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The Gold Standard in A Free Gold Market

By JAMES D. MOONEY

President and Chairman, Willys-Overland Motors, Inc.

Pleading for a return of a free gold market, Mr. Mooney predicts failure of International Monetary Fund to maintain currency parities unless gold again is traded as a commodity. Cites black market in various currencies and contends a free gold market will tend to stabilize values of paper monies, since depreciation of these currencies is indicated by their gold values. Says Great Britain became commercially and financially powerful because of its free gold market under a gold standard, and urges U. S. and Britain take leadership in restoring gold as a standard in a free market.

The gold standard is the public's safeguard against abuse and manipulation of the currencies by political authorities. The American dollar is exchangeable for gold at $35 an ounce for the payment of debts to foreigners. Bank deposits are exchangeable for dollars at par. Gold, paper dollars, and bank deposits are convertible for foreign exchange purposes. But it is not a free market for gold because gold is sold by the United States Treas-

James D. Mooney

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Picketing—Its Economic and Legal Status

By THOMAS J. ANDERSON, JR.

Associate Professor of Economics, New York University

Professor Anderson delineates wide influence of picketing. Asserts that, as determined by Supreme Court, Constitutional basis for picketing rests on workers' right to communicate facts of controversy. Contends mass picketing nevertheless is *per se* coercive and following particular types of abuses have emerged: (1) intimidation and violence; (2) frightening off customers; (3) restraint of trade arising from refusal of union workers to cross picket line. Suggests three approaches to national corrective action: (1) reconsideration of Norris-LaGuardia Act restricting injunctions; (2) suspension or revocation of union's bargaining rights when their members are guilty of coercion or violence; and (3) amendment of antitrust laws.

Undoubtedly people are giving as much thought as at any previous time in our history to labor organizations. It is well that such is the case because of the variety of their objectives, methods and effects. "Picketing" is one of the principal techniques employed by unions in attempts to achieve their objectives, and—in the writer's judgment—it is one of the practices which should be considered most carefully in any attempt to appraise union methods. Such is the case for a number of reasons: the frequency of its use, the varied objectives sought by its employment, the wide range of practices employed, the vital ways in which it affects economic conditions and personal freedom, and the legal problems faced in attempts to restrain its abuses.

T. J. Anderson, Jr.

Objectives of Picketing

Probably the most common objective of labor organizations in their employment of the picketing technique is to enhance, thereby, the power of a strike, which is in progress. The technique is employed, however, for many other reasons.

A random sampling of newspaper accounts of picketing during the past several months indicates to some extent the varied objectives in its use. As reported in this limited sampling, picketing had been employed to induce an owner of a residence, who was painting it, to join a painters' union or hire a union painter; to provide assistance,

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Outlook for Tax Revision

By DR. HARLEY L. LUTZ*

Professor of Public Finance, Princeton University

Dr. Lutz analyzes present and prospective Federal budgets, which, he contends, could be substantially reduced and suggests a range of total expenditures, including a $5 billion annual appropriation for debt reduction, between $24 and $25½ billions. Sees difficulty ahead in effecting tax reductions and advocates public give more attention to budgetary details. Estimates every billion lopped off budget, means $2 out of $100 of taxable income for citizen to spend rather than the government.

Dr. Harley L. Lutz

The present federal budget situation does not offer a very bright prospect for early tax revision. Thus far through the current fiscal year the receipts and expenditures have been in fairly close balance, with only negligible variations either way. The final outcome for the year is, as yet uncertain, but Secy. Snyder appears to be of the opinion that the anticipated deficit of $1.9 billion will be realized. Mr. Steelman's veto of the President's curb on public-works spending gives support to this view.

As a vantage point from which to survey the prospects for tax revision, suppose that we consider the yield capacity of the present Federal revenue system. For this purpose the continuance of existing tax rates and the maintenance of the current level of national

(Continued on page 2506)

*A paper presented by Dr. Lutz before 26th Annual Meeting of the American Petroleum Institute, Chicago, Ill., Nov. 12, 1946.

Many Trusts Cushioned Stock Break With Cash

By HENRY ANSBACHER LONG

Analysis of Investment Companies' third quarter operations shows many funds used portions of accumulated reserves for purchase of equities, chiefly in oil, building and chemical industries. Some trusts, on other hand, have remained out of market. Detailed breakdown given of third quarter portfolio changes.

Investment companies as a group indicated a preference for the purchase of common stocks in the declining markets of the third quarter of the year. Shares in oil companies were the outstanding favorites with building and chemicals also well liked. Noticeable, in addition, was indication of a revival of interest in certain steel equities. While this picture presents the investment procedure followed by a major number of management groups (35 in all), individual managers in many instances either made practically no commitments or sold on balance to protect their asset position and provide for reserve buying power at anticipated lower prices.

Henry A. Long

If the phrase "lustreless generalities" should ever become current, it could well be applicable to passing judgment on investment company performance. Study of the accompanying table giving breakdown of portfolio cash and investments, shows percentage of stocks and lower grade prior securities as of June 30, ranging from 50 and 56% for General Investors Trust and the Wellington Fund respectively, to over 95% for nine other trusts. As one pieces together this picture of portfolio breakdown with the verbiage of company presidents' statements in periodic reports issued since the first of the year, he is impressed with the *diversity* of management performance. In some companies, there is apparent suggestion of confusion as to just what procedure to follow. On the other hand, several managements, in the light of subsequent market action, have done admirable jobs in the supervision of their portfolios. As is well recognized, no correlation exists between the size of a company and the quality of management performance and, in fact, the greater percentage of commendable results seems to have been obtained by the smaller trusts in the period under review. What is the maximum desirable size has been a much debated question, but certainly, taking into consideration objectives of a trust and average market activity, size should not be such as to restrict flexibility of operation.

Categorical Portfolio Shifts

In view of the fact that in addition to the current uncertainties of last Spring we had experienced a postwar rise on top of a four-year bull market, it is interesting to examine the asset position of certain funds, first in the so-termed balanced group. On March 31, General Investors Trust held 10% of its assets in cash and

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We Should Practice Dollar Diplomacy

By JACOB VINER*

Professor of Economics, Princeton University

Former Treasury adviser stresses material economic advantages to United States accruable from a large-scale foreign lending policy. Reversing his previous opposition to politically motivated lending, because of Russia's portentous provocative behavior toward Western democracy, Dr. Viner now urges our "frank and deliberate resort to dollar diplomacy." Toward this end he advocates following steps: (1) Withholding of all additional financial assistance of any kind from Soviet Russia and her satellites; (2) Extension of financial aid to countries threatened by "the Russian glacier"; (3) Cementing our existing alliances with dollar-loans; and (4) Exercise of our veto right over International Bank's transactions.

Of all the great countries, we alone have emerged from the war with increased productive power, with a great store of internationally liquid assets, and with an earned standard of living higher than ever before and than anywhere else. Elsewhere there are devastated cities and transport facilities, sadly depleted merchant marines, exhausted inventories of materials and tools, hungry, ill-clad and ill-sheltered peoples, and economies struggling with painful slowness to restore peacetime operations. On economic and on humanitarian grounds, we should lend to deserving borrowers on generous terms and in generous amounts. In some cases, we should make outright gifts. We have already made loans and undertaken commitments amounting, since the termination of Lend-Lease, to over $13 billions. We will be called on to do much more, and we should respond.

Prof. Jacob Viner

The Economic Advantages

I attach great weight to our moral obligations, but I am always unhappy about finding the appropriate words for expressing moral considerations, and I feel much more confident when I am expounding narrowly economic and prudential considerations. The potential economic advantages to the United States of a large-scale foreign lending policy during the transition period to a stable world seem to me great and obvious. How long this transition period will be, moreover, I do not venture to predict, since I have be-

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*An address by Professor Viner before Academy of Political Science, New York City, Nov. 7, 1946.

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American Labor Disputes Threaten World Recovery

By EUGENE MEYER*
President, International Bank for Reconstruction and Development

World Bank head warns coal strikes and other labor disputes threaten national and world stability through starvation for materials needed for reconstruction. States universal radical modernization of industrial techniques is needed for increased international trade. Emphasizes International Bank is not intended to compete with private banking, its stated function being "to promote private foreign investment."

Perhaps it will be useful if I review very briefly the genesis of the International Bank and attempt some definition of the functions it was designed to fulfill. The Bank had its origin in a general recognition that the widespread devastation which the war had brought to Europe and the industrial backwardness or underdevelopment of certain countries menaced the economic health of the whole world. And it was plain to those who viewed this problem that the capital loans required to meet it would be beyond the capacities of private investors or even of governments acting unilaterally. The problem was of such magnitude that it could be met only through world cooperation.


Eugene Meyer

Accordingly, at the invitation of the United States, representatives of 44 nations met at Bretton Woods, New Hampshire, early in the summer of 1944 and framed the constitutions of two complementary institutions—the Inter-

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*An address by Mr. Meyer before the Academy of Political Science, New York City, Nov. 7, 1946.

Congressional Opportunity

Maloney Act a festering canker on body of security regulation. National Securities Association as defined therein is not a voluntary body. Act is product of New Deal planned economy and contrary to American way of life. Price fixing decried as violative of constitutional processes. Monopolistic provisions portrayed. Repeal urged.

The recent election results are said to mean many things. One of these is the clear public repudiation of the New Deal system of bureaucracy and planned economy.

From the newly elected Congress much is expected in the form of affirmative legislation that will erase past invasions of our freedom, and restore the American way of life by reaffirming the legislative process, our adherence to the constitutional form of government which is the foundation stone of our national existence.

In the securities field opportunity knocks upon the Congressional door and pleads for immediate surgery, the excision of a cankerous festering sore on the body of security regulation, the curing of a disease known as the Maloney Act which constitutes an amendment of the Securities and Exchange Act of 1934 and is known as Section 15A.

