasis which the newspapers devote to M. Molotov, is to be noted in the full-page spread headlines hailing his hour-long speech as purporting to "URGE UN MOVE TO CUT WORLD ARMAMENTS." For the inference that his talk constituted a realistic and decisive plea for peace omitted recognition of many important accompanying elements thereof, namely: (1) Absence of an offer to make the disarmament plan effective; (2) His accompanying baseless attack on the U. S. atomic energy policy; (3) Insistence on retention of the *VETO*, which assuredly is inconsistent with any constructive world disarmament program; (4) Repeated charges against the capitalistic West of attempts at "world domination"; and (5) A general attack on the United States on all conceivable counts.

* * * *

Unions Vis-A-Vis UN

In his plea for more power for the World Federation of Trade Unions, advanced in this week's major speech to the General Assembly, M. Molotov unwittingly uncovered another fundamental conflict with basic UN policy. For the aims of union labor are in fundamental disagreement with the World Organization's aims to establish and expand free world trade. Cartels assuredly are the most troublesome barrier to the wide international trade which is being sought by our new world bodies. Nevertheless, the efforts of the current International Trade Conference in London, for cartel elimination, are being opposed by trade unions. Union labor is remaining *"pro-cartel"* as being an important instrument of "central planning" for full and steady employment. As is reported in a special dispatch appearing elsewhere in this issue, in line with the UN spirit, the United States and Canada are now agitating in London for the elimination of both cartels and tariffs.

How High Are Prices?

(Continued from page 2202)

argue that, even with some improvement of labor conditions, business cannot expand because prices are bound to rise and that this will check demand. We should like to examine this question of the price level to try to determine the soundness of this argument.

A 12-Cent Luxury Dinner

To begin with, it should be noted that, as a general principle, the highness or lowness of prices is not by itself an important business-depressing influence. It is when different types of prices get out of adjustment with each other that business contracts. Recently my attention has been called to an amusing price list from Delmonico's Restaurant in 1834. Pork chops were 4 cents, roast beef or mutton 5 cents and a complete dinner 12 cents. Prices at any time during the last several decades have been many times those prevailing in 1834, but this has not resulted in depression. On the contrary the general level of business per capita and the general standard of living have been many times those of 1834. So that the fact that the general price level is much higher today than it was 50 or 120 years ago is not of itself important as a factor making for depression or prosperity.

Comparative Price Levels

But if prices of some types of goods rise sharply and in such a manner that important sections of business cannot make a profit, a business recession is certain to occur. The chief question at the present time is whether the price level has advanced an unreasonable amount and is so high that the demand for manufactured goods will be curtailed. Let us examine the level of commodity prices, therefore, in relation to: (1) the price level of foreign countries, and (2) the prewar level. Let us also observe which of the major groups of prices are highest.

The following table shows prices in the United States compared with those in four foreign countries whose currencies are somewhat stable (in many other important countries it is difficult to get price indexes that mean much because the currencies are so bad). The figures show prices as of June, 1946, in relation to 1939, which is taken as 100.

United States	146.4
Canada	145.3
United Kingdom	169.0
Sweden	161.9
Switzerland	191.9

There has been an advance in American prices since June, but if we take the September figure of 161.9, prices are still not high in relation to foreign countries, even assuming there has been no advance there. (Figures later than June are available only in the case of the United Kingdom, where July was 172.0). Thus there is no reason to believe that prices are unreasonably high in relation to levels in foreign countries. On the contrary, they are low.

In this connection it is interesting to compare individual commodities. The following table shows domestic and world prices of four leading commodities:

	Domestic	World
Hides	15½	33½
Copper	14⅜	17½
Lead	8¼	10¼
Zinc	9¼	10¼

Let us also compare present prices with those at the start of the war and see how the advance compares with that during and after the close of World War I. Following is the Bureau of Labor index of wholesale commodity prices expressed in the one case on the base of 1939 equals 100, and in the other of 1914 equals 100. (August 1946 corresponds to November 1919.)

August 1946	167.4
November 1919	212.1

Thus the advance up to date has been only a little over half that of 1914-1919.

Non-Agricultural Prices Relatively Low

This, moreover, is not the whole story. Agricultural and related products have advanced very much more since 1939 than have other types of commodities. The advance in these groups has actually been greater than it was in the period 1914-1919 (129% as compared with 113% in 1914-19). From the standpoint of industrial activity the important thing is the level of **manufactured** goods prices. How have these moved relative to 1914-19 or 1914-20? The following shows what happened in the two periods in the Bureau of Labor's wholesale commodity groups, excluding farm and food products:

November 1919 (1914=100)	211.1
August 1946 (1939=100)	140.4
August 1920 (1914=100)	*262.3

*Peak of 1920 advance.

The advance in nonagricultural commodities has been only about a quarter of that of 1914-20.

The following table gives a similar comparison for a number of important individual commodities. In this case prices in October 1946 (expressed as index numbers on a 1939 base) are compared with prices in the corresponding postwar month of World War I, January 1920, and with peak prices in 1920 (with the prices expressed as index numbers based on 1914).

	January 1920 (Index Numbers 1914=100)	Peak 1920	October 1946 (Index Numbers 1939=100)
Pig iron	303.7	371.6	132.8
Heavy melting steel scrap	242.6	244.7	117.0
Copper	142.8	166.8	128.8
Lead	222.5	238.8	165.3
Hides	204.1	265.3	126.5
Cotton	331.9	357.6	381.0

Cotton, it will be seen, is at a high level, but the industrial commodities are all much lower relative to prewar than they were in 1920.

Another comparison that throws some light upon the question of whether prices of industrial commodities are high and whether an advance would be likely to check demand is that with the low point reached in the depression of 1921. The following figures compare the Bureau of Labor Statistics index excluding foods and farm products at the depression low of August 1921 (index numbers based on 1914 as 100) with the present level of this index (index numbers based on 1939 as 100).

August 1921	145.6
August 1946	140.4

Prices of industrial commodities are thus actually a little below the low 1921 level, a really extraordinary condition.

Prices and Production Costs

Another comparison is that between prices and production costs. General Ayres has made an interesting study of this point in which he estimates the rise in labor costs per unit of output in those leading industries in which there is a satisfactory unit for measuring physical production. He estimates that from 1939 to 1946 unit production costs in these industries have advanced 62%. The advance in average weekly earnings since 1939 has been substantially greater than this, having amounted to about 75%.

These figures show that weekly earnings have advanced a little more than the general price level (which has risen 67.4% if we take the Bureau of Labor Statistics index as a whole), but that both weekly earnings and unit labor costs have risen more than the level of industrial commodity prices (75 and 62 respectively as against 40). The advance in labor costs has been a substantial one, but it is not by any means so great that it could not be compensated for by a moderate rise in prices—and we have shown that nonagricultural prices could easily have a further advance and still be far below 1920 levels.

Conclusions

The above comparisons show that:

1. Since 1939 prices have advanced less in this country than in most leading foreign countries (even on the basis of an index including the very high-priced agricultural commodities).
2. Prices of important individual raw materials are appreciably below world prices.
3. Between 1939 and August 1946 prices had advanced far less than they had in the corresponding period in World War I. If we exclude agricultural items (which have advanced a little more than they did in 1914-20) the remaining commodities have advanced only a quarter as much as in 1914-20. The present price level of non-agricultural commodities is actually a few per cent lower, relative to prewar, than at the nadir of the 1921 depression.
4. Nonagricultural commodities at their peak in 1920 were 162% above 1914. If they were to rise correspondingly now they would almost double—and the factors making for an advance are far stronger today than they were in 1919.

In view of these facts is it at all sensible to argue that a rise in commodity prices would check demand, particularly when we take into account the extraordinary size of the shortages that have accumulated, the large amount of purchasing power accumulated, and the extreme ease of credit and low level of money rates? We are not arguing that a rapid advance is likely to occur soon. We merely wish to find an answer to the question whether a moderate advance in prices would be likely to choke demand. The answer is certainly negative.

Business Assn. Dinner

The 38th annual dinner of the Railway Business Association will be held at the Waldorf-Astoria Hotel, New York City, on Thursday, Nov. 21. The Association, in announcing this on Sept. 14, said:

"It is expected that the total attendance will be about 1,800. The members of the Railway Business Association will entertain as their guests the Presidents and other leading executives of all the principal railway systems. The President of the Railway Business Association is Harry A. Wheeler, and the Executive Vice-President is P. Harvey Middleton, both of Chicago."

Our Economic Responsibilities In the World Today

(Continued from page 2208)

cerned. The people of the world accept as a fact that the United States will support the United Nations organization and the principles of its Charter on all issues that require settlement wherever they appear. The vast majority of the people of the world rejoice in this. It gives reassurance and hope for the future.

In the economic field, however, I have found that our policies are not yet clearly understood. People abroad accept the fact that we have abandoned political isolationism, but despite the many plans our government has made for international economic cooperation, they still fear that we have not yet fully abandoned economic isolationism. There is fear that we are too preoccupied with our own problems. There is fear also that we will not stabilize our own economy in such a way as to avoid the "boom and bust" of the past decades, which would spell disaster to them, too. They were aware of the factors that led to our "bust" of 1929, contributing to the world depression, which was one of the causes of the war. I have found these fears of us even among those who most respect and admire the United States for its great accomplishments.

Of first importance in our program is production. It is only through more production that we can bring a more secure and better life to all of the people of our country. Of course, production must be directed in such a way as to meet the requirements of our people and of our exports and to avoid unmanageable surpluses. This requires careful analysis of potential markets at home and abroad and careful planning by the producers. It requires careful planning and action by the government as well. Many people in this country seem to feel that we are doomed somehow to face another great "bust," just as soon as the demands backed up by the war have been filled. They seem reconciled to disaster ahead.

I fell strongly that these fears are based on unreasoning defeatism and I am convinced that we have the knowledge and ability to handle our affairs in such a way as to maintain a high level of employment with an expanding economy. Naturally, there must be certain periods of adjustment in specific products and, at times, periods of general readjustment. But government, industry, labor leaders and farm groups have far greater knowledge and understanding than ever before. Government can adopt policies which will directly assist in these adjustments.

American Free Enterprise Unrivalled

The achievements of our American free enterprise have been unrivalled both in peace and in war. It is the ambition of other industrial nations to learn from and copy American industrial methods, even though they may have different economic concepts. It is no concern of ours how the people of other countries choose freely to live. But we Americans are determined to maintain our free enterprise system the strength and vitality of which have been proved under fire. The incredible scientific and technical advances we made during the war and incalculably to our opportunities in peace.