Now, as this opportunity comes to the fore, is a good time to review some of the provisions of the Maloney Act

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Foreign Markets and Our National Economy

By WILBERT WARD*
Vice-President, National City Bank of New York

Holding there are misconceptions regarding foreign trade, Mr. Ward points out its real purpose is to establish an economic foundation for durable peace and higher income levels everywhere. Warns against over-emphasis on exports, and asserts exports, at expense of investors and taxpayers, not counterbalanced by imports of useful goods and services, is harmful. Holds foreign loans are merely deferred imports and afford no permanent remedy for unbalanced foreign trade, but states prudent advances, through World Bank, may avoid previous errors in foreign lending.

Wilbert Ward

I suspect that the phrase "foreign markets" connotes to you, as it does to the average United States citizen, a place beyond our borders in which to sell our excess production. If that concept is correct, the consuming public is justified in demanding the cessation of export of any article not in free supply—whether it be the nylons that our ladyfolk crave or the automobiles for which our workers in the plants claim priority. That is, I hasten to add, a mistaken concept—a particularly glaring one—but only one of a series of misconceptions about the purpose of our foreign trade.

I believe that I can deal with these misconceptions within a period that trepasses on neither your time nor your patience. And I believe that in that period I can demonstrate that the topic has a closer interest for you trust officers than its title suggests. All that is required is to follow the

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*An address by Mr. Ward before 15th Mid-Continent Trust Conference, Chicago, Ill., Nov. 7, 1946.

Advocates of Permissive Incorporation on NYSE Organize to Force Vote on Question

Though obviously in minority, proponents of permissive incorporation apparently have sufficient influence to compel Board of Governors of Exchange to defer action for a month. Nationwide committee formed under chairmanship of Amyas Ames of Kidder, Peabody & Co. to conduct aggressive last-minute campaign to get Board to refer question to entire membership of Exchange for vote. Opponents undisturbed by move.

The line is becoming very sharply drawn between those members of the New York Stock Exchange who favor and those who oppose the permissive incorporation of their firms and though the advocates of the proposition are obviously in the minority yet their influence in the high places apparently is such as to make the Board of Governors of the NYSE reluctant to act on the matter as they normally would.

The Board met again last Thursday to consider the question but the only announcement that was forthcoming on the progress of the deliberations was that it would be another month before a decision could be made. The particular issue before the Board was whether or not it should refer the question to the general membership of the Exchange for a vote. There is no doubt now that the feeling is very strong in some circles, small in size perhaps but close to the administrative machinery of the Exchange, that the proposition should be presented to the membership for a vote. The proponents of incorporation are not going to give up the battle easily.

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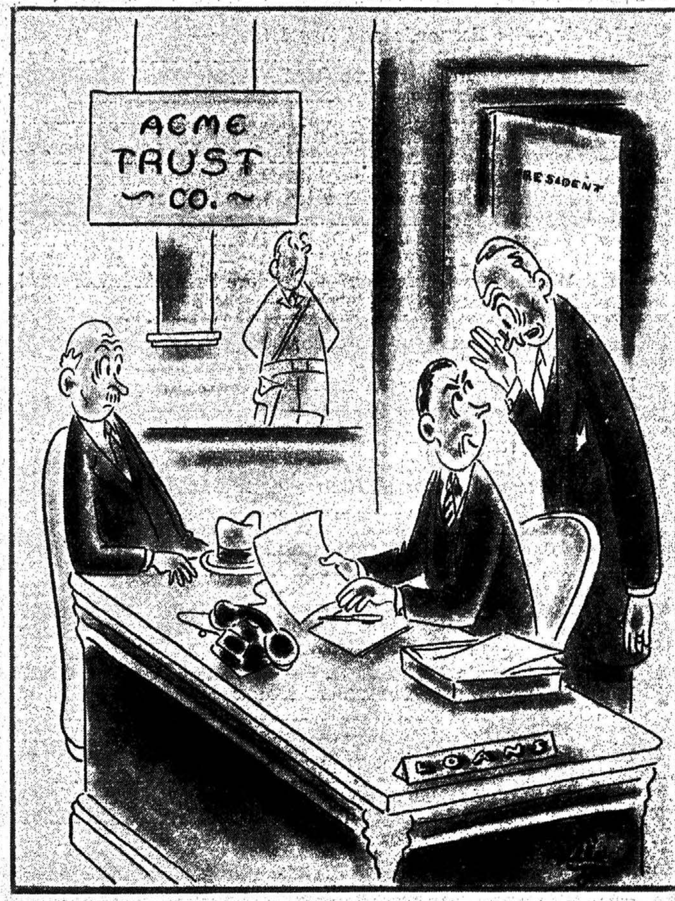
BUSINESS BUZZ



"Trundle, It's 'What Size Loan Are You Contemplating,' Not 'How Much Do You Want to Put the Bite on Us For'!!"

Need We Have a Depression?

By THEODORE PRINCE

Considering all elements relevant to recent stock market break, analyst concludes that current outlook is favorable, because of following constructive factors: (1) undigested securities problem has been removed; (2) inventories are not excessive; (3) important institutional holdings of equities are intact; (4) commodity situation is sound; (5) corporate working capital is large and debt small; (6) liquidation was largely motivated by technical market factors; (7) monetary inflation is frozen into the economy; (8) demand for goods is insatiable; (9) predicted improvement in foreign situation; (10) ushering in of "reactionary liberalism" at home; (11) productivity is steadily gaining. Accordingly we have a free choice between prosperous production and revolutionary depression.

Theodore Prince

The decline in the stock market from a Dow Jones Average of 204.52 on Aug. 13 to 167.30 on Sept. 10 represented one of the most concentrated and violent declines on record with a deluge of sales of over 40 million shares in less than four weeks. The speed of the decline and the melting way of prices indicated a necessitous and urgent liquidation which, with the prevailing thin markets and the paucity of cash purchases (through 100% margin requirements), bore all the earmarks of a virtual panic.

The change in underlying factors was confined, since the end of the Japanese War, to an intensification of inflationary trends arising from the scarcity of production and strikes in necessary products, OPA, etc., but money, employment, demand and national income improved, if anything, all of which will be subsequently discussed. The question then presents itself, where in a marginless market could such a volume of necessitous and urgent selling have originated?

1. "Undigested Securities"

The phrase "undigested securities" coined in 1903 has been of-

(Continued on page 2502)

Britain Intensifies Export Drive

By PAUL EINZIG

London observer reports intensification of British Government's policy of expanding exports, despite domestic opposition. Lays drive to rising U. S. prices, which threatens reduction of proceeds of the U. S. dollar loan. Sees no response to Government's exhortations to increase productivity and efficiency, and lays blame to discouragement of profit incentive and to absence of discipline among workers.

LONDON, ENG.—The statements made by the government spokesmen during the House of Commons debate on trade on Nov. 5 made it quite plain that the Government has not the least intention of yielding to pressure in favor of a relaxation of the export drive. Indeed it is the Government's declared intention to intensify the export drive instead of relaxing it. The explanation of this attitude lies largely in the decline of the purchasing power of the dollar.

Paul Einzig

About 50% of British imports comes from the American continent. On the other hand, only about 14% of British exports goes there. Much of the rest goes to countries which are unable to convert the proceeds into dollars. The result is that Britain has to finance out of the proceeds of the United States loan the trade deficit in relation to the Western Hemisphere. As a result of the rise in prices in the United States, the proceeds of the dollar loan now buy much less than they would have bought at the time of the conclusion of the loan. Unless great care is exercised, the loan will be spent in a very short time.

To avoid this, the Government is determined to continue to keep the British people on short ration. Austerity is to continue, in order that a large part of the increasing industrial output should be available for exports.

In any case, the output is not increasing to a sufficient extent. There is a shortage of manpower, in spite of the progress of demobilization. This is due to the fact that most British workers do not work hard enough. The nation is tired after the exertions of the war and there is little or no

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Observations . . . .

By A. WILFRED MAY

No Armistice in UN!

Quite ironically, the customary observation of two minutes of respectful silence on Armistice morn was omitted at the UN sessions last Monday; and paradoxically, Armistice Day at Lake Success brought no diminution whatever in the verbal warfare raging there. Consideration of the United States' trusteeship plan brought forth a barrage of bitter attack from the Soviet, which in turn elicited a vitriolic counter offensive from the American, British, and South African delegations. John Foster Dulles, the American delegate on the Trusteeship Committee, was particularly bitter in denouncing the Russians' allegedly deliberate procrastination and misrepresentation regarding the scheduled establishment of a Trusteeship Council.

A. Wilfred May

Much of the effort at Lake Success is directed toward scoring points in the press rather than against fellow-delegates. Frequently a delegate will rusn to reporters with a completely prepared and documented statement in rebuttal to a controversial speech of another nation even while the latter's translated version is still being spoken. This is like the prizefights of yesteryear, when that contender whose second won the race to the local telegraph office, became the fignt "winner."

* * * *

The U. S. Losing One Battle

In negotiating for the UN's new trusteeship system for dealing with non-self-governing territories, it appears that the United States, whether because of the exigencies of security, or of the possible congressional temper, has been jockeyed into an unfortunate position in the eyes of the world. In insisting that the former Japanese Pacific island mandate, consisting of the Marshall, Caroline, and Marianna Islands, be put under United States trusteeship according to our own terms with the alternative threat of our annexation *de facto*, the United States is playing the game of which it has been accusing the Russians in other spheres. That is, it is settling matters by force in lieu of relinquishing its sovereign action to the *de jure* settlement by the joint decision of the International Organization. It is the same category of action for which we have denounced the Soviet regarding its taking of unilateral action toward Polish Silesia and Korea without waiting for joint disposition of the question via peace treaty decision. Such unilateral behavior, by whomever it is practiced, does not further the basic aims of a functioning World Body.