Why should we fear our ability to direct the energies of free enterprise for the vast expanding needs of our common welfare? Of course there are today problems resulting primarily from the tremendous job we did in the war. We can lick any problem we have if all groups will face it together with mutual determination to find the solution.

We are now in the throes of settling management and labor differences, but I take encouragement in the fact that both the industrial and labor leaders with whom I have recently talked are fully aware of the necessity of finding constructive and peaceful means of working out their relationship.

If one sees the difficulties that other countries are facing our own are dwarfed. In my travels I have seen people in fear and misery resulting from want. In this country, although there are temporary shortages, we find fear in the midst of abundance. We have everything that we need to meet our problems—the wealth and the ability—but there is one raw material that is absolutely essential and that is faith. People the world over are looking to the United States not merely for help but for leadership. This leadership can, and I believe will, come from a confident and healthy America.

Now what are we doing about it? We subscribed generously to UNRRA. We have already made substantial loans to many countries to replenish their working capital to rehabilitate their economy. We are now making trade proposals to encourage multilateral trade ad commerce. If these proposals are accepted they will tend to reduce artificial trade barriers and allow the freest practicable flow of goods and services between nations. We have played a leading part in establishing the International Monetary Fund to assist in stabilizing currencies and in establishing the International Bank, to make loans to those countries needing capital. We have the instrumentality of the Export-Import Bank to make loans, if we consider it wise, supplementing private and other media of finance.

U. S. Committed to International Cooperation

Thus our government has an established policy of international economic cooperation. We are ready to cooperate with all countries that are willing to work with us in this field. The requirement now is that we implement these policies with wisdom and understanding. It will be by our acts that we will encourage hope and confidence. We must have a clear understanding both of our own self-interest and of the needs of other countries.

We ourselves can expand our economy to the fullest degree only if there is an expanding economy in the world as a whole. Because of the devastation of war in many countries and the centuries-old backwardness of other areas, the economic life of vast populations is so low that it is only by large capital investments in the development of industry and of agriculture that freedom from want can be attained. We have a tremendous opportunity and I believe responsibility to assist in financing these developments. This financing must be done wisely — not recklessly, as was done after the last war, but in those directions which will assist people to help themselves and to expand their commerce in such a way that they can repay these investments over a period of years. We will thereby expand our own commerce, both through exports and imports, to add to the security and prosperity of our own people.

Too much emphasis has been given historically in this country to the value of exports alone. No one makes himself rich by simply divesting himself of property. It is true that exports give employment but unless we get something in return we are the losers. Therefore, emphasis should be given to the expansion of our imports from all countries of those things which will improve the well-being of our people.

One does not have to travel far in the world to see the tremendous opportunity there is through application of American genius in agriculture and industry to assist other people to help themselves. The people of the United States have a great opportunity to show economic statesmanship. I speak of the people because no program can succeed in this country without the full understanding and support of the people as a whole.

We have learned that we as individuals cannot have security and prosperity unless our country as a whole is prosperous. In the same way the United States cannot attain security and prosperity unless the world is prosperious. This may be called "idealism" or it may be called "realism." I, for one, do not believe that these two words are incompatible. Thus, both with an understanding of the true nature of American idealism and in the fulfillment of a realistic policy I am confident that we will accept our great opportunity and our responsibility in the development of a world in which the human race can live and prosper in peace.

British Proposals for International Full Employment

(Continued from page 2206)

passages on employment for inclusion in such a convention.

The principal undertaking suggested may be summarized as follows:

To take action designed to achieve and maintain full employment within each country;

Not to maintain employment by means which are inconsistent with other international obligations;

To correct a fundamental disequilibrium in the balance of payments which by creating balance of payments difficulties for other countries prejudices them in the maintenance of full employment; and

To participate in appropriate international action of a positive character to promote full employment.

These draft passages also include an invitation to the Economic and Social Council and the various specialized agencies to consider what positive contributions they can make to the maintenance of full employment internationally.

In the hope that it may assist the members of the Preparatory Committee we submit as Annex B our analysis of the problem in an attempt to explain in detail the considerations which have guided us in formulating these draft passages for inclusion in a convention covering employment policy.

It contemplates special provision for the release of a country from certain of its obligations under the International Trade Organization if its own full employment policy is confronted with serious difficulties as a result of other countries, inability to maintain their purchasing power. Whether such a clause is necessary or desirable will depend upon the I. T. O. provisions as they are ultimately agreed to. At this stage all we have in mind is to reserve the point whether such a clause will be required or not.

Annex A draft passages on employment for inclusion in a convention of international employment and trade policy, follow:

Whereas (A) the members of the United Nations have pledged in the Charter of the United Nations to take joint and separate action in cooperation with that organization to achieve the economic and social purposes of the United Nations, including higher standards of living, full employment, and conditions of economic and social progress and development;

(B) Full employment is the main condition for the maintenance of satisfactory levels of living and in particular the attainment of full employment by the major industrial and trading nations and its maintenance on a reasonably assured basis are essential:

(1) To the expansion of international trade on which the full prosperity of these and other nations depend;

(2) To the full realization of the economic and social objectives of the United Nations and of the specialized agencies concerned with commerce, commodities, restrictive practices, finance, investment and labor, and therefore

(3) To the preservation of world peace and security;

(C) International action to promote full employment cannot be the responsibility of any one specialized agency, but will call for close cooperation and concerted action under the general coordination of the United Nations of the specialized agencies concerned with commerce, commodities, restrictive practices, finance, investment, and labor, as defined in their basic instruments and as recognized in their agreements with the United Nations;

(D) Domestic programs to expand employment should be consistent with the realization of the purposes of the United Nations and of the specialized agencies concerned with commerce, commodities, restrictive practices, finance, investment, and labor, and with the economic well-being of other nations;

(E) International arrangements should be such as to enable countries to correct maladjustments in their balance of payments by measures compatible with the maintenance of domestic employment; and

(F) A fundamental disequilibrium in a country's balance of payments may create balance of payments difficulties for other countries and so prejudice them in the maintenance of full employment. Each of the governments on whose behalf this agreement is signed (1) Undertakes to take action designed to achieve and maintain full employment within its own jurisdiction through measures appropriate to its political and economic institutions; (2) Agrees not to seek to maintain employment through measures which are incompatible with its international undertakings or with the purposes of the International Trade Organization; (3) Agrees to take action through measures appropriate to its political and economic institutions to correct a fundamental disequilibrium in its balance of payments which persistently creates balance of payments difficulties for other countries and so prejudices them in the maintenance of full employment; (4) Undertakes to participate in arrangements under the sponsorship of the United Nations for:

(a) The collection, analysis and exchange of information on domestic employment problems, trends, and policies, including information on national income and the level of demand;

(b) For the coordination of the action of the various international specialized agencies in the field of employment policy; and

(c) for consultations on employment problems including where necessary the holding of special conferences; and

(d) Invites the Economic and Social Council and the specialized agencies concerned with commerce commodities, restrictive practices, finance, investment and labor to make within their respective spheres and consistently with their other responsbilites what contribution they can to the attainment of these aims by means such as:

(1) The promotion in suitable cases of national or international arrangements to promote due stability in the incomes of the producers of primary products, having regard equally to the interests of consuming and producing countries;

(2) The timing to the extent which may be appropriate and practicable in the interests of employment policy of capital expenditure on projects which are either of an international character or are internationally financed;

(3) The promotion under appropriate safeguards of an international flow of capital in periods of world depression to those countries whose balance of payments needs temporary support in order to enable them to maintain domestic policies for full employment; and

(4) To exercise of the powers granted to them under their basic instrument to assist countries to safeguard their domestic policies for full employment which might otherwise be endangered by balance of payments difficulties.

(The governments on whose behalf this agreement is signed request the United Nations acting through the machinery of the Economic and Social Council to accept the obligation of giving an opinion, if the International Trade Organization so requests and after consultation with the other specialized agencies concerned: (A) Whether inability of a country or group of countries to carry out the policies contemplated in this agreement is making it difficult for another country or group of countries to maintain a high level of employment; and (B) if so whether the terms of the international agreements to which the country or countries so affected are parties provide adequate opportunity for remedial action without a temporary release from obligations under the International Trade Organization.)

Relief Group to End

Early discontinuance of activities by Emergency Food Collections, Inc., of which Henry A. Wallace, former Secretary of Commerce, is Chairman, was announced from the organization's national headquarters in New York, advices to the New York "Times" stated on Oct. 11. In a report to national, State and local committees and cooperating organizations, the relief group stated that:

"Since last May, when the organization began to function, it received $3,078,000 in cash contributions and 308,432 cases of food valued at $1,335,510. Warehouse expense, packing, transportation, etc., amounted to $278,000 and the rest of the cash collected, amounting to $2,800,000, will be distributed by the United Nations Relief and Rehabilitation Administration of which F. H. LaGuardia is Director General," The "Times" added:

"Administrative expenses of the Emergency Food Collection was provided by UNRRA through an appropriation of $300,000. Of this amount, $205,000 has been spent. Although there are administrative bills to be paid before liquidation a substantial amount of the remaining $95,000 wil lbe returned to UNRRA."

Tomorrow's Markets Walter Whyte Says—

By WALTER WHYTE

Lazy penetration of resistance points indicate gradual decline. Some stocks keep gains in face of general decline.

To all intents and purposes the rally which started on the lifting of meat controls, is over. As other controls are removed there may be more slight rallies. I doubt, however, if these will be as strong as the one which carried the averages up some 15 points.

* * *

Industry profits are still high and will probably maintain their pace for at least the next quarter. But it would be naive to hope that business can maintain the pace indefinitely. The major obstacle for the discernable future is the strike potential.

* * *

All kinds of things have been said and written about strikes and their effect on the national economy. The fact remains, however, that as controls are lifted, strikes become inevitable. Labor simply cannot buy the goods it produces with its present buying power. And when such a condition arises, it will certainly try to get more money.

* * *

The market is a cold impassive medium and it is not concerned with abstract theories of right and wrong. It assays what facts it has or can foresee, and reacts accordingly.

* * *

Last week this column said that the averages would have to hold above the 170 level (I made it 169 for added insurance), if the position it gained from the recent rally was not to be dissipated. In the past few days the 169-170 range was eaten into through a series of dull draggy days. It is too bad that such days are disregarded by the majority of traders. Because the market did nothing, there is a feeling that there is nothing to worry about. A current dullness, it is too frequently felt, will continue. Actually such dullness should be given more thought than it gets. A dullness which leaves the market untouched is rare. Either certain stocks decline further than the averages, or move up against the trend. It is these small things which frequently point to events to come. Right now we have a dullness that has a lulling effect. But during this period we saw the averages penetrate their resistance levels without any fan-fare. This is not good.