* * * *

The Republican Congress and Our Foreign Economic Policy

Great light on the elections' real effect on the economic phases of our foreign policy will surely be shed next spring, by reason of the State Department's intentions, announced over last weekend to negotiate decisive reciprocal trade agreements on a wholesale scale. For then the new Republican Congress will have to declare itself decisively either for or against protection. Our policy on tariffs holds the key not only to the specific economic phases of UN, but in a "hard-boiled" practical way to the very existence of the International Monetary Fund, to the International Bank for Reconstruction, and to the creation of the prospective International Trade Organization. For any

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Financing Small Business

(Abstract from a study prepared by the Research Department of National Association of Manufacturers for its Committee on Industrial Financing, of which Alexander Calder is chairman.)

NAM research project finds that (1) overwhelming majority of country's businesses are classified as small; (2) public interest in small units is increasing; (3) difficulties of obtaining adequate loans from banks are confined largely to long-term loans; (4) capital market is more accessible to large concerns; (5) small business financing has been facilitated by the Smaller War Plants Corporation and RFC, by installment and field warehouse financing, and by small loans from personal finance companies; (6) many believe government should establish advisory service; (7) small business' borrowing is costlier; (8) larger per cent of small concerns fails than of larger ones; and (9) taxes supposedly inflict a greater burden on small concerns. Study generally concludes that both large and small business have certain advantages over each other which enable them to compete in a free economy; and that it would be unfair to consumers to give either large or small businesses special privileges perpetuating uneconomic producers.

I

What Is Small Business?

The term "small business" is being used widely by different people to mean different things. It may mean one thing to the average businessman living in a small community in which all business units have limited resources. In a large community with many kinds of businesses the term suggests something else.

Moreover, a business organization of a given size in one field may be regarded as small in comparison with other business organizations in the same field, whereas in comparison with businesses in other fields may be considered "large."

Several criteria or tests are currently used to distinguish a small from a large business, such as:

1. Total assets
2. Net worth
3. Net profits
4. Number of employees on payroll
5. Volume of sales

The Department of Commerce defined the field of small business to include any manufacturing plant which employs 100 persons or less; wholesale organizations with annual net sales of less than $200,000; retail stores, service establishments, hotels, places of

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Ralph C. Risch Now With Riley in Milwaukee

(Special to The Financial Chronicle)

MILWAUKEE, WIS. — Ralph C. Risch has become associated with Riley & Co., 735 North Water Street. Mr. Risch for many years was with Morris F. Fox & Co.

Martin With Riter & Co.

(Special to The Financial Chronicle)

CHICAGO, ILL. — William W. Martin is with Riter & Co., 134 South La Salle Street.

Holds SEC Orders Apply To Foreign Subsidiaries

Supreme Court, in refusing to review rulings in relation to Electric Bond and Share Company's subsidiary, American Foreign Power Co., upholds power of SEC to impose conditions postponing payment of notes involved in refinancing operation.

The U. S. Supreme Court on Nov. 12 refused the request of a challenge of the Securities and Exchange Commission's authority to regulate a corporation whose operating subsidiaries are wholly located abroad.

The request was made by Samuel Okin, of New York, owner of 9,000 common shares of Electric Bond & Share Co.

Mr. Okin claimed the Public Utility Holding Company Act of 1935 did not empower the SEC to regulate a Bond & Share subsidiary, American Foreign Power Co., Inc., which never operated directly or indirectly any properties in the United States.

Mr. Okin also asked revision of an SEC order authorizing a refinancing of a $30,000,000 debt owed by Foreign Power to Bond & Share. He contended the Commission lacked the power to impose conditions postponing payment of notes arising out of the refinancing until the status of other creditors was determined.

Justice Douglas, former SEC Chairman, took no part in consideration of Mr. Okin's petition.

With Slayton & Co. Inc.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—Andrew G. Anderson, Evan D. Peery, and Russell C. Zink are with Slayton & Co., Inc., 3277 Wilshire Boulevard.

U. S. Gives Formal Notice of Plans To Negotiate Trade Agreements

State Department, acting under Trade Agreements Act, will hold public hearings next January, preparatory to negotiating multilateral tariff reductions with 18 nations. Entails cooperation with aims of International Trade Organization. Soviet thus far declining invitation. Truman hails plans and urges public support.


William L. Clayton

Acting Secretary of State Clayton has formally announced the United States Government's intention of negotiating new trade agreements under the Trade Agreements Act, specifying a list of products on which we are ready to grant concessions, consisting of reduced rates and the elimination of preferences. The number both of products and of different nations that are involved, is unprecedentedly large. The actual negotiations will be undertaken next Spring simultaneously with 18 key trading nations, consisting of Australia, Belgium, Brazil, Canada, Chile, China, Cuba, Czechoslovakia, France, India, Lebanon (Syro-Lebanese Customs Union), Luxembourg, Netherlands, New Zealand, Norway, Union of South Africa, Union of Soviet Socialist Republics, United Kingdom.

The technique of negotiating such a large group of agreements simultaneously, puts them on a multilateral, in lieu of the previous bilateral, basis.

Our Committee for Reciprocity Information has issued a notice fixing January 13 as the date on

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Planning a Quick Visit to Europe?

By HERBERT M. BRATTER

Correspondent recites conditions of travel to and from Europe, and gives experiences of long waiting, insufficient accommodations, customs requirements, and other inconveniences and mistreatments. Says delights of trans-ocean air travel appear only on advertisements.


Herbert M. Bratter

If you are planning a trip to Europe, do not leave the United States before you have arranged for a return reservation. If you must attempt to make the return reservation on the other side, you may be in for a long wait and much trouble, not only to yourself, but to those to whom you will turn for aid over there. Even a reservation on a plane is not a sure thing. Thousands of persons, including a large number of American citizens, are today, some patiently and others impatiently, awaiting transportation to the United States; and a large proportion of these must continue to wait indefinitely.

The fact that there have been some bad airplane crashes does not affect in any apparent way the huge backlog of passengers who would be delighted to pay a premium to be allowed to board an America-bound plane. For the trans-Atlantic airlines today's is indeed a "seller's market." While it would be erroneous to say that the various American airlines are not trying their best to accommodate their customers, the fact is that many of the would-be and actual air travellers feel pretty badly abused as they sit around a small peat fire in some third-rate hotel in Limerick or some other Irish town even more remote from the airport, "standing by" in the hope that somehow they will get off.

Priorities are no longer used in air travel, at least not formally. They are still employed in steamer travel. To get on a westbound ship in Britain, for example, the American traveller will need to arm himself with a priority classification, obtainable from the United States Embassy, if his business is of sufficient importance. A word of praise is due the State Department for the excellent job it is doing in helping American businessmen in Europe in the national interest find decent places to stay and means of getting about.

Some of our consulates, like the one in Glasgow, are being swamped with immigration work. Large numbers of persons there want to come to America, and they seek not only the necessary official permission known as a "visa," but also — and it seems quite unreasonably — the help of the American consulate in finding transportation to the United States. In the cases of brides of GIs the demand may not appear so unreasonable, but the obvious

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Let's Slash the Federal Budget!

By LYNDE D. HOKERK*
President, Kerk Guild, Inc.
Vice Chairman, NAM Government Spending Committee

Attacking wasteful government spending and deficit financing, Mr. Hokerk contends 1947 budget is excessive and deprives industry of its proper share of citizen's dollar. Sets peacetime budget at $20 billions, but admits defense and veteran benefits require higher total at present. Urges immediate and progressive retirement of not less than $2½ billions annually of Federal debt and asks that pruning knife be applied to Federal payroll.

When war ended a little over a year ago industry had plans for producing a record volume of goods and employing millions more workers than ever before. Reconversion, we felt sure, would be taken in stride. Everybody knows now we have fallen far short of our goal. Part of the answer is found in the continuation of controls and in unsound wage and fiscal policies.

Lynde D. Hokerk

I am going to discuss Federal policy from the point of view of businessmen, but this is the same view as all other Americans have. We are all in the same boat. Today's discussion is directed against deficit financing and wasteful expenditures—twin evils which generally accompany one another.

We all know that the government for years—16 long years, in fact—has been spending billions of dollars more than it has taken in. Millions of our citizens can remember budget balancing only as an annual promise, not as an annual performance. And, for quite a while, it ceased to be even a promise.

After 16 years, the budget is still unbalanced, at least on paper.

Deficits Help Inflation

Many of us have gained en-
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*An address of Mr. Hokerk before the Associated Industries of Kentucky, Louisville, Ky., Nov. 8, 1946.

Time Runs Short But Belief Exists UFE and NYSE May Reach Agreement on Contract

By EDMOUR GERMAIN

Old contract which was automatically extended a month on Oct. 15 to permit both parties to reach a satisfactory agreement officially expires tomorrow but there are signs some way may yet be found to resolve such differences as exist in speedy and harmonious fashion. Union polls its Exchange members tomorrow afternoon on whether or not to accept Exchange's offer of pay increases ranging from $3 to $5 a week. One of union's chief complaints is said to be method of computing overtime pay.

Though the contract between the United Financial Employees and the New York Stock Exchange officially expires tomorrow, signs are not lacking that some way may yet be found to resolve such differences as exist in speedy and harmonious fashion.

The union is polling its Exchange members tomorrow from 3:30 to 7 p.m. at Schwartz's on the question of whether or not to accept the Exchange's offer of pay increases ranging from $3 to $5 a week. The union officers have announced that they will recommend that the men turn down the proposal and, on the surface, the relations between the union and the Exchange could be said to be anything but happy.

However, it is often when things look blackest when they are really at the turning point. There is no denying that the situation is fraught with various ugly possibilities. On the other hand, the union membership may find the Exchange's offer more attractive than the union officers think it is. But up to now at least the officers have had pretty much their way with the men.

Even if the offer is turned down, it would still be incredible
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Export-Import Bank and Postwar Foreign Trade

By WILLIAM McC. MARTIN, JR.*
Chairman, Export-Import Bank of Washington

In reviewing work of Export-Import Bank, Mr. Martin points out its expansion into foreign credits arises from fact U. S. is chief source for relief and rehabilitation goods and foreign countries are not in position to make immediate payment. Sees financing of reconstruction requirements causing a major repayment problem and predicts, when Bretton Woods organizations begin operations, Bank will limit operations to original function of aiding foreign trade in private channels. In previous address in New York, he outlines accomplishments of Bank.

The year just completed has seen the United States actively participating in rehabilitating a war-torn world. And certainly no group in our country is more aware than the National Foreign Trade Council of just how admirably U. S. foreign trade has met its heavy responsibilities in this field or just how formidable is the task still remaining if the success of the great postwar effort to restore the world's economy to proper working order is to be assured.

W. McC. Martin, Jr.

Our country, for reasons familiar to all of you, is bearing the greater part of the initial burden of this gigantic rehabilitation endeavor. Three aspects of the effort stand out. In the first place, the United States is the chief source of the relief and reconstruction goods which the world requires. In the second place, foreign countries are not in a position to make immediate payment for these vitally needed supplies, and an enormous dollar financing problem arises. And in the third place, the necessity for financing the bulk of the reconstruction requirements forces the United States, as the great creditor nation, to face a major repayment problem.

*An address by Mr. Martin before 33rd National Foreign Trade Convention, New York City, Nov. 12, 1946, together with a portion of an address before the Academy of Political Science, New York City, Nov. 7, 1946.

U. S. Can Produce Goods

As for the first point, the ability of the United States to produce the goods required in the rehabilitation effort is undoubted. Thus, despite the tremendous task of domestic reconversion, this country exported $8¾ billions of commodities between July 1945 and July 1946. Exports are steadily increasing and are now running at the annual rate of about $10 billion, not including some $3.8 billion of transfers of Lend-Lease and surplus war materials.

Magnitude of Dollar Financing

As for the second point, the nature and approximate magnitude of the dollar financing problem was anticipated by the U. S. Government well in advance of VJ-Day. Three district types of dollar financing were foreseen—the financing of relief, the financing of longer-range reconstruction and developmental needs, and the financing of the crucial British balance of payments deficit.

It was recognized that the urgent relief needs of the most impoverished countries would have to be met on a straight charity basis. An international agency, UNRRA, was the mechanism decided upon for the purpose and the United States contributed $2.7 billion, or more than 70% of UNRRA's total resources, to it.

The Bretton Woods Agreements of July 1944 provided for the establishment of an International Bank as the principal postwar agency to make foreign loans for long-term reconstruction and development; because of delays in ratification, however, the International Bank is just now in a position to begin operations. Private capital could not be expected to meet any substantial part of the emergency postwar needs. It was therefore essential for the United States to provide the dollar credits required to finance the most urgent reconstruction needs of the war-devastated areas until such time as the International Bank could take over, if a drastic fall in exports disastrous to economic and social rehabilitation abroad were to be avoided. To meet this situation Congress, in the Export-Import Bank Act of 1945, increased the lending authority of the Bank from $700 million to $3½ billion, removed the prohibition on loans by the Bank to countries in default on their obligations to the U. S. Government, and transferred the management of the Bank from an ex-officio part-time Board of Trustees to a full-time bi-partisan Board of Directors.

As for the British problems, it was recognized that the crucial position of Britain in world trade made it imperative to find some means of meeting the prospective British balance of payments deficit if our postwar international
(Continued on page 2478)

Public Utility Securities

Consumers Power Company

Some time ago Commonwealth & Southern Corp. announced a plan for the sale of blocks of stock of two important subsidiaries in its northern group, Ohio Edison and Consumers Power, as well as some stock of a new southern subholding company which it proposed to organize. These would be "new money" issues, the proceeds being used for plant additions, but the issues would also serve the purpose of providing an established market value for these stocks. 204,153 shares of Ohio Edison were offered by Morgan Stanley & Company at $41.25 a share on June 25 and stock is currently selling on the Stock Exchange around 36.

Commonwealth next arranged for registration of a block of Consumers' Power common stock, in an amount to net $20,000,000 which it expected to sell at competitive bidding in September. Due to the stock market slump the sale was postponed, but later it was announced that bids would be received Nov. 13. The company had originally hoped to net 40 or better for the stock (after allowing for banking commissions), but it appears doubtful at this writing whether this is feasible.

Consumers Power Co. is the largest subsidiary in the Commonwealth system, serving 1253 communities in the lower Peninsula of Michigan (outside the Detroit area), with a population of more than 2,255,000. Electric revenues amount to about 78% of gross; gas 20% and miscellaneous 2%. While the area is heavily industrialized, revenues from industrial plants amount to only 29% of total electric revenues as compared with 42% residential and 25% commercial. The automobile and related industries contribute some 38% of electric revenues, with machinery, chemical and food companies contributing most of the balance.

The area has enjoyed rapid growth as motor, accessory and machine activities spiraled out from the Detroit center. As a result Consumers Power has expended some $37,000,000 for plant additions during the four years ended Dec. 31, 1945. The 1946 budget calls for the expenditure of $15,000,000, and some $38,000,000 additional construction is already planned for the future. In the latest interim period reported, the 12 months ended Dec. 30, 1946 gross revenues were 60% higher than in the calendar year 1939, and gross income before Federal income taxes was higher by 53%.

Consumers Power has had a good financial record, having paid dividends continuously for 33 years. The present indicated rate is $2 annually. Current earnings on a pro forma basis (adjusted for tax savings and for the increased number of shares) are estimated at $2.69. On this basis about three-quarters of the earnings would be paid out in dividends, which is about in line with the average utility policy.

It is possible that earnings next year might be a little lower, however. Increased wages were allowed a year ago and again in March, the annual estimated amount of these increases aggregating $1,320,000, or $820,000 after allowance for Federal income taxes at the rate of 38%. While this would amount to some 20c a share, some two-thirds or more of the increase was probably reflected in the September earnings statement, so that complete adjustment might reduce earnings to around $2.62.

A more serious factor is the $3,000,000 rate cut which becomes effective Nov. 18. After allowance for taxes this would amount to about 45c a share on the common stock. Usually a utility company can count on recovering a substantial part of lost revenues when residential rates are cut, since customers make greater use of appliances. But in the present case the company's residential rates are already so low—about 2.60 cents per kwh compared with the national average of 3.28—that the reduction applies to industrial and commercial business only. The level of industrial sales, being dependent largely on general business conditions, may not be stimulated to any great extent by the rate cut, although commercial sales might improve.

Consumers Power has a clean balance-sheet picture. Plant account has been written down to original cost with the exception of about $10,000,000 intangibles and adjustments, and reserves have been set up to retire all but about $1,000,000 of these. Allowing a moderate amount for working capital, the rate base may be estimated at around $234,000,000 (the Michigan Commission has not reported its findings on rate base), and after allowance for the current rate cut, the return on the rate base is about 6.1%, which is in line with average regulatory policy on "fair return."

Letter to the Editor:

Wants All Bureaucratic Restraints Removed

William S. Baren accuses Wymond Cabell of inconsistency in pleading for a united securities industry, while asking only for elimination of controls injurious to his field of activity. Holds efforts should be directed against all bureaucratic restraints having no authority in laws.

Editor, Commercial and Financial Chronicle:

Mr. Wymond Cabell in his recent Chicago address urged all elements of the securities industry to unite in aiding investors, and restoring our industry to health. But in his San Francisco speech four days later, he makes for disunity by devoting a large portion of his remarks to decrying the discrepancies which exist between the Federal Reserve regulations that now require 100% margin requirements on listed securities, and loans upon unlisted securites which can still be used for collateral purposes at the banks.

In asking for cooperation to eliminate governmental controls that are inimical to our system of private enterprise, and are of doubtful Constitutionality, Mr. Cabell is on sound ground. But why does he make the mistake that has plagued most of the leaders of our industry whenever they have attempted to arouse a united industry to action? Mr. Cabell is more concerned about eliminating controls that are injurious to his particular field of activity, namely listed securities, than he is in getting at the real roots of all our troubles WHICH IS UNSOUND REGULATION ITSELF.

Not only should the Federal Reserve board be limited in its functions, to those which are prescribed by definitive law, but all regulations of loans that pertain to listed securities which are made by brokers should be regulated by the Exchanges themselves, which are private business organizations amply capable of handling such matters. The unlisted securities business should cooperate with the listed end of the business to make this an accomplished fact.

Together they should march forward and make an effort toward elimination of all bureaucratic restraints upon our entire industry which fall into the following categories: All future rules and rulings which are devised by any bureau without benefit of specific authority in law. Any rule or edict that cannot be put into definitive law, and that relies upon the discretion or judgment of any appointed official of the government, should henceforth meet with the united opposition of our entire industry until said ruling is driven out of existence.

Until we take the larger view that unsound government itself is the greatest enemy of our country as well as a virile industry, we will never accomplish these larger benefits which all of us are seeking.

WILLIAM S. BAREN.

42 Broadway,
New York City.

With Prescott Wright

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, MO. — Howard D. Roberts has become associated with Prescott, Wright, Snider Co., 916 Baltimore Avenue.