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Yet during the same time various stocks continue to point higher. It is the action of the entire market which prevents them from cashing in on their indications. By the same token, holders of these stocks, seeing a draggy market, sell out in disgust.

* * *

There is no hard and fast rule to apply to trading. Every day's action tells a story, each day being sufficient in itself. But a general principle can be applied! If certain stocks stand still while the market declines, they should be held. If certain stocks decline lower than the market, they should be discarded; if not right away, then on the first rally.

* * *

The same principle applies to advances. If certain stocks stand still while the market advances, the chances of making money in them is slim.

* * *

The ideal combination is to buy strong stocks in weak markets and sell weak stocks in strong markets.

* * *

To get back to the current problem. The market doesn't look good. By its weak fade-through of the 169-170 range it now points to about 160. In the face of this possibility you hold certain stocks. It is these, however, that act better than the market, or at least not worse than the market. So advice is to hold on until at least the stops are broken.

Stocks and stops are as follows: Dresser Industries at 17, stop 15; Gulf, Mobile and Ohio at 12, stop 10; International Paper at 43, stop 38, and Boeing at 23, stop at 21.

[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.]

International Regulation of World Trade

(Continued from page 2208)

This Preparatory Committee organized by the United Nations Economic and Social Council is a recognition of that fact, and it is an essential part of the work of the United Nations in their endeavor to stabilize peace, that the should achieve an agreement as to the manner in which they can cooperate for the promotion of the highest level of employment and the maintenance of demand and can bring some degree of regulation into World Trade and Commerce. In doing this we want to impose as few restraints as possible upon individual nations and trading concerns, while, at the same time, safeguarding each from the damaging effects which may flow from the acts of others.

We know that in the period between the two wars, when there was substantially no provision for world economic cooperation and no rules of international conduct in matters of Trade and Commerce, we, all of us, suffered from one another's acts.

Restrictions Have Piled Up

In the result, by piling restriction upon restriction, we most seriously blocked the channels of world trade with the consequence that millions upon millions of our peoples suffered poverty, unemployment and frustration. "Poverty in the midst of Plenty" became a catch phrase of the widest practical application. No nation benefited though perhaps some suffered less or at different times than others.

It is probably in this field of economic matters that we are all most sensitive as to our own political sovereignty. Even those nations who have adopted some form of planned economy at home are doubtful about the risks to their interests of planning matters on the international scale. Manufacturers and producers of raw materials are alike jealous of their own control and are anxious, if they can, to get the best of both worlds, freedom from all restraint and interference on the one hand, and on the other protection from all the greater difficulties of extreme competition.

But if we are going to set out seriously and with determination to ensure a prolonged period of peace for the peoples of the world we must face up to the fact that unlimited freedom does not, according to our actual experience, give any but a very, very few the best of both worlds—in the great majority of cases, and this certainly rules so far as the generality of the people are concerned it means we get the worst of both worlds.

We have surely experimented long enough in the chaotic condition of world trade, such as ensured after the last war, to take as our starting point the need for some organization, some rules and regulations as between the nations relating to their conduct of trade.

Must Give Up Some National Restrictions

And if we accept that as a basis for our efforts then it follows that we must each be prepared to give up some of our national methods of protecting or regulating our trade, provided, of course, others, too, are prepared to do the same. And this process of accommodating our national economies to the interest of others, as well as of ourselves, does not consist in looking round to find out something which is of no value to us and then offering to give it away. It means that each one of us can best serve our truest national interest by considering what it is that we have which is inimical to the interests of others which we can give up by way of exchange for things which they do and which adversely affect us.

There is no need for any of us to be ashamed of being stout champions of our own national cause, that is indeed our function at such a meeting as this, but though we are stout champions we need not be selfishly stubborn champions as well. The whole success or failure of our efforts will depend upon what each of us is prepared to give up, always, of course, on the basis that we get in exchange something equally worth while.

That I believe, was the basis of the document which was put out by the Government of the United States last year and to which the Government of the United Kingdom expressed their assent in all its broad principles. It is a very genuine attempt to lay a foundation for the organization of international trade upon the basis of the maximum of freedom consistent with the future good of the peoples of the world.

At its very root lies the conception that it must be the policy and the duty of each separate nation to take every possible step within its own borders to provide full employment for its people. We know from our experience between the two wars how mass unemployment not only deprives the world of consuming power but also influences individual nations to adopt restrictive measures that are aimed at exporting their own troubles to other countries.

Once this vicious circle of exporting unemployment starts it has its repercussions throughout the world upon industrial countries and upon primary producers as well.

If we can do our best to assure full employment—each in our own country—then we can provide a basis for a healthy and expanding world trade.

But as I have indicated, some measure of protection against exported unemployment is necessary if we are to prevent the incidents of unemployment in one country from spreading round the world.

Changing Trade Channels

Though full employment is basic to an expansionist policy for world trade it is impossible to disregard altogether the factual basis upon which world trade has hitherto operated. That trade has been given direction by a whole complex of national laws and has grown up and been developed in its reliance upon the continuance of that pattern of direction. Whole industries and schemes of agricultural and mineral development have been built upon that basis. If we are going to attempt to change those directions—to divert trade from accustomed to new channels or to introduce new trade into old channels—we must be very certain that we create the new channel or widen the old at the same time as we are diverting the flow.

Where two countries or a group of countries have accustomed themselves to particular forms of trading, relying upon existing provisions in their domestic laws, they will not, of course, be willing to make a change unless they can be assured that alternative outlets will be provided for that trade. If we are going to expand the trade of some countries it must not be at the cost of diminishing the trade for others.

In the existing postwar circumstances we are all anxious about the future of our trade. We know the history of the past and the unnatural conditions of the present, but it is very difficult to forecast the future. It is easy, therefore, to be fearful of the future and to be unready to try new experiments when there is so much doubt in the air. We sometimes seem to see the mirage of safety in the leaden atmosphere of inactivity and of the lack of courage to make a change.

But we must take risks if we are to accomplish something really new; and unless we do achieve startlingly better results in the future than after the last war we know only too well the direction of disaster in which developing events will force us to proceed.

We want to anticipate those events and to prevent the beginning of that restrictionism which was so fatal after the last war.

The U. S. Proposals

You are all of you familiar with the general scope of the proposals put forward by the Government of the U. S. A. last year which attempt to prevent the employment of restrictive practices in the many fields in which they have flourished in the past. Their detail is of necessity complicated, and I have no doubt many points will be discovered which are not fully covered and which will form the subject of prolonged discussion.

But it is not the detail that is so important. What is important is that we should devise some methods acceptable to all the main trading nations which will ensure a degree of order in the international economic sphere and so will remove the fear that will otherwise prevent us from embarking upon an expansionist policy for world trade.

Just as in the political sphere we seek some form of corporate security for the world, so in the economic field we need to regulate the use of economic armaments. Thus we can diminish the risks of external adverse effects upon national trade which so easily lead to and justify restrictionist policies.

We are—following the lead given by the Atlantic Charter and our own mutual aid agreement with the United States of America—putting forward to the world through this meeting a new conception of national responsibility in economic matters. Hitherto it has been considered sufficient if each nation regulated its conduct in these matters in accordance with the bilateral Treaties it has entered into. It was no one else's concern as to what those Treaties contained, or how they would affect others, and beyond that it was accepted that each country could do as it liked with its own market.

It was that accepted attitude to international trade which led us into the disastrous chaos of the inter-war years.

Security in International Trade

It is to eliminate the danger of a recurrence of that chaotic state of affairs that it is now proposed to introduce the new conception that what each country does to regulate its own trade is the concern of all other countries who trade with it—and that today is tantamount to saying all other countries. So the methods used for regulating national trade become matters of international concern, and the only way of attaining economic security with which to buttress political security is by organizing at least a minimum of security in the field of international trade.

Our conception of that minimum security is illustrated by the provisions of the document circulated last year by the United States of America to which I have referred.

I am convinced that this Preparatory Committee and the full international gathering that will follow it are pregnant with the greatest and most hopeful possibilities for the peoples of the world, but these possibilities will only materialize, I am sure, in terms of happiness and prosperity if we constantly remind ourselves of the tragic conditions of so many of our people in the period between the two wars. We are gathered here to devise plans which can be put into action that will make it most unlikely that we need ever fear a repetition of those evil days of suffering and unemployment.

We cannot let it be said of our Twentieth Century civilization that it is only in times of war that the people can be given full employment, or that only in such circumstances of acute danger will Allies cooperate to organize and order their economic life to the mutual benefit of their countries. Certainly it was true of the war period, we then succeeded in achieving the closest integration of our economies for our mutual benefit, that was the foundation upon which we laid our eventual victory and in no other way could we have emerged victorious from the second world war. The compelling sense of danger and the fear of defeat drove us inexorably to that course of action, and to mobilize effectively all our resources of manpower.

Are we to admit that it only the dangers and fears of war that can induce us to create full employment or to cooperate one with another on economic matters?

I trust that the outcome of this meeting will be to show that great ideals and a genuine desire to ease the lot of the common men and women of the world are as powerful incentives towards wise and coordinated action as the bombs and guns of destruction.

What Future for Bank of International Settlements

(Continued from page 2209)

The BIS at the outbreak of war adopted an attitude of "neutrality" which is set forth in its 1940 annual report as follows:

"The outbreak of hostilities has brought to an end business between countries at war with each other. Trading with the Enemy Acts and the various other measures for waging economic warfare as announced by the belligerent nations have curtailed or stopped business in many other directions. The policy of the Bank for International Settlements has been and is to confine its activities strictly to transactions whereby no question can possibly arise of conferring economic or financial advantages on any belligerent nation. A letter setting out the principles which the Bank felt itself under obligation to observe was directed to all clients in December and has received general approval as giving expression to a scrupulous neutrality. . . .

"The Bank for International Settlements maintain business relations with most central banks. These relationships make it imperative that the Bank should undertake only such operations as are irreproachable from the point of view both of the belligerent and of other countries. In December 1939 certain rules of conduct which the Bank had, as a matter of fact, observed since the month of September were codified and brought to the knowledge of its clients."

Prior to the outbreak of war in September 1939, of course, the BIS as is well known delivered to the Reichsbank, Czechoslovak gold which the BIS had in London. At that time Germany was not at war with Britain or France and the BIS had no legal excuse for doing otherwise than comply with the Reichsbank's demand for the gold. The Western powers had recognized, de facto certainly, the German absorption of Czechoslovakia and the BIS was in no position to declare war on Germany.

What then were the wartime relations of the BIS with Berlin? Detailed records are available in the Bank of all its transactions and decisions. As one officer put it, there is hardly a thought in the BIS that is not committed to paper. So far as the American public is concerned, the only information available is that in the BIS annual reports. A detailed report on the wartime activities still remains to be compiled. Some day it certainly will be done. Meanwhile, the only official BIS explanation has been that contained in its last annual report, that for the fiscal year 1946. Since the BIS reports do not receive wide circulation in the United States, there is quoted below the passage of the last report which deals with this matter.

Report of the BIS on Its Wartime Activities

"Since this is the first report covering a financial year of which the greater part fell outside the period of hostilities, it is of some interest to give a summarized review of the business of the Bank during the war, i.e. from Sept. 1, 1939 to Aug. 15, 1945. In this connection I wish to reaffirm what I have said in previous annual reports, that the Bank for International Settlements in its activities during the war has scrupulously conformed to the principles which it adopted at the beginning of the hostilities in Europe and which were specifically set out in a declaration of Dec. 18, 1939, sent to all the Bank's correspondents. In that declaration, the Bank for International Settlements, in business relations with almost all central banks, explicitly stated as its policy that it would limit itself to operations which would stand as 'above reproach from the point of view both of belligerents and neutrals.' In virtue of this principle, the Bank has very considerably reduced the volume of its business. It has, however, been able to render valuable services to a great number of central banks and especially to those in countries which were ultimately drawn into the conflict and which sought at the beginning of the war to safeguard their reserves by exchange operations or gold shipments to overseas centers.

"One of the chief preoccupations of the management of the Bank has been to realize as large a part as possible of the Bank's assets, and it has proved possible to obtain substantial reimbursements of credits granted before the war in various countries on the continent of Europe. As regards the Bank's investments in Germany, it should be noted that these investments were made exclusively in the period 1930-31 and were the result of the explicit obligations laid upon the Bank for International Settlements by the Hague Agreements in the interest of the countries which were the creditors of Germany under those Agreements. Under the said Agreements (together with various subsidiary conventions) certain rights and privileges were accorded to the Bank for International Settlements; but after the Hoover Moratorium in 1931, which involved a cessation of payments, no definite settlement of these questions affecting the Bank was arrived at before the war broke out.

"Obviously, it was not possible during the war to settle questions which had previously remained unsolved. As a result, the Bank has only been able to take safeguarding measures, with a view to maintaining and securing its rights and privileges, in the interest of all the parties concerned, especially the creditor countries. As indicated on page 154 of the fifteenth annual report of this Bank, the net assets of the Bank on the American, British and Swiss markets, held in gold, dollars or Swiss francs, rose on the aggregate by more than 117 million Swiss gold francs (the equivalent of nearly $40 million) between Aug. 31, 1939 and March 31, 1945 (during which period the total assets of the Bank declined from about 510 million to about 460 million Swiss gold francs).

"Now that warfare has ceased, it is possible to mention that the Bank has been able to safeguard all the deposits placed in its hands, and especially those of countries which were occupied in the course of hostilities, and that this has been the case even when the assets in question (for instance, gold bars) have been physically held on the continent in Europe.

"In conformity with a decision adopted in the autumn of 1939, no meeting of the board of directors has taken place during the war and the annual general meetings have all been held by proxy. At the same time, however, every member of the board—whether resident on the continent of Europe or elsewhere—has regularly received all the accounts and other documents which would have been remitted to him if the board had met in the normal way; and the members have always been kept fully informed of the business of the Bank.

"Moreover, no attempt has been made from any quarter to influence in an incorrect manner the management of the Bank in the carrying-out of its affairs or to induce it to depart from the principles which had been unanimously adopted at the beginning of the war.

"A comprehensive study of the Bank's business during the war, covering the problems with which it had to contend, the solutions adopted and the results obtained (once the questions still in suspense have been solved), is certain to be of interest not only as part of the record of an exceptional period but also in view of the experience gained as to the functioning of an international technical organization in very difficult circumstances."

The Allied Attitude in 1939

At the war's outbreak Britain and France had to decide whether they wanted the BIS to continue in business or not. They decided that it would be in their best interest to have the BIS collect what it could from Germany as long as possible and to preserve the BIS for postwar use. On the other hand, it is stated, the Germans, and especially the Reichsbank, not knowing how the war would end continued to honor their obligations to the BIS.

Why The Opposition to BIS?

It may not be without significance that the White-Morgenthau public stigmatizing of the BIS during the war came at a time when the Bretton Woods program was in evolution. The American Treasury then saw the existence of the BIS as a threat to that program's adoption. It will be recalled that the ABA and leading individual bankers took the position that there was no need for a new World Bank but that any plans in that direction should be built around expansion of the BIS. In the end, of course, the bankers' suggestion was rejected by the Congress.

Originally many of the creators of the BIS had in mind that it would emerge as a great world-wide organization to settle monetary problems of the sort which the World Fund is supposed to settle. The BIS, however, did not develop in that way. After the end of reparations its activities became very modest. Its work was confined to Europe, although the Japanese participated, and it served as a technical organization for central bankers of the European continent.

While the Bank of England participated in the work of the BIS, there was no assistance the BIS could give to Britain, and of course none the USA needed. Therefore, the BIS worked to help primarily the smaller countries of Eastern and central Europe. As its history shows, the BIS in actuality was and is no rival to the World Fund or World Bank. It is a central bankers' bank, nothing more.

Since the BIS was created there have been marked changes affecting central banks everywhere. Such institutions have become more and more governmental instrumentalities. Formerly people feared that central banks would become too big and powerful. Now, according to European central banking views, there is no such thing as a too-strong central bank.

So far as the writer can gather, it is the opinion among European central bankers today that Europe needs such an institution as the BIS as a meeting place where central bankers of the Continent may confer with each other and discuss technical problems. Although central banks are under government dominance, they are still not entirely unhampered in their technical operations. In Britain, for example, it is pointed out that the nationalization of the Bank of England does not mean that the British Treasury tells the bank how it shall carry out its functions. The same, it is maintained, is true in greater or lesser degree of any central bank. Therefore, it is believed, central bankers continue to need—at any rate in Europe—a place where they can meet alone, without the presence or participation of Treasury officials.

Could World Bank Utilize BIS?

If there is a will to utilize the BIS in Europe as an adjunct or branch of the World Bank, there are no insoluable legal barriers to such a development, even though there would be problems. The BIS was federally chartered by the Swiss, subject to public referendum. But where there is a will there is a way, and it is to be hoped that the world will not toss overboard the experience, skills and information which have been assembled at the BIS over the years.

As a branch of the World Bank the BIS could play a part in the interim financing of needy European borrowers and could help in supervising the expenditure and servicing of World Bank loans in this part of the world.

An advantage of the BIS with relation to certain countries now under the USSR's influence is that they may find it easier to belong to a non-political organization like the BIS than to the World Fund and Bank, should those two institutions continue to be boycotted by the Russians, it is said. Whether this reasoning has much merit is not self-evident, since Poland, Czechoslovakia and Yugoslavia are members of the Fund and Bank. The argument is based on the belief that the world could have a broader contact between East and West through the continuance of the BIS than through the Fund and Bank alone.

Whether anything was decided at the recent meeting in Washington of Fund and Bank governors concerning the future of the BIS is not at this writing ascertainable in Switzerland. Whatever becomes of the BIS, however, will be of interested not only in Basle, but throughout this little country, which has sheltered numerous international economic, political and financial organizations.

British Official Calls on U. S. to Incr. Imports

(Continued from page 2207)

increase in your tariffs in 1930 did not hit us hard, and despite the 1938 Trade Agreement there are many classes of goods where your tariff is too high to give us any chance of competition. We therefore welcome the U.S. Government's initiative towards reducing tariff barriers in all countries, including their own.

"Even, however, with the possibility of substantial reductions in the U.S. tariff, it looks as though we shall continue to have a deficit on our trade balance with the U.S. This can be met by exporting to other countries who, in their turn, export to the U.S.A. Indeed, as world trade is now developing, against our unfavourable balance with the U.S.A. and some other large countries, we shall probably have a substantial favourable balance with the rest of the world. Thus the triangle of payments can only be completed by the U.S.A. importing not only from us but from the rest of the world. The successful conduct of world trade depends on the continued willingness of Britain, America and the other great trading countries to pay for import balances from one country out of export balance to others. This is, of course, the essence of multi-lateralism.

Dependence on National Income

Reverting to domestic factors, Mr. Gaitskell said:

"The level of U.S. imports—if we are to judge by the past—is governed predominantly by the level of U.S. national income. If you can maintain full employment in America, then the prospects for multi-lateralism, for freedom from trade restrictions, for expanding world trade, are bright. But should you fail in this objective, we should not disguise from ourselves the great danger which must threaten all these projects. It is a fallacy to assume that a return to freer trade necessarily involves full employment or protection from slumps. Booms and slumps may come and go whatever trade agreements or tariff policy may be. It is therefore of supreme importance that the International Conference on Trade and Employment should devote at least as much of its time to agreeing on international policy for full employment as to the other matters which it was summoned to discuss. It is not too much to say that on its success in handling this greatest question of all—stability of employment and high national incomes — depend the hopes of a large part of the civilized world."

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 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.

● **A I S, Inc., Jackson Heights, New York**

Oct. 24 (letter of notification) 20,450 shares (no par) common, stated value $1 a share. **Price**—$5 a share. No underwriting. For expansion of operations and opening of additional offices.

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. Offering date indefinite.

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 Telephone & Telegraph Co., New York

Oct. 17 filed $350,377,300 15-year 2¾% convertible debentures, due 1961, and 3,503,773 shares of common issuable upon conversion of the debentures. **Underwriting**—No underwritng. **Offering**—Debentures will be offered for subscripton to stockholders of record Nov. 8 in the ratio of a $100 principal amount of debentures for each 6 shares of stock held. Rights will expire Dec. 16. **Proceeds**—To provide subsidiary and associated companies with funds for extensions, additions and improvements to plants, etc.

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.

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. Offering date indefinite.