Our Opportunities in World Commerce

By HON. W. AVERELL HARRIMAN*
Secretary of Commerce

Stressing U. S. responsibility and leadership in restoring and expanding world trade, Mr. Harriman pleads for support on a non-partisan basis of Administration's efforts to negotiate reciprocal tariff agreements and remove trade barriers. Urges foreign economic policies be kept out of domestic politics. Sees opportunities for foreign investment but urges it be done in cooperation with local interests and with sound medium of finance. Favors world-wide industrialization and lauds loan to Brtiain. Predicts larger U. S. imports, but sees temporary need for both import and export controls.

W. Averell Harriman

I greatly appreciate having the opportunity to talk with you members of the National Foreign Trade Council. Your membership includes on a national basis the men and the institutions, vitally interested in the development of American international commerce — engaged in manufacturing, production and distribution for export, in transportation, communications, and insurance, in finance, and, of special importance at this stage in our economic history, in imports.

I wish to discuss with you America's opportunities in world commerce. Terms are important in clarifying the meaning of discussions. Thus I use the term world commerce rather than foreign trade advisedly. We are part of the world whereas foreign connonates something abroad. Also trade is often used in connection with individual transactions whereas commerce signifies the whole field of economic intercourse.

You men in this Council have a primary responsibility, in cooperation with government, to take full advantage of the opportunities we have to develop world commerce in the interests of our own people and of the people of the world. This is a grave but inspiring responsibility. In no small measure there rests on you the shaping of the world to come for peace and prosperity.

The United States is an overpowering force in the economic world today. Our industrial capacity is over one-half the industrial capacity of the world. We are an important factor in agricultural production. We are a great creditor nation with the power to affect significantly international financial and economic

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*An address by Secretary Harriman before 33rd National Foreign Trade Convention, New York City, Nov. 11, 1946.

The Task of the United Nations in Developing International Trade

By DAVID K. OWEN*
Assistant Secretary-General for Economic Affairs, UN.

UN official states surest affirmative guarantee of peace is to be found in expanding world trade, rising employment standards, and freedom from "catastrophic" cycles. Summarizes general purposes of new International Trade Organization as follows: (1) to promote solution of problems in international commercial policies by consultation and collaboration; (2) preventing recourse to measures destructive of world commerce; (3) encouraging worldwide industrial and economic development; particularly in underdeveloped countries; and (4) promoting high levels of employment in all countries through expanded production and consumption, and through eliminating discriminatory policies. Gives detailed account of the current preliminary work in London.

David Kemp Owen

I have been asked to talk to you about the task of the United Nations in developing international trade. I am particularly glad to do this, for I have recently returned from meetings of the Preparatory Committee of the International Conference of Trade and Employment, which is still holding sessions in London. And while I shall not be able to give you the complete story at this time it will, I think, be of some interest to the members of this Convention to hear about some of the main points under discussion and various views that have been expressed.

I might begin with the remainder that the tasks within this particular field are only a part of the very large economic responsibilities which United Nations has under the San Francisco Charter. As you all know, the primary purpose of United Nations is to save succeeding generations from the scourge of war. But the Charter is not concerned merely to establish a negative peace. It looks forward to the establishment of a peace which is not merely the absence of war, but an era of economic and social progress through international cooperation. Starting with the proposition that conditions of stability and well-being are necessary for peaceful and friendly relations among nations, the Charter lays upon the United Nations very positive and specific obligations to achieve international cooperation in solving international economic problems. Thus it provides that United Nations must take action to promote higher standards of living, full employment and

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*An address by Mr. Owen before 33rd National Foreign Trade Convention, New York City, Nov. 11, 1946.

Business Responsibility for Better Living Standards

By CHARLES LUCKMAN*
President, Lever Brothers Company

Industrial executive urges business actively to promote higher living standards and more social security for employees. Sees aim as 100% increase in real wages and living standards, together with guaranteed annual wage, pensions, and other social security benefits. Calls upon industries to cease opposition to social legislation and take active part in promoting workers' welfare in order to expand their markets. Contends active propaganda against Communism and other ideologies has only negative effect, and denies his theory is "blindly idealistic."

I would be less than honest with you if I did not say to you that what has happened to me could only happen in America, the land of opportunity.


Charles Luckman

Everytime I have gone to the Capital of our nation, I have repeatedly been impressed by the Washington Monument, built of stone, as you may know, contributed by nations over the face of the earth to honor the founder of this Republic. And you know, from Arlington across the river, where sleep the men who died for freedom, it looks like a giant spike which God Himself might have driven into the earth saying, "Here I stake a claim for the home of liberty."

I feel so deeply about this that today I am going to depart from the usual format of my speeches and discuss with you what I believe to be the crucial problem facing business, small, medium and large.

It occurred to me this morning as I flew into Chicago that forty-three years ago this month, Wilbur and Orville Wright—by the grace of God and a longhandled spoon—managed to get their first flying machine into the air.

Many of you here represent concerns which, for the most part, were started during the last ten years. If you will look at the airplanes built during the first decade of flying, and compare them with the huge four-motor transports of today, you will see the potential measure of your own growth. Whether or not you are able to realize this potential depends upon a variety of circumstances, several of the most important of which I should like to examine with you today. Now this must be done on a factual basis, because I am only a manufacturer

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*An address by Mr. Luckman before Super Market Institute, Chicago, Ill., Nov. 7, 1946.

Problems of Direct Investments Abroad

By LEO D. WELCH*
Treasurer, Standard Oil Co. (N. J.)

Leading international oil company official, emphasizing role of American capital in world rehabilitation, deplores flagging spirit of American business and its reluctance to constructively help shape national policies at home and abroad. Decries government policy making by inexperienced men and urges more collaboration in foreign investments by government and business. Favors direct investments abroad by private enterprise rather than by governments. Foresees no fixed solutions regarding safety of American investments abroad, but holds responsibility rests upon our policy makers to make government and capital work in close harmony for world betterment.

We are far into the struggle for peace and the restoration of order in the world. The road seems long and beset with surprises and disappointments. One of the goals of peace is the freedom of men to work and eat and enjoy the fruits of their labor. This includes the war torn areas and the underdeveloped parts of the world, as well as the richer and undestroyed parts. As life is not static, it must go on, although the forging of peace treaties may take years. In the battle of peace, therefore, it is necessary to fight against common enemies which attack from all directions, in the form of hunger, inflation, unemployment, bankruptcy. Peace to be stable must be a working peace with these ills subdued and replaced by economic health and well-being. Invariably, to be at peace is to be at work; factories humming, farms producing, merchandise moving, and men living without constant fear of destruction. One of the first elements for things to move in this direction is the availability of credit and means of payment. When these return to the scene, trading starts again, enterprise takes form, needs are fulfilled, and that function we know as business, resumes. Domestic trade widens out into foreign trade and the heartbeat of capital again pumps the blood of commerce and industry through the veins of the world. As this process intensifies, peace settles down more firmly over the world.


Leo D. Welch

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*An address by Mr. Welch before 33rd National Foreign Trade Convention, New York City, Nov. 12, 1946.

Hasten European Reconstruction And Trade

By ALLEN W. DULLES*
President, Council on Foreign Relations, Inc.
Partner, Sullivan & Cromwell, New York

Asserting we are falling into same errors as in early '20s, Mr. Dulles stresses need of rapid return of our foreign commerce to private channels. Says devastated countries should be put on a peacetime economic basis and Germany, in particular, be afforded opportunity to produce and trade. Cites heavy cost to taxpayers of feeding and maintaining German people and urges American business be permitted to trade in Germany and Austria. Warns delays will strengthen Russia's efforts to spread Communism, and concludes, if we cannot get a legal or signed peace, let us move to a condition which will help "flow of trade."

A friend of mine who recently arrived here from his home in the area of the European "iron curtain" made what seemed to me a very significant remark. "The trouble with you western democracies," he said, "is that you have too weak nerves."


Allen W. Dulles

Probably he meant that our nerves seem weak and our determination faltering when it comes to carrying out the objectives for which we fought with such strong nerves in time of war.

Throughout the whole period of World War II we certainly did not forget the cost to us of our ineffective action following victory in World War I, of which today is the anniversary. As we entered World War II we vowed that we would not make the same mistakes, that we would not run out of the peace settlement, that we would not dissipate our power, relax our preparedness or terminate our cooperation as we did in the days that followed the armistice of Nov. 11, 1918.

Today we may not be falling into the same errors as in the early 20's, when we withdrew into isolation and repudiated the League of Nations. Certainly the part we are playing in the United Nations and in the laborious peace negotiations is a good omen. But it is well to examine whether today we are really awake to the challenge, driving and subtle, which is being made in many parts of the world against the principles we have considered fundamental.

You may ask the relation of this to the particular subject for today's discussion, "The Role of Our Foreign Trade in European Reconstruction." It is just this. One of the great issues which is now being fought out, particularly in parts of Europe, is the extent to

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*An address by Mr. Dulles before 33rd National Foreign Trade Convention, New York City, Nov. 11, 1946.

World Trade and America's Future

By CURTIS E. CALDER*
Chairman, Electric Bond & Share Co.

Mr. Calder calls attention to dependence of world trade on stable peace and sound domestic economy. Says we no longer work together at home but tug and haul away at cross purposes. Holds we have a "patriotic task" of building up our imports and warns on basis of past experience investments abroad need fair treatment and protection. Supports proposed International Trade Organization and concludes that our American plan for world peace through world cooperation and world trade, though an idealistic vision, is entirely practicable.