● **Atlantic Refining Co., Philadelphia**

Oct. 29 filed 29?,000 shares ($100 par) cumulative preference stock. **Underwriter**—Smith, Barney & Co., New York. **Offering**—Stock will be offered for subscription to common stockholders on the basis of one share of preference stock for each nine shares held. Unsubscribed shares will be sold to the underwriters who will reoffer it to the public. Price by amendment. **Proceeds**—A maximum of $15,540,000 of the net proceeds will be applied to redemption of the company's cumulative preferred stock, convertible 4% Series A, at $105 a share. The balance will be added to general funds for corporate purposes including repayment of obligations, acquisition of additional production, and expansion of refining, transportation and marketing facilities. **Business**—Engaged in substantially all branches of petroleum business.

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.

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 postponed indefinitely.

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.

● **Book-of-the-month Club, Inc., New York**

Oct. 28 filed 300,000 shares ($1.25 par) capital stock. **Underwriter**—Eastman, Dillon & Co., New York. **Offering**—Of the total, the company is selling 100,000 shares and six stockholders, including Harry Scherman, President, and Meredith Wood, Vice-President, are selling the remaining 200,000 shares. Price by amendment. **Proceeds**—Company will use its net proceeds for working capital to be used for expansion of inventories of paper and other raw materials and book inventories. **Business**—Selling books by mail.

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 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.

NEW ISSUE CALENDAR

(Showing probable date of offering)

November 1, 1946

Zatso Food Corp.------------------------Preferred

November 6, 1946

Crucible Steel Co. of America-------------Bonds
Dow Chemical Co.------------------Debentures
Felt & Tarrant Mfg. Co.--------------Common

November 7, 1946

Chesapeake & Ohio Ry.--------Equip. Trust Ctfs.
Chicago & North Western Ry.
Noon (CST)-----------------Equip. Trust Ctfs.
Espey Manufacturing Co.----------------Common
Maltine Co.------------------------------Preferred
Milk-O-Mat Corp.-----------------------Common

November 8, 1946

Great Northern Ry.---Conditional Sales Agreements

November 13, 1946

Consumers Power Co.-------------------Common

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. Offering date indefinite.

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.

Brunner Manufacturing Co., Utica, N. Y.

Sept. 13 filed 180,185 shares ($1 par) common. **Underwriters**—George R. Cobley & 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. Offering indefinitely postponed.

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.

● **Callahan Zinc-Lead Co., New York**

Oct. 23 (letter of notification) 28,000 shares of $1 par common or such number of shares as will aggregate $100,000 on behalf of Harrison White, Inc., New York, who purchased the shares from the issuer in July, 1938, as underwriter. **Price**—At market. Proceeds go to Harrison White, Inc.

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 Electric & Gas Co., Rockford, Ill.**

Oct. 24 filed 80,000 shares ($15 par) common. **Underwriter**—None. **Offering**—Shares will be offered for subscription to common stockholders at rate of one share for each five shares held. It will determine after the expiration of the stock purchase warrants whether there will be any public offering of the unsubscribed shares. **Price**—$15 a share. **Proceeds**—Proceeds, estimated at $1,200,000, will be held by the company as a construction fund to be used for its present and contemplated construction program. **Business**—Public utility.

Central Illinois Public Service Co., Springfield, Ill. (10/31)

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 stocks 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. **Bids Invited**—Company has asked for bids for services in connection with the exchange offer and the purchase of any unexchanged shares. All proposals will be received at offices of Middle West Service Corp., 20 North Wacker Drive, Chicago 6, Illinois, up to 11:30 a.m. (CST), on Oct. 31.

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.

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 in St. Louis, Mo., and Chicago. The balance will be used to redeem its 4% serial debentures and for additional working capital. Offering indefinitely postponed.

● **China Motor Corp., New York**

Oct. 24 filed 7,500 shares ($100 par) Class A stock, entitled to 6% preferential dividends, cumulative from July 1, 1947, and to participating dividends. **Underwriter**—None. **Offering**—Company expects to sell the stock largely to members of Chinese communities in the United States and elsewhere. **Price**—$101 a share. **Proceeds**—Net proceeds, estimated at about $748,500, are expected to be applied as additional working capital, payment of indebtedness and to provide capital to aid in establishing a branch plant in Canton, China. **Business**—Manufacture of condenser units at Linden, N. J., plant. The purpose of the company is to serve as a United States base for the development of Chinese industries. The company said it intends to adapt American machinery and equipment for use in China, to train Chinese industrial personnel in the United States, and to export machinery and equipment to China and import merchandise to the United States.

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

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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 Airlines, Inc., New York**

Oct. 25 filed 150,000 shares ($1 par) capital stock. **Underwriter**—Auchincloss, Parker & Redpath, Washington, D. C. Price by amendment. **Proceeds**—Net proceeds will be used to pay off a $550,000 loan to the Continental Bank & Trust Co. of New York; purchase equipment and development expenses of Bermuda route. The balance will be used to increase working capital. **Business**—Air transportation.

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 Axle Co., Cleveland, Ohio**

Oct. 28 filed 89,580 shares ($5 par) common. **Underwriting**—None. **Offering**—Of the total 56,420 shares are to be issued to persons under a trust agreement in satisfaction of funds loaned by the trust to the company; 10,500 shares are to be issued to satisfy options, 2,300 shares will be sold to employees and it is expected that the remaining 20,360 shares will be sold to persons under the trust agreement. **Price**—$7.25 a share. **Proceeds**—For purchase of machinery and inventory. **Business**—Manufacturing parts for automobile industry.

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. (11/13)

Aug. 9 filed an unspecified number of shares (no par) common stock. **Underwriters**—To be determined by competitive bidding. Probable bidders include Morgan Stanley & Co.; Lehman Brothers; Shields & Co.; Harriman Ripley & Co. and The First Boston Corp. (jointly). Price by amendment. **Bids Invited**—Company intends to issue bids for the sale of additional common stock in the amount of $20,000,000. Under tentative schedule bids are to be advertised Nov. 7 to be received up to Nov. 13 at office of Commonwealth Southern Corp., 20 Pine Street, New York.

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.

Creameries of America, Inc., Los Angeles

Oct. 17 filed 116,986 shares ($1 par) common. **Underwriters**—Kidder, Peabody & Co., New York; and Mitchum, Tully & Co., Los Angeles. Price by amendment. **Proceeds**—Of net proceeds, $1,000,000 will be used for additions and improvements to company's plants and for purchase of additional machinery and equipment, and $900,000 will be applied to the payment of outstanding bank loans. The remainder will be added to working capital.

Crucible Steel Co. of America, N. Y. (11/6-11)

Oct. 18 filed $25,000,000 of first mortgage sinking fund bonds, due 1966. **Underwriter**—The First Boston Corp., New York. Price by amendment. **Proceeds**—Net proceeds will be used to redeem on or before Dec. 31, 1946, company's $12,217,000 of 15-year 3¼% sinking fund debentures, due 1955, at 102. The balance will be used for purchase or construction of property additions or rearrangement of existing facilities or for purchase or redemption of the bonds presently offered.

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.

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.

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.

• **Devonshire Chemicals Inc., Boston, Mass.**

Oct. 28 (letter of notification) 10,000 shares of class A stock and 20,000 shares of common. **Price**—$10 a unit, consisting of one share of class A and two shares of common. **Underwriter**—General Stock & Bond Corp., Boston. For working capital.

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.

Dow Chemical Co., Midland, Mich. (11/6-7)

Oct. 17 filed $30,000,000 15-year debentures, due 1961. **Underwriter**—Smith, Barney & Co., New York. Price by amendment. **Proceeds**—To be added to cash funds to be expended for general corporate purposes.

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.

Duluth (Minn.) Airlines, Inc.

Oct. 15 (letter of notification) 12,000 shares ($5 par) Class A common and 8,000 shares ($5 par) Class B common. **Offering**—Price $5 a unit. No underwriting. For purchase of additional flight and servicing equipment, payment of deferred salary balances, for working capital and other expenses.

Durasite Corp., Clearwater, Fla.

Oct. 11 (letter of notification) 99,000 shares of common and purchase warrants covering 50,000 shares of common. **Offering**—Price $3 a common share and five cents a warrant. **Underwriter**—Amos Treat & Co., New York. For machinery, plant renovation and working capital. Offering date indefinite.

Elgin (Ill.) Sweeper Co.

Oct. 16 (letter of notification) 57,462 shares (no par) common. To be offered in exchange for outstanding prior preference stock (no par) on basis of 6 shares of common for each share of prior preference. Concurrently, holders of prior preference are given option to surrender their stock and receive $25 in cash and one share of common in exchange. Mullaney, Ross & Co., Chicago, are offering to purchase the shares of common to be recived by stockholders accepting this option at $5 a share.

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.

Equitable Life & Casualty Insurance Co., Salt Lake City

Oct. 16 (letter of notification) 90,000 shares of common. To be offered to policyholders at the rate of 11 shares per $1,000 of insurance at $2 a share. No underwriting. To raise capital and surplus required by law to qualify an old line legal reserve capital stock life insurance company.

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.

Espey Manufacturing Co., Inc., N. Y. (11/7-8)

Oct. 14 (letter of notification) 59,500 shares ($1 par) common; stock purchase warrants, 40,000; the underwriter to designate who shall subscribe to 22,500 and the company to designate who shall subscribe to 17,500; not exercisable until the expiration of one year after public offering. **Offering**—Price $5 a common share and 5 cents a warrant. **Underwriting**—B. G. Cantor & Co., New York. For payment of debt and working capital.

• **Falk Mercantile Co., Ltd., Boise, Ida.**

Oct. 21 (letter of notification) 3,000 shares of 4½% preferred ($100 par). **Price**—$100 a share. **Underwriter**—Richard Meade Dunlevy Childs, Boise, Idaho. Proceeds to retire debentures and for expansion purposes.

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. (11/6-15)

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

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.

● Flagstaff Bonanza Mining Co., Park City, Utah
Oct. 28 (letter of notification) 400,000 shares (5c. par) common. **Price**—5 cents a share. No underwriters. For payment of debt and working capital.

Food Fair Stores, Inc., Philadelphia
Aug. 5 filed 60,000 shares ($15 par) cumulative preferred stock. **Underwriters**—Eastman, Dillon & Co. Price by amendment. **Proceeds**—To be used to redeem 15-year 3½% sinking fund debentures, due 1959; and $2.50 cumulative preferred at $53 a share. Balance will be added to working capital. Temporarily postponed.

Foreman Fabrics Corp., New York
July 29 filed 110,000 shares ($1 par) common stock, all outstanding. **Underwriters**—Cohu & Torrey. Price by amendment. 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.

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. Offering date indefinite.

● Frontier Power Co., Trinidad, Colo.
Oct. 25 filed 119,431 shares ($5 par) common. Underwriter by amendment. Price by amendment. **Proceeds**—Shares are being sold by three stockholders, including J. G. White & Co., Inc., New York, which is selling all of its holdings of such stock. Following the sale of its holdings J. G. White will no longer be parent of Frontier. Company will receive none of the proceeds. **Business**—Public utility.

General Engineering and Manufacturing Co., St. Louis, Mo.
Oct. 21 filed 50,000 shares ($10 par) 5% cumulative convertible preferred and 100,000 shares ($2 par) common. **Underwriters**—Dempsey, Tegeler & Co., and J. W. Brady & Co., St. Louis. **Price**—$10 a preferred share and $5 a common share. **Proceeds**—Net proceeds, estimated at $893,000, will be added to working capital and will be used to finance the company's new product, the "Gemco" space cooler (an air conditioning unit) and other corporate purposes.

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.

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.

Halliday Stores Corp., New York
Oct. 23 filed 100,000 shares (50c par) common. **Underwriters**—E. F. Gillespie & Co., Inc., and Childs Jeffries & Thorndike, Inc., New York. Price, $4.50 a share. **Proceeds**—For purchase of all the outstanding stock of the Benton Stores, Inc. and its affiliates from William Bookman and Maurice Hoppin pursuant to terms of a contract entered into last August 15.

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.

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 Air Transport, Inc., Camden, N. J.
Oct. 18 (letter of notification) 50,000 shares of capital stock (par 10c). **Underwriter**—Putnam & Co. as to 5,500 shares; issuer plans sale of 44,500 shares for its own account. Price, $3 per share. **Proceeds**—For acquisition of additional helicopters and related equipment and working capital.

Helicopter Digest Publishing Co., Inc.
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.

Hollywood Colorfilm Corp., Burbank, Calif.
Oct. 16 (letter of notification) 119,500 shares of ($1 par) capital. Price, $3 a share. No underwriting contract, however, 55,000 shares to be issued to or through H. R. O'Neil of Buckley Bros., Los Angeles, will be sold by one or more of the following firms: Buckley Bros.; Durand & Co., Tucson, Ariz.; J. Earle May & Co., Palo Alto, Calif.

Holt (Henry) & Co., Inc., New York
June 28, 1946 filed 20,000 shares of 4½% ($25 par) cumulative convertible preferred stock and 33,884 shares ($1 par) common stock. **Underwriters**—Otis & Co., Cleveland, Ohio. **Offering**—Company is selling the preferred shares and stockholders are selling the common shares. **Price**—$25 a share of preferred. Price for the common by amendment. **Proceeds**—Net proceeds will be added to general funds. Offering date indefinite.

● Household Finance Corp., Chicago
Oct. 29 filed 60,000 shares (no par) common. **Underwriting**—None. **Offering**—Stock will be offered for subscription to certain employees and officers of the company and its subsidiaries. **Price**—$20.50 a share. **Proceeds**—Estimated proceeds of $1,210,000, after expenses, will be added to working capital. **Business**—Engaged in small loan business.

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.

● Industrial Bancshares Corp., St. Louis, Mo.
Oct. 29 filed 100,000 shares of ($4 par) common. **Underwriting**—None. **Offering**—Shares will be offered for subscription to common stockholders in the ratio of one share for each five shares held. At the expiration of the subscription period, shares not sold may be purchased by other common stockholders or will be sold in such manner as the board of directors shall determine. **Price**—$20 a share. **Proceeds**—Of the proceeds, the company will advance to Industrial Credit Corp., its sub-holding company, the sum of $760,000 for payment of a loan and $709,930 for retirement of Industrial's first and second preferred stocks in order to prepare for the latter's ultimate dissolution. Remaining funds will be used as working capital. **Business**—The company's business consists of banking operations, small loan operations, consumer installment finance operations, insurance operations and income from investment securities.

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.

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.

● Keystone Custodian Funds Inc., Boston
Oct. 29 filed certificates of participation for 50,000 shares of Keystone Custodian Fund, series S-1. **Underwriter**—The Keystone Co. of Boston. **Price**—At market. **Proceeds**—For investment.

● Keystone Custodian Funds Inc., Boston
Oct. 29 filed certificates of participation for 5,000,000 shs. of Keystone Custodian Fund, series S-4. **Underwriter**—The Keystone Co. of Boston. **Price**—At market. **Proceeds**—For investment.

● Keystone Custodian Funds Inc., Boston
Oct. 29 filed certificates of participation for 500,000 shares of Keystone Custodian Fund, series K-1. **Underwriter**—The Keystone Co. of Boston. **Price**—At market. **Proceeds**—For investment.

● Keystone Custodian Funds Inc., Boston
Oct. 29 filed certificates of participation for 400,000 shares of Keystone Custodian Fund, series B-3. **Underwriter**—The Keystone Co. of Boston. **Price**—At market, **Proceeds**—For investment.

● Keystone Custodian Funds Inc., Boston
Oct. 29 filed certificates of participation for 750,000 shares of Keystone Custodian Fund, series B-4. **Underwriter**—The Keystone Co. of Boston. **Price**—At market. **Proceeds**—For investment.

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
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.

● Madison Petroleum Co., Basin, Wyo.
Oct. 21 (letter of notification) 150,000 shares common stock (par $1) on behalf of company and 25,000 shares each on behalf of A. R. Griffith, C. W. Mills, A. J. Chisholm, Jr. and C. M. Spicer, all officers and directors of the company. **Price**—$1 a share. **Underwriter**—C. W. Mills, Denver. For equipment and working capital.

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.

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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.

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 (11/7)

Oct. 15 (letter of notification) 2,900 shares of 4¼% convertible preferred stock (par $100). **Underwriter**—Eastman, Dillon & Co. **Price**—$100 and dividend. Stockholders of record Oct. 9 given right to subscribe at par in ratio of one share for each 10 shares held. Rights expire Nov. 6. Proceeds, together with funds from loans, will be applied to construction cost of new plant and laboratories at Morris Plains, N. Y.

● **Max Factor & Co., Hollywood, Calif.**

Oct. 25 filed 600,000 shares ($1 par) common. **Underwriter**—Goldman, Sachs & Co., New York. **Offering**—Shares are being sold by stockholders. Of the total, 550,000 will be sold to the public and 50,000 will be sold to employees (latter shares not underwritten). Price by amendment. **Business**—Manufacture of make-up and cosmetic 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.

● **Meili-Blumberg Corp., New Holstein, Wis.**

Oct. 23 (letter of notification) 1,000 shares (no par) common. **Price**—$150 a share. No underwriting. For working capital.

Merchants Factors Corp., New York

Oct. 21 (letter of notification) 2,877½ shares 7% cumulative and participating preferred stock (par $100). **Underwriter**—None at present but company may employ some individuals to promote the sale of the stock. Price, $100 per share. Purpose, working capital.

● **Metalite Corp., Las Vegas, Nev.**

Oct. 16 (letter of notification) 500 shares ($100 par) 7% cumulative preferred and 1,000 shares (10c par) common. **Price**—$100.20 a unit consisting of one share of preferred and two shares of common. No underwriting. For purchase of equipment.

Michigan Gas & Elec. Co., Ashland, Wis.

June 24 filed $3,500,000 of series A first mortgage bonds, due 1976; 14,000 shares ($100 par) cumulative preferred stock and 120,000 shares ($10 par) common stock. **Underwriters**—To be determined by competitive bidding. Probable bidders include Blyth & Co., Inc.; Kidder, Peabody & Co.; The First Boston Corp.; Harris, Hall & Co. (Inc.); Merrill Lynch, Pierce, Fenner & Beane, and Ira Haupt & Co. **Offering**—New preferred will be offered on a share for share exchange basis to holders of its outstanding 7% prior lien, $6 no-par prior lien, 6% preferred and $6 (no par) preferred. Of the common stock being registered, company is selling 40,000 shares, Middle West is selling 57,226 shares and Halsey, Stuart & Co. Inc., New York, is selling 22,774 shares. **Proceeds**—Michigan will use net proceeds from bonds to redeem $3,500,000 3¾% series A first mortgage bonds, due 1972, at 106.75 and interest. Net proceeds from sale of common and from shares of new preferred not issued in exchange will be used to redeem $375,000 3½% serial debentures, due 1951, at 101.2 and interest. It also will redeem at 105 and accrued dividends all unexchanged shares of prior lien and preferred stocks.

Michigan Steel Casting Co., Detroit

June 27 filed 100,000 shares ($1 par) common stock. **Underwriters**—Cray, McFawn & Co., Detroit. **Offering**—To be offered publicly at $8.25 a share. **Proceeds**—Purchase additional facilities, expansion, etc. Offering indefinitely postponed.

Midas Yellowknife Gold Mines Ltd., Toronto, Canada

Oct. 21 filed 1,250,000 shares ($1 par) common. **Underwriter**—R. J. Hale, East Aurora, N. Y. **Offering**—Of the total company is selling $1,000,000 shares and the remaining 250,000 shares are being sold for the account of the principal underwriter, brokers and dealers, which shares they will receive as additional compensation on the basis of 250 shares for every 1,000 shares sold for the company. **Price**—60 cents a share. The underwriters will receive a discount on the 1,000,000 shares of 15 cents each. **Proceeds**—For exploration and mine development work.

● **Middlekamp Building Corp., Pueblo, Colo.**

Oct. 23 (letter of notification) $95,000 4% first closed mortgage sinking fund bonds, due 1960. **Price**—Not more than 98½ per unit. **Underwriter**—Boettcher and Co., Denver, and Hutchinson & Co., Pueblo, Colo. For retirement of debt and for working capital.

● **Milk-O-Mat Corp., New York (11/7)**

Oct. 28 (letter of notification) 59,500 shares of common stock (par $1). To be sold by certain employees of the company. Price to public, $5 per share. Net proceeds will be used for advancement of necessary funds for the Canadian corporation working capital and general corporate expenses.

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.

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.

● **Mutual Telephone Co., Honolulu, Hawaii**

Oct. 28 filed 150,000 shares ($10 par) common stock. **Underwriting** — None. **Offering** — For subscription to common stockholders at $10 a share in the ratio of one share for each four shares held of record on Nov. 1. Unsubscribed shares will be sold at public auction to the highest bidder. **Price**—$10 a share. **Proceeds**—Proceeds, estimated at $1,485,610, will be used to repay short-term bank loans and to finance plant replacements and improvements. **Business** — Furnishing telephone service.

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.