Our experiences as foreign traders and investors have shown us the close correlation between world trade and world peace. We know that the vigorous world trade we hope for as private enterprisers is possible only in a world at peace; and we also know that a vigorous, mutually beneficial trade among nations can remove some of the basic causes of wars. Wars are bred in mutual distrust and misunderstanding among nations, when normal channels of information and communication are closed, and the individual is denied his essential liberties. Wars often have their roots in economic maladjustments caused by deficiencies in raw materials or lack of access to markets. World commerce finds its best nourishment in an atmosphere of freedom, which permits men and nations to supplement the products of their own industry and thrift by exchanging their surpluses with those of other free peoples; and it has its roots in individual enterprise, mutual trust and understanding. It is this practical identity between the prerequisites of a peaceful world and a prosperous, trading world, that makes the work of this Convention seem so important to me—and I say this, not only as a member of the National Foreign Trade Council, or as a representative of American business or investment interests abroad, but as Curtis Calder, American citizen.


Curtis E. Calder

As we meet in this great Foreign Trade Convention, we are conscious of the needs of a disorganized and impoverished world economy, desperately crying for American goods—for the equipment which it must have, and quickly, to restore its vitality and productiveness. We want to supply these goods. Failure to deliver at this crucial time will mean not only the measurable loss of immediate profits, but an immeasurable loss of confidence and good will, affecting not only our business dealings, but our political relationships with other peoples for years to come. Only America can respond to the world-wide appeal for the tools

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*An address by Mr. Calder before the 33rd National Foreign Trade Convention, New York City, Nov. 11, 1946.

Redeem Belgian Bonds

J. P. Morgan & Co. Inc. and Guaranty Trust Company of New York, as Sinking Fund Administrators, are notifying holders of Kingdom of Belgium External Loan 30-year sinking fund 6% gold bonds due Jan. 1, 1955, issued under contract dated Dec. 16, 1924, that $2,346,800 principal amount of these bonds have been drawn by lot for redemption and payment at the principal amount thereof on Jan. 1, 1947, out of sinking fund moneys. The drawn bonds will be paid at the office of J. P. Morgan & Co. Inc., or at the principal office of Guaranty Trust Company of New York. The notice further states that on Nov. 8, 1946, $117,100 principal amount of these bonds previously drawn were still unredeemed.

Dealer-Broker Investment Recommendations and Literature

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

Aviation Bulletin — Comments on airline finances and including monthly opinion on the stock market—John H. Lewis & Co., 14 Wall Street, New York 5, N. Y.

Guide to the Perplexed—a challenge to the barrage of pessimistic statements—bulletin with a list of suggested stocks for income and capital appreciation—Strauss Bros., 32 Broadway, New York 4, N. Y.

Income Tax Problems — Chart and guide — John J. O'Brien & Co., 209 South La Salle Street, Chicago 4, Ill.

Liberal-Yield Bond Situation—Brief Analysis of Dela., Lacka. & Western — Morris & Essex Collateral 4-6s 2042—in the current issue of "Railroad and Other Quotations"—B. W. Pizzini & Co., 25 Broad Street, New York 4, N. Y.

Petroleum — Detailed study of the industry analyzing from the viewpoint of those whose emphasis is primarily on our nation security and the viewpoint of those who approach a discussion of petroleum from the technical and economic standpoint—summarizes future prospects of the industry and contains individual surveys of 38 of the leading oil companies —Merrill Lynch, Pierce, Fenner & Beane, 70 Pine Street, New York 5, N. Y.

Railroad Stocks—Study of improved position—H. Hentz & Co., 60 Beaver Street, New York 4, N. Y.

Also available is an analysis of **General American Transportation Corp.**

Shoe Industry—Present conditions — study — Kalb, Voorhis & Co., 15 Broad Street, New York 5, N. Y.

Utility Operating Co. Common Stocks, Present Earning Power — Brochure containing price-earning ratios and yields — Bear, Stearns & Co., 1 Wall Street, New York 5, N. Y.

Water of the Colorado River — Details of the controversy between California and Arizona — Pasadena Corp., 234 East Colorado Street, Pasadena, Calif.

Abitibi Power and Paper Company, Ltd. — memorandum — Dominion Securities Corp., 40 Exchange Place, New York 5, 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.**

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

American Phenolic Corporation —Memorandum—J. F. Reilly & Co., Inc., 40 Exchange Place, New York 5, N. Y.

Also available are data on: **Barcalo Manufacturing Co.; The Commercial Shearing and Stamping Co.; General Machinery Corporation; Golden Crown Mining Co.; Higgins, Inc.; Highlights of Wall Street; O'Sullivan Rubber Co.; Plastics Materials Corporation; Silver Creek Precision Corporation.**

Appleton Manufacturing Co. — Detailed memorandum — Bennett, Spanier & Co., Inc., 105 South La Salle Street, Chicago 3, Ill.

Art Metal Construction Co. — Special report — Walston, Hoffman & Goodwin, 265 Montgomery Street, San Francisco 4, Calif.

Also available are reports on **California Cotton Mills Co.; Chrysler Corp.; Detroit Harvester Co.; Divco Corp.; Giddings & Lewis Machine Tool Co.; Jefferson Electric Co.; Kern County Land Co.; Langendorf United Bakeries Class "B"; M. Lowenstein & Sons, Inc.; National Automotive Fibres, Inc.; Portsmouth Steel Corp.**

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 Alarm — memorandum—Mitchell & Company, 120 Broadway, New York 5, N. Y.

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

Also available is a circular on **American Service Co.**

Bird & Son, Inc. — memorandum—Buckley Brothers, 1420 Walnut Street, Philadelphia 2, Pa.

Also available are memoranda on **Gruen Watch Company** and **Long Bell Lumber.**

Boston & Maine Railroad — Circular — Walter J. Connolly & Co., 24 Federal Street, Boston 10, Mass.

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.

Chicago North Shore & Milwaukee Railway Co.—Brief memorandum on outlook—Brailsford & 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.

Federal Water & Gas—Analysis —Ira Haupt & Co., 111 Broadway, New York 6, N. Y.

Also available is a study of **New England Public Service Co.**

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.

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

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

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.

Also available is a circular on **Commodore Hotel, Inc.**

Los Angeles—Special study of the City which is entering a new growth phase—Maxwell, Marshall & Co., 647 South Spring Street, Los Angeles 14, Calif.

Nathan Straus-Duparquet, Inc. —Study of history and outlook—Troster, Currie & Summers, 74 Trinity Place, New York 6, N. Y.

Northern Indiana Public Service Company—recent analysis—Fred W. Fairman & Co., 208 South La Salle Street, Chicago 4, Ill.

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.

Ralston Steel Car Co. — Circular — Lerner & Co., 10 Post Office Square, Boston 9, Mass.

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

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Illinois Brevities

Talk in Chicago banking circles recently has concerned the trend to shorten the average life of new term loans to industry and a stiffer attitude being shown by some Loop banks toward revolving credits. In general, banks that have been tightening term loan arrangements are less restrained on standby credits.

The low point in interest rates seems to have been reached in recent loans to Standard Oil of Indiana and Borg-Warner Corp. Banks now are edging away from 10-year term loans and seem to prefer three, five or seven-year credits. One official said banks are reluctant to freeze the price of their product over a lengthy period when all their expenses are increasing.

Opinions on national policy by two well-known executives here occasioned comment. Simeon Leland, Chairman of the Federal Reserve Bank of Chicago, agreed with other economists that the government was almost helpless to combat inflationary pressures. He said Federal attempts to control wages and prices were inadequate from their beginning in 1942.

He said the ineffectiveness of Federal Reserve Board controls was indicated by the high volume of credit available.

Wilbert Ward, Vice-President of the National City Bank of New York, told the 15th mid-continent trust conference of the American Bankers Association that the gap between United States exports and imports could be bridged by foreign investments and loans. Foreign trade, he said, must be a two-way exchange of goods and services.

* * *

This year's Christmas buying season in Chicago will ring up a record dollar sales volume, but many retailers are worrying that it may be the last of the "bonanza" seasons for a while. Sears, Roebuck & Co. took the occasion to mail the largest Christmas catalog ever issued by the company. This 240-page affair includes a 55-page toy section, largest since 1941.

* * *

The War Assets Administration at Chicago began work on the last half of its war plant disposal job by unveiling a large part of some $600,000,000 in real property which it hopes to sell by the second quarter of 1947. Attention in this area was centered on the struggle between the Tucker Corp. and the National Housing Administration for the huge former Dodge-Chicago plant.

An important transaction was the sale of the government-owned blast furnace property in East Chicago for $13,250,000 to Inland Steel Co. The price was up $1,250,000 from the company's previous bid, rejected by WAA.

* * *

William S. Knudsen, Chairman of Hupp Corp., disclosed the acquisition of two Chicago gear firms by Hupp for an amount in excess of $1,250,000. The company purchased all capital stocks of Amgears, Inc., and through Amgears acquired the American Gear & Manufacturing Co. plant and properties.

* * *

T. H. Golightly, President of the National Bank of Commerce and the Citizens National Bank of Chicago, was elected President of Group 1 of the Illinois Bankers Association.

* * *

The Chicago Rapid Transit Co. (elevated) was authorized to offer for sale 97 pieces of nonoperating real estate, valued at approximately $1,040,000. It was described as the largest number of real estate pieces to be offered for sale at one time in Chicago real estate history.

* * *

Senator Taft (R., O.) and Secretary of Agriculture Anderson addressed Chicago audiences recently. The Senator predicted an economy Federal budget of $25,000,000,000 to $30,000,000,000 in the next two years, while Mr. Anderson said farm prosperity would provide business with a hedge against depression for several years.

* * *

Wymond Cabell, President of the Association of Stock Exchange Firms, took issue with Marriner Eccles, Chairman of the Federal Reserve Board in an address before the Chicago Association of Stock Exchange Firms. He criticized a statement by Mr. Eccles to the effect that the decrease in securities market values represents a constructive factor in national rehabilitation.

He said: "Mr. Eccles apparently belongs to that school of thought which feels that security values create economic conditions rather than reflect them."