● **New York State Electric & Gas Corp., Ithaca N. Y.**

Oct 30 filed $13,000,000 first mortgage bonds, due 1976, and 150,000 shares of ($100 par) cumulative preferred. **Underwriters**—To be determined by competitive bidding. Probable bidders include Blyth & Co. and Smith, Barney & Co. (jointly); First Boston Corp. and Glore, Forgan & Co. (jointly) and Halsey, Stuart & Co. Inc. (bonds only). **Proceeds**—Estimated proceeds of $28,000,000, together with a $6,000,000 contribution from NY PA NJ Utilities Co., parent, will be used for redemption of $13,000,000 of 3¾% bonds, due 1964, and 120,000 shares ($100 par) 5-10% cumulative serial preferred and to finance new constructions.

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.

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. Bonds to be sold privately. **Underwriters**—Paine, Webber, Jackson & Curtis and Stone & Webster Securities, both of New York. **Offering**—Of the preferred being registered, 21,000 are being sold by the company and the remaining 14,000 are being sold by General Telephone Corp. **Price**—By amendment. **Proceeds**—Net proceeds to the company will be used to redeem its $1,770,000 of 3½% first mortgage bonds, due 1970, at 107½%; to repay $1,450,000 in bank loans; to pay General Telephone Corp. $937,518 in retirement of its 6% cumulative preferred owned by General and to reimburse its treasury for funds previously expended.

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.

Orange-Crush de Cuba, S. A., Havana, Cuba

July 22 filed 125,000 shares ($1 par) common and 40,000 warrants. **Underwriter**—Floyd D. Cerf Co., Inc., Chicago. **Offering**—Price $4.75 a share. **Proceeds**—Of the total company is selling 37,500 shares and stockholders are selling 87,500 shares. The company will use its proceeds for equipment and working capital.

Oxford Radio Corp., Chicago

Oct. 11 (letter of notification) 60,000 shares ($1 par) common. **Offering**—Price $5 a share. **Underwriter**—Floyd D. Cerf Co., Inc., Chicago. For payment of note, purchase of machine tools and testing equipment and for general corporate purposes. Offering date indefinite.

Pacific Power & Light Co., Portland, Ore.

July 10 filed 100,000 shares ($100 par) preferred stock. **Underwriters**—By amendment. Probable bidders include Blyth & Co., Inc., White, Weld & Co. and Smith, Barney & Co. (jointly); The First Boston Corp., W. C. Langley & Co.; Harriman Ripley & Co. **Offering**—Company proposes to issue the 100,000 shares of new preferred for the purpose of refinancing at a lower dividend rate the 67,009 outstanding preferred shares of Pacific and the 47,806 preferred shares of Northern Electric Co., in connection with the proposed merger of Northwestern into Pacific. In connection with the merger, the outstanding preferred stocks of Pacific and Northwestern will be exchanged share for share, with cash adjustments, for the new preferred stock of Pacific, the surviving corporation. **Offering price**—To be supplied by amendment.

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.

Pari-Mutuel Totalizer Corp., New York
Oct. 17 (letter of notification) 75,000 shares of common (1¢ par). **Offering price**—$2.75 a share. **Underwriting**—Howell, Porter & McGiffin, Inc., New York. For manufacture of pari-mutuel totalizing machines and for other 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.

People's Service Corp., Philadelphia
Oct. 18 (letter of notification) 50,000 shares ($10 par) common. Price, $10 a share. No underwriting. Manufacture retail wearing apparel.

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.

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
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.

● **Pocmot Hotels Corp., Philadelphia**
Oct. 23 (letter of notification) 150,000 shares of Class A common ($1 par). **Price**—$2 a share. No underwriting. For working capital.

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 undetermined 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.

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.

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.

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 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.

● **Reymert Extension Silver Mines, Superior, Ariz.**
Oct. 21 (letter of notification) 350,000 shares (50c par) common. **Price**—50 cents a share. No underwriting. For mining and development work.

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.

● **Ridd Laboratories, Inc. Edmonds, Wash.**
Oct. 25 (letter of notification) 7,500 shares each of preferred and common stocks. **Price**—$10.01 a unit consisting of one share of each. No underwriting. For payment of debt and 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

● **Safe Harbor Water Power Corp., Baltimore, Md.**
Oct. 25 filed $14,000,000 1st mortgage bonds, due 1981. **Underwriting**—To be determined by competitive bidding. Probable bidders include Halsey, Stuart & Co. Inc.; Dillon, Read & Co. Inc.; Harriman Ripley & Co.; Blyth & Co., Inc.; Lee Higginson Corp.; Alex. Brown & Sons and White, Weld & Co. (jointly). **Proceeds**—Offering is part of the company's refinancing program which includes the issue and sale of $5,000,000 10-year serial notes, bearing interest at 1.75%. Proceeds, together with treasury funds, will be used to redeem $19,131,000 1st mtge. sinking fund gold bonds, 4½% series due 1979, at 102½. **Business**—Operation of Safe Harbor (Pa.) Hydroelectric Project.

● **Seagren Products, Inc., Brooklyn, N. Y.**
Oct. 23 (letter of notification) 20,000 shares of $1 par Class A stock. **Price**—$10 a share. No underwriting. For general corporate purposes.

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. Registration may be withdrawn.

Scripto, Inc., Atlanta, Ga.
Aug. 7 filed 25,000 shares ($10 par) 5% cumul. convertible preferred stock and 244,000 shares ($1 par) common stock. **Underwriters**—Clement A. Evans & Co., Inc., Atlanta. Price of preferred $10.75 per share; price of common, $5.625 per share. **Proceeds**—Company is selling the 25,000 shares of preferred to the underwriters at $10 a share and stockholders are selling 244,000 shares to the underwriters at $5 a share. The registration stated that 24,000 of the 244,000 shares of common are being reserved for a period of four days following the effective date of the registration for sale to employees, officers and directors at $5 a share. The company also is selling 200,000 stock purchase warrants to executives of the company at 50 cents a warrant. Company will use its proceeds for general corporate purposes. Offering date indefinite.

Seaboard Finance Co., Washington, D. C.
Aug. 29 filed 240,000 shares of common stock (par $1) **Underwriters**—Van Alstyne, Noel & Co., and Johnston, Lemon & Co. **Offering**—Certain stockholders are selling 140,000 issued and outstanding shares. Company is offering 100,000 shares. Price by amendment. **Proceeds**—From company's 100,000 shares proceeds will be used to reduce outstanding bank loans and commercial paper and for other corporate reasons. Offering temporarily postponed.

● **7-Up Texas Corp., Houston, Texas**
Oct. 28 filed 71,141 shares (45c par) Class A common and 35,441 shares (45c par) Class B common. **Underwriting**—The underwriters who are also the selling stockholders are Dempsey-Tegeler Co., St. Louis, Mo.; Dittmar & Co., San Antonio, Tex.; Stifel, Nicolaus & Co., Inc., St. Louis, Mo.; and Rauscher, Pierce & Co., Inc., Dallas, Tex. Price by amendment. **Business**—The company has exclusive right to bottle and sell 7-Up in 28 Texas counties.

● **Shatterproof Glass Corp., Detroit, Mich.**
Oct. 28 filed 280,000 shares ($1 par) common. **Underwriting**—None. To be sold through brokers on over-the-counter market. **Offering**—The shares are issued and outstanding and are being sold by William B. Chase, President, and members of his family or trusts created by Chase or his wife. **Price**—At market. **Business**—Operation of laminated glass division and Michigan broach division.

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

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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.

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.

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

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.

● **Stone Container Corp., Chicago**

Oct. 24 filed 300,000 shares of ($1 par) common. **Underwriter** — Hornblower & Weeks, Chicago. **Offering** — Of the total, company is selling 200,000 shares and stockholders are selling the remaining 100,000 shares. Price by amendment. **Proceeds**—Of net proceeds, company will use $1,225,000, plus a premium of $12,250, together with accrued interest, for payment of a bank loan, and $493,500, together with accrued interest, for discharge of its 10-year 6% debentures. Any balance will be added to working capital. **Business**—Manufacture of corrugated containers.

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.

● **Swain (R. L.) Tobacco Co., Inc., Danville, Va.**

Oct. 21 (letter of notification) $100,000 of notes bearing interest at 5%. **Price**—$950 and $475. To be sold through brokers or dealers. For payment of notes, for plant improvements and working capital.

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. Offering date indefinite.

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.

Thew Shovel Co., Lorain, Ohio

Oct. 18 (letter of notification) 2,000 shares ($5 par) common on behalf of the estate of Frank A. Smythe, deceased; Chauncey B. Smythe, Alan W. Smythe and The National City Bank of Cleveland, executors. Price, $35 a share. **Underwriter**—Smith, Barney & Co., New York. Proceeds go to the selling stockholder.

● **Toledo (O.) Edison Co.**

Oct. 25 filed $32,000,000 first mortgage bonds, due 1976, and 160,000 shares of ($100 par) cumulative preferred. **Underwriters**—To be determined by competitive bidding. Probable bidders include The First Boston Corp.; Halsey, Stuart & Co. Inc. (bonds only); Blyth & Co., Inc.; and Smith, Barney & Co. Price to be determined by competitive bidding. **Proceeds**—Net proceeds together with $4,500,000 bank loan and if necessary, the $5,000,000 to be contributed by its parent, Cities Service Co., will be used to redeem outstanding debt and preferred stock, involving a payment of $5,906,590, exclusive of interest and dividends. **Business**—Public utility.

● **Triumph Gold Mines Inc., Oatman, Ariz.**

Oct. 21 (letter of notification) 1,000,000 shares of stock. **Underwriters**—Triumph Gold Mines Inc.; James H. McCarthy, President; Gilbert Phillips, Secretary-Treasurer; C. C. Bollinger, Director. **Price**—10c per share. For development of ore reserves.

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.

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.

● **Weatherhead Co., Cleveland, Ohio**

Oct. 29 filed $3,000,000 of serial debentures, due serially from 1952 to 1966. **Underwriter**—Halsey, Stuart & Co. Inc., Chicago. Price by amendment. **Proceeds**—Of the net proceeds, the company will use $900,000 for payment of its note in that amount to The National City Bank of Cleveland. The balance will be added to general funds. **Business**—Manufacture of high and low pressure fittings, valves, carburetor parts, drain and shut-off cocks, etc.

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.

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.

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.

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. Offering date indefinite.

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.

Zatso Food Corp., Philadelphia (11/1)

Oct. 18 (letter of notification) $100,000 5% cumulative preferred stock (par $100) with common stock as bonus. Price, $100 per unit. For purchase of raw materials and for general conduct of business. **Underwriter**—Ludolf Schroeder, 1614 Cambridge St., Philadelphia.