* * *

Paul H. Davis & Co. celebrated its 30th anniversary last week and Paul H. Davis, senior partner and a founder, took the occasion to remark that an increasing number of Middle Western companies are turning to LaSalle Street for investment capital. He said the Chicago Stock Exchange has reached a high point in its development.

Commonw. Securities Inc.

JERSEY CITY, N. J.—Commonwealth Securities, Inc., is being formed with offices at 921 Bergen Avenue to engage in the securities business. Officers are Francis W. Hay, President and Treasurer; Howard E. Norris, Vice-President and Secretary, and Joseph M. O'Brien, Assistant Treasurer. All are with T. I. S. Management Corp.

Western Pa. IBA Group Elects New Officers

PITTSBURGH, PA.—At a recent meeting of the Western Pennsylvania Group, Investment Bankers Association of America, the following slate was elected:

Chairman—N. K. Parker, Kay, Richards & Co.

Vice-Chairman—L. W. Voigt, Hemphill, Noyes & Co.

Secretary-Treasurer—Owen Kraft, Blyth & Company.


L. W. Voigt


Owen Kraft


M. M. Grubbs

Also elected to the Board of Governors for three years were: J. C. Chaplin, Chaplin & Co.; M. M. Grubbs, Grubbs, Scott & Co.

Mississippi Valley Group of IBA Elects

ST. LOUIS, MO.—At the annual election meeting of the Mississippi Valley Group of the Investment Bankers Association of America, held Oct. 30, 1946, the following officers were elected to serve for the fiscal year 1946-47:


Chapin S. Newhard


Bert Horning


Walter Creely

Chairman—Chapin S. Newhard, Newhard, Cook & Co.

Vice-Chairman—Bert H. Horning, Stifel, Nicolaus & Company, Incorporated.

Secretary-Treasurer—Walter J. Creely, Goldman, Sachs & Co.

Real Estate Securities

Broadway Motors Building, New York, N. Y. First Leasehold Fixed and Cumulative Income 4-6% Bonds Due Feb. 1, 1948

These bonds are secured by a first mortgage on the leasehold estate and the 25-story office building located in mid-town New York, at Columbus Circle, and occupying the entire block bounded by Broadway, Eighth Avenue and 57th and 58th Streets. The ground lease runs until 1962, and is renewable for two periods of 21 years each.

Continuing income to the corporation and payment of 6% interest on the bonds is assured under a new lease negotiated with the General Motors Corporation whereby this corporation has agreed to continue its tenancy until April 30, 1958. The lease term is from May 1, 1948, to the aforementioned date at a rental of $750,000 per year for 270,000 square feet of space. In effect, therefore, the General Motors Corporation provides the building with approximately 60% of its annual income. The lease also provides that the tenant may cancel and terminate the lease on April 30, 1953, with respect to any portion of the upper 14 floors providing the portion cancelled shall not exceed 120,000 contiguous square feet, by giving notice not later than April 30, 1951, and payment of a penalty of $125,000.

Under the terms of the indenture, net income of the property is divided as follows:

1. Payment of 4% fixed interest.
2. Sinking fund provisions of $100,000.
3. Payment of 2% additional cumulative interest.
4. Balance to sinking fund.

In addition, deferred interest in the aggregate amount of 15%, together with a bonus of 5%, shall be payable out of net earnings, or in any event, at maturity or prior to the redemption of the bonds. This places a value on the bonds, at maturity, of 120.

Assuming that the bonds are extended when due in 1948 (although there is a strong likelihood that they may be refunded), the building's current rate of income will permit the liquidation of the entire bonded indebtedness prior to the termination of the General Motors lease in 1958. Details of issue follow:

Original issue	$6,000,000
Retired prior to reorganization in 1936	1,235,500
Outstanding at time of reorganization	$4,764,500
Retired by sinking fund since reorganization	2,126,000
Outstanding	$2,638,500

Dealer-Broker Recommendations

(Continued from page 2466)

Schenley Distillers Corporation —Brochure of articles they have been running in the Chronicle—write to Mark Merit, in care of **Schenley Distillers Corporation** 350 Fifth Avenue, New York 1, N. Y.

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.**

Vermiculite — Analysis of **Universal Zonolite Insulation Co.** the largest producer of vermiculite in the United States — Caswell & Co., 120 South La Salle Street, Chicago 3, Ill.

Southard With Allen, Swift

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL. — Samuel L. Southard has become affiliated with Allen, Swift & Co., 120 South La Salle Street. Mr. Southard was previously with the Financial Development Co. and in the past with A. C. Allyn & Co.

Mayburn Landgraf V-P Of Indpls. Bond & Share

INDIANAPOLIS, IND. — Mayburn F. Landgraf has been elected a Vice-President and Director of the Indianapolis Bond and Share Corp., 129 East Market Street. Mr. Landgraf has been active in financial and industrial circles for the past thirteen years.

Mayburn F. Landgraf

New Functions of British Trade Unions

By CHARLES DUKES*

President of the Trades Union Congress of Great Britain

Expressing satisfaction with social and economic policies of British Government, England's veteran labor leader urges followers to readjust trade union point of view and strive for increased productivity. Says workers are not making full use of their productive forces and wartime methods should be continued to reestablish Britain's position in the postwar world and increase export trade. Holds industrial efficiency is not exclusive responsibility of management and calls for greater workers participation in conduct of industry. Defends closed shop in both public and private employment and concludes it is not easy for workers in nationalized industries to see that their claims do not override public interests.

". . . During the last 12 months we began the writing of a new chapter in the social and political history of our own country, a new chapter indeed in the history of the peoples of the world. A year ago, when our Congress met at Blackpool, we were rejoicing at the advent of a Labour Government with an ample majority. Today we can offer to the Labour Prime Minister and his colleagues, in all sincerity, our cordial congratulations and our thanks for their hard work and splendid achievements in their first year of office. No Government ever strove more wholeheartedly, or with equal success, to cope with social, economic and financial problems which confronted them. The Government has been strong and confident in the assurance that it had the support of our United Movement, and the goodwill of a majority of the people of our country. Mr. Attlee and his colleagues have justified our support by their policy, and have kept the country's goodwill by their vigorous and resolute pursuit of the programme of resettlement and reconstruction for which they received its unmistakable mandate.

Charles Dukes

*An address by Mr. Dukes before the 78th Annual Trade Union Congress, Brighton, Eng., Oct. 21, 1946.

Tests of Social Policy

From that standpoint I am pre-

(Continued on page 2487)

Factors in Preserving Peace

By HERBERT MORRISON, M.P.*

Lord President of the Council, Great Britain

High ranking British government official, after pointing out dangers to collective security arising from national aggressiveness and mistrust, favors effective machinery against preparation for war. Holds three Great Powers can maintain world peace if they act together, but stresses additional need for promoting universal political and economic security and for increased world trade as a basis for a prosperous and safe world. Says U. S. has greatest responsibility in promoting world trade, and pledges British cooperation in helping make world trade a positive contribution to peace.

As men put behind them their savage instincts, as civilization grows with all its living riches, and the love of peace grows in the hearts of men, there also grows a world wide determination among the nations to arrest disturbers of the peace and a faith that by mutual consent all nations can combine to protect the rights and security of each.

Peace is not secure unless it is collective. As a great statesman, Mr. Litvinov of the U.S.S.R., said, "Peace is indivisible." The safety of each depends upon the active and mutual responsibility of all. Collective security, which is the plan for all nations to combine to protect world peace, is not the offspring of fear. It is the child of the marriage of faith in the destiny of mankind with practical and sober organization.

With practical organization of Collective Security, world peace cannot be broken by one nation, nor can it be easily broken by a group of nations unless between them they are overwhelmingly powerful.

Herbert Morrison

Danger to Collective Security

A danger to Collective Security

(Continued on page 2483)

*An address by Mr. Morrison at a meeting of the United Nations Association, London, Eng., Nov. 4, 1946.

United Merchants and Manufacturers Inc.

WILMINGTON, DELAWARE

18th Annual Report

for the fiscal year ended June 30, 1946

The financial statements presented below are subject to footnotes published in the annual report of the Company.

CONSOLIDATED BALANCE SHEET AS AT JUNE 30, 1946

Assets

CURRENT ASSETS:			
Cash on hand, in banks and in transit		$10,995,208	
United States Government Securities—at cost or redemption value and accrued interest (Market Quotations $12,232,415)		11,843,740	
Foreign Government Bonds—at Cost (Market Quotations $584,199):			
Canadian Government Bonds	$ 555,990		
Argentine Government Bonds	23,730	579,720	
Trade accounts, notes and acceptances receivable, less reserves of $330,316		11,665,506	
Accounts and notes receivable purchased, less reserves of $298,459		9,791,100	
Merchandise Inventories:			
Raw materials and supplies	$ 3,500,983		
Goods in process, including greige goods	14,662,033		
Finished goods	5,767,952	23,930,968	
Other receivables (including $438,256 due from associated companies—not consolidated)		1,355,647	$70,161,889
INVESTMENTS IN SUBSIDIARY AND ASSOCIATED COMPANIES—not consolidated—book value as per financial statements as at June 30, 1946 or as at the nearest dates thereto—approximately $3,986,000			1,947,072
OTHER ASSETS:			
Sundry receivables and investments (including $426,553 representing cash surrender value of life insurance policies and deposits with mutual insurance companies)		1,008,961	
Canadian post-war excess profits tax refunds		217 588	1,226,549
FIXED ASSETS:			
Land, buildings and water rights	$10,436,044		
Machinery, equipment and leasehold improvements	17,076,548	27,512,592	
Less: Reserves for depreciation and amortization		15,039,399	12,473,193
DEFERRED CHARGES			866,087
PATENTS, GOODWILL AND TRADEMARKS			3
			$86,674,793