Prospective Security Offerings

(NOT YET IN REGISTRATION)
● INDICATES ADDITIONS SINCE PREVIOUS ISSUE

● Botany Mills
Dec. 6 stockholders of Botany Worsted Mills will vote (1) on changing name to Botany Mills; (2) on simplifying capital structure by exchanging (a) 134,733 shares ($10 par) $1.25 cumulative preferred on share-for-share basis for new 5% cumulative preferred (par $25); (b) 226,887 shares class A stock (par $5) for new common on share for share basis, (c) and 50,000 class B shares (par $1) for new common on basis of four new for each class B share. Company plans to offer, when market conditions are favorable, 200,000 of the common shares.

● Certain-teed Products Corp.
Nov. 18 common stockholders will vote on creating a new issue of 50,000 shares of 4¼% cumulative prior preference stock (par $100).

● Chesapeake & Ohio Ry. (11/7)
Nov. 7 company will receive bids for the purchase of $1,500,000 equipment trust certificates. The certificates, dated Dec. 1, 1946, and maturing in equal annual instalments from Dec. 1, 1947 to Dec. 1, 1956, are designed to finance a part of the purchase price of new equipment costing an estimated $1,896,717. Probable bidders include Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Harris, Hall & Co. (Inc.), and commercial banks.

Chicago & North Western Ry. (11/7)
Bids for the purchase of $10,140,000 equipment trust certificates, to be dated Dec. 1, 1946, and due serially in equal annual instalments, will be received at company's office 400 West Madison St., Chicago, up to 12 noon CST Nov. 7. 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.

● Deerfield Packing Corp.
Oct. 29 it was stated that the 4-for-1 split-up of the common stock is to accommodate future financing, which appears imminent in view of the indicated continued increase in consumer demand for quick-frozen vegetables, fruits and precooked foods, all of which are processed by the company. Probable underwriters, E. H. Rollins & Sons, Inc., and A. C. Allyn & Co., Inc.

● Duro Test Corp.
Nov. 27 stockholders will vote on authorizing the issuance of $1,000,000 preferred stock, of which company intends to offer $500,000 in immediate future. Common stockholders will be given preference in subscribing to the new stock.

● Great Northern Ry. (11/8)
Bids will be received up to (noon) Nov. 8 at company's office, St. Paul, Minn., for lowest interest rate at which bidders will provide $2,800,000 to finance about 70% of cost of new equipment. Under the conditional sale agreements company will pay 30% of the purchase price and the balance is payable in 60 equal monthly instalments beginning Dec. 16, 1949.

● Haloid Co.
Nov. 27 stockholders will vote on creating an issue of 10,000 shares of 4% preferred stock, proceeds to be used to modernize plant and to retire bank loans.

● Lees (James) & Sons Co.
Oct. 24 reported company will offer $3,000,000 of preferred stock and $3,000,000 of common some time next month. The purpose of the financing will be to raise new working capital. Company manufactures carpets.

● Monmouth Park Jockey Club
Oct. 30 stockholders voted creation of new issue of 16,000 shares 5% cumulative preferred stock (par $50) and increased authorized common from 500,000 to 1,000,000 shares. Probable underwriter of preferred, Bond & Goodwin, Inc.

Our Reporter's Report

If, as many suspect, its aims were political and designed to dove-tail with the current election season, the search of the anti-trust division of the Department of Justice into the operations of the investment banking business appears to have fizzled.

At any rate next Tuesday is Election Day and thus far the Federal Grand Jury which is reported to have been delving into the matter evidently has not yet turned up anything that looks like pay dirt.

From response to inquiries made, investment bankers do not appear to be greatly concerned over the matter. That is, those who handle the business of underwriting corporate securities.

But there are indications that the Federal people are not giving up their undertaking without going the whole distance and reports are current that they may seize upon the municipal underwriting fraternity as offering opportunity for some sort of action.

Pacific Gas & Electric

The only large corporate issue to reach market this week was the $25,000,000 of 2¾% first and refunding mortgage bonds of the Pacific Gas & Electric Co., due in 25 years.

Their sale on Monday brought three banking bids and much comment, with the successful syndicate paying the company a price of 100.05 for the issue. The two other bidders offered to pay 99.891 and 99.5799 respectively.

The winning syndicate proceeded with reoffering, pricing the bonds at 100½ to the public for an indicated spread of less than ½ point.

Underwriters are beginning to watch the spread a bit more closely and it was evidently with an eye to getting a bit more profit, or working margin, that the two other groups set their respective figures.

Atlantic Refining

Subject to approval of a new issue of 650,000 shares of preferred stock by shareholders tomorrow, Atlantic Refining Co. is planning to offer $26,000,000 of the new issue to common stockholders at the rate of one new share for each nine shares held.

The new stock, subordinate in all respects to the preferred now outstanding, will be underwritten as to any unsubscribed portion by a banking group for public offering.

Proceeds will be used to retire $14,800,000 cumulative convertible preferred series A at 105 a share with any balance to be added to general funds.

Central Illinois Pub. Service Co.

Bids were due to be opened today by Central Illinois Public Service Co., on 150,000 shares of $100 par cumulative preferred stock which is to be offered first to holders of outstanding preferred stock for exchange.

At least three banking groups are known to have been preparing to enter bids for this business which involves the public offering of any of the new stock which is not taken in exchange.

The parent company, Middle West Corp., is excluded from the exchange offer. The company proposes to redeem any of the outstanding preferred which is not exchanged.

Impending New Issues

Two other large undertakings are coming to a boil and should reach market within a fortnight unless something happens to cause a change in present plans.

Crucible Steel Co.'s projected sale of $25,000,000 of new first mortgage, 20-year bonds, a negotiated deal, is now slated to come on the market on Nov. 13, to provide necessary funds for the redemption of $12,217,000 of 3¼s, due 1955 and for construction purposes.

On the same day bankers are slated to bid for enough Consumers Power Co. common stock to provide the firm with $20,000,000 of new capital for construction purposes. This deal was on tap several months back but was postponed because of market conditions.

Present indications are that at least five formidable banking groups will be in the running for this business.

Leonard P. Ayres, Noted Economist, Is Dead

Brig. Gen. Leonard P. Ayres, outstanding nationally and internationally as an economist and statistician, died at his home in Cleveland, Ohio, on Oct. 29. Gen. Ayres, whose death resulted from a heart attack, was 67 years of age. He was a Vice-President and member of the Executive Committee of the Cleveland Trust Co., which he joined in 1920, and was widely quoted as the Editor of the trust company's monthly "Business Bulletin," and for his annual business forecasts before the Cleveland Chamber of Commerce. In Associated Press advices from Cleveland on Oct. 29 it was noted that he was to have delivered his 26th annual forecast in December. The Associated Press likewise said:

Leonard P. Ayres

In September, 1918, in reply to a request of the Senate committee on military affairs, General Ayres forecast that the first World War would end in the second week of November, 1918. He was one of the few economists who made persistently pessimistic predictions on the eve of the 1929 crash. He declined to agree that the crash was only a sixty-day period of "business correction" and insisted it was one of the major depressions in American history.

During the first World War General Ayres was director of the Division of Statistics of the War Industries Board, the Priorities Board, the Council of National Defense and the Allied Purchasing Commission. As a Colonel in the Army then, he was chief statistical officer. He also was chief statistical officer of the American commission to negotiate peace. He was economic adviser to the Dawes Plan Commission.

Gen. Ayres for many years was an adviser to the late van Sweringen brothers of Cleveland. In 1935, he was the single bidder on collateral which the van Sweringens had put up with the J. P. Morgan bank and which the bank offered for sale at auction.

This sale resulted in the purchase of assets once worth $40,000,000. Acting for George Ball of Muncie, Ind., Ayres paid $3,000,000 for them. Gen. Ayres was also economic adviser to the Presidents of the Chesapeake & Ohio Railway Co., and associated railroads and a director of the C. & O., a member of its finance committee and Vice-President and director of Allegheny Corp. From the Associated Press we also quote:

Born in Niantic, Conn., he went to Boston and became a bicycle dealer there, advertising wheels to match the colors of dresses. Later he began a career as a teacher and became general superintendent of schools in Puerto Rico.

In 1907 he was appointed director of the Division of Education and Statistics for the Russell Sage Foundation.

Recounting the views and activities of Gen. Ayres, the New York "Times" in its issue of Oct. 30 said in part:

In 1934 he urged abandonment of the National Industrial Recovery Act and recommended legislation "designed to restore to business much greater freedom in profit and price competition." The next year General Ayres cited the experience of thirteen foreign countries as indicating that abandonment of the gold standard might have had little effect on the progress of a nation's recovery.

The business cycle was the worst enemy of banking in this country, General Ayres said in 1937, explaining that bankers had always made loans in periods of prosperity that "turned out to be in greater or less degree uncollectable in the following years of depression."

He wrote voluminously. One of his best-known books was "Economics of Recovery," 1933, an analysis of the origins of the depression and the measures taken to meet it. His works included "Turning Points in Business Cycles," "Price Changes and Business Prospects," "The Automobile Industry and Its Future," "The Nature and Status of Business Research" and many monographs on education.

Gen. Ayres is survived by a brother, Milan V. Ayres of Chicago, and a sister, Mrs. Randolph Burgess, whose husband is Vice Chairman of the board of the National City Bank of New York.

Burial will be at Arlington Cemetery, Washington, on Friday, Nov. 1.

Business Man's Bookshelf

Story of Commercial Credit Company, The — William H. Grimes, Baltimore, Md.—Cloth.

Our Kampf—Our Campaign to Win the Peace—A Socio-Economic Approach—Joseph D. Levitan—The William-Frederick Press, New York, N. Y.—Condensed Version, special edition—paper—$1.00.

Henry Wallace to Edit "New Republic"

Announcement was made on Oct. 12 that Henry A. Wallace, former Secretary of Commerce, had accepted the editorship of the "New Republic," and had stated that he regarded it as an opportunity to reach liberals in the United States and the world "on behalf of peace and rising standards of living."

"As editor of the 'New Republic,'" Mr. Wallace said, according to advices to the New York "Times" on Oct. 13, "I shall do everything I can to arouse the American people, the British people, the Russian people, the French people, and in fact the liberally-minded people of the whole world to the need of stopping this dangerous aramament race. Peace can never be imposed for long by unilateral forces. Peace will come if all nations are willing to practice mutual understanding and good will."