Liabilities

CURRENT LIABILITIES:				
Notes and acceptances payable—banks			$10,554,445	
Credit balances of factored clients			6,363,063	
Trade accounts payable, sundry liabilities, accrued expenses, etc.			10,644,780	
Reserve for Federal and foreign income and excess profits taxes	$12,847,553			
Less: United States Treasury Savings Notes, Series C and accrued interest	3,400,597		9,446,956	$37,009,244
RESERVE FOR CONTINGENCIES				3,500,000
MINORITY INTEREST IN CAPITAL STOCK AND SURPLUS OF SUBSIDIARY COMPANIES—CONSOLIDATED				3,558,266
CAPITAL STOCK:				
5% Cumulative Preferred Stock, Par Value $100 per Share:				
Authorized and issued	54,000 shares			
Less: In treasury	305 shares			
Outstanding	53,695 shares	5,369,500		
Common Stock, Par Value $1.00 per Share:				
Authorized	4,000,000 shares			
Issued (including 296.56 shares still to be issued in exchange under plan of capital stock readjustment) and stated at par value of $1 per share plus $6,451,790 added to capital by resolutions of the Board of Directors	1,335,875 shares	7,787,665		
SURPLUS:				
Capital surplus			2,174,077	
Earned surplus, since August 1, 1932			27,703,092	
			43,034,334	
Less: Held in Treasury—54,850 shares of Common Stock at cost			427,051	42,607,283
				$86,674,793

FACTS FOR OUR STOCKHOLDERS

	Year Ended June 30, 1946	Year Ended June 30, 1945	Year Ended June 30, 1944	Year Ended June 30, 1943	Year Ended June 30, 1942	Year Ended June 30, 1941	Year Ended June 30, 1940	Eleven Months Ended June 30, 1939
NET PROFITS (*After Reserves for Contingencies*)	$ 9,098,705	$ 5,334,049	$ 4,984,098	$ 4,256,656	$ 3,787,902	$ 2,623,132	$ 2,021,620	$ 1,466,196
PREFERRED STOCK DIVIDENDS PAID	272,225	283,438	285,923	—0—	—0—	—0—	—0—	—0—
EARNINGS PER SHARE ON OUTSTANDING COMMON STOCK (*After Preferred Dividend*)	6.89	3.99	7.43	7.40	6.41	4.37	3.37	2.44
NUMBER OF SHARES OF COMMON STOCK OUTSTANDING	**1,281,025	*1,264,772	632,388	575,174	590,528	599,903	599,658	599,956
DIVIDEND RATE PER SHARE ON COMMON STOCK	$ 2.20	$ 1.50	$ 2.00	$ 2.00	$ 1.50	$ 0.50	$ 0.25	—0—
BOOK VALUE, COMMON STOCK PER SHARE (*After Reserves for Contingencies and after deducting outstanding Preferred Stock at $104 per Share*)	28.90	24.45	43.91	42.24	34.96	29.59	25.47	22.45
NET QUICK ASSET VALUE, COMMON STOCK PER SHARE (*After deducting outstanding Preferred Stock at $104 per Share*)	21.52	19.78	32.46	27.17	19.43	15.72	12.52	9.62
WORKING CAPITAL	33,152,645	30,919,282	26,430,708	21,869,651	11,475,098	9,435,368	7,514,932	5,771,526
DEPRECIATION AND AMORTIZATION OF FIXED ASSETS	872,024	842,018	864,304	723,208	564,146	548,923	474,379	387,853
RESERVE FOR CONTINGENCIES	3,500,000	3,500,000	3,000,000	1,750,000	1,000,000	400,000	—0—	—0—
CAPITAL AND SURPLUS: PREFERRED STOCK	5,369,500	5,669,500	5,674,500	6,000,000	—0—	—0—	—0—	—0—
COMMON STOCK AND SURPLUS	37,237,783	31,150,192	27,995,640	24,536,754	20,643,380	17,755,596	15,281,354	13,471,241
TAXES PAID OR ACCRUED: NORMAL INCOME AND OTHER	6,144,000	3,833,000	3,172,000	2,233,000	3,076,000	1,308,000	739,000	634,000
EXCESS PROFITS	5,309,000	7,396,000	8,606,000	5,909,000	3,317,000	322,000	42,000	—0—

*Stock split 2 for 1, March 7, 1945. **Stock split 3 for 1, August 14, 1946.

TO OUR STOCKHOLDERS AND EMPLOYEES: With the approval of the Board of Directors, the annual report of the Corporation, showing the results of operations for the year ended June 30, 1946, is herewith submitted.

The consolidated net profit was $9,098,705, equivalent, after preferred dividends, to $6.89 per share on the 1,281,025 shares of Common Stock outstanding as of June 30. (There are presently outstanding 3,892,608 shares.) This is after deducting all charges and making foreign exchange adjustments. The reserve for contingencies, amounting to $3,500,000, remains unchanged as it is felt there is no present need for increasing this reserve. The working capital shows an increase of $2,233,363.

In addition to the earnings stated above, the Corporation's share of undistributed earnings for the year ended June 30, 1946, in companies not consolidated amounted to $602,924.

Proceedings with respect to renegotiation on U. S. Government business that have not been concluded can have no material effect upon our earnings.

During the past fiscal year, dividends paid amounted to $3,072,363 consisting of $272,225 on the 5% Cumulative Preferred Stock and $2,800,138 on the Common Stock.

Direct taxes charged to operations for the last fiscal period amounted to $11,453,000. The year's results reflect only 50% of the effect of the elimination of domestic excess profit taxes as your company is on a fiscal year basis.

Depreciation and amortization of fixed assets amounted to $872,024. Cost of new machinery and additions to plant account totaled $2,067,546.

I feel our Stockholders will be interested in knowing that our established "Last In—First Out" (LIFO) method of pricing raw cotton has resulted in inventorying this item at an approximate average of 15.75 cents per pound. This average remains approximately constant from inventory to inventory.

Pursuant to the action of the Board of Directors, and the Stockholders at the annual meeting held February 13, 1946, the authorized number of shares of the Common Stock was increased from 2,000,000 to 4,000,000. A further increase to 5,054,850 shares was authorized at a Special Meeting of the Stockholders held on July 16, 1946. On July 18, 1946, the 54,850 shares of Common Stock appearing on our statement in Treasury were retired. On August 14, 1946, the Common Stock was split and each stockholder of record on July 26, 1946, received two additional shares for each share held. Under provision of the Sinking Fund, 3,000 shares of 5% Cumulative Preferred Stock were called for redemption on October 1, 1946.

The officers, employees and their families own approximately 21½% of the outstanding Common Stock of the company.

The United Factors Corporation, whose activities consist of commercial factoring, increased its volume and added to its list of clients.

Our Canadian and Argentine subsidiaries continue to operate successfully.

The Research and Technical Division continues to make useful contributions to our operations. We have also enlisted the services of several outside technical organizations for a number of special projects.

Our Sales Division, realizing the unusual circumstances confronting many of our customers due to inadequate supplies of merchandise, has stressed the importance of customer relationship. Advertising and promotional programs have been liberalized and our two leading trademarks: "Ameritex" and "Cohama", we feel, have attracted additional consumer acceptance.

Several acquisitions and developments have taken place during the year which will enlarge our fields of operations and provide new sources of income.

As of July 1, 1946, we acquired the outstanding interest in Seneca Textile Corporation. We formerly owned 75% of this company and now have complete ownership.

On December 28, 1945, we purchased control of the Union-Buffalo Mills Co., Union, S. C., by the acquisition of over 99.9% of the outstanding common stock. The product of these mills has proven to be a valuable asset to a number of our operations. As of July 1, 1946, the outstanding 7% first preferred stock of that company, aggregating $1,267,135, was called for redemption. Due to the date of acquisition, only six months' profits of this company have been included in our results.

Last year we advised that we had made an investment in a company in Venezuela manufacturing cotton goods and that it was our intention to extend operations into the rayon fabric field for consumption in that country. This program was put into effect and we are building a modern mill at Maracay, Venezuela, for the manufacture and processing of rayon fabrics. We are also in the course of building a mill in Colonia, Uruguay, for the manufacture and processing of cotton and rayon cloth for consumption in that country.

The Associated Textiles of Canada, Ltd., has erected a large addition to its plant at Louiseville, Quebec, and new equipment is being installed.

Our new rayon finishing plant at Old Fort, N. C., described in last year's annual statement, is nearing completion. Delivery of equipment and special machinery has been behind schedule but it is expected this plant will be in operation by July 1, 1947.

On July 3, 1946, our Langley Mill at Langley, S. C., was completely destroyed by fire. Both plant and materials were fully insured. The income from lost production will also be recovered through the use and occupancy insurance which we carried. Our knitting plant, which was located at Langley, is already being rebuilt at Old Fort, N. C., where we will have increased facilities.

Our retail store operations have had a satisfactory increase during the past year. Robert Hall Clothes, Inc., opened five additional stores in the New York City area on September 19, 1946. We contemplate a large expansion program for these low-cost distributing units of men's and women's clothing as soon as conditions will permit.

Employee and management relations were entirely satisfactory during the year with the exception of a six weeks' strike at our plant in Argentina, which was settled on an amicable basis. The company is intensely interested in all plans that improve the health and safety of its employees. Group insurance, pension fund, welfare fund, child nurseries and communal interests comprise some of the activities. We endeavor to attract young men and have instituted various types of training for their future development.

We are very happy to welcome back those of our former employees who so honorably served their country. We find the returned veteran capable of accepting added responsibilities which we have not hesitated to delegate. This added manpower has enabled us to put into operation many programs that were awaiting their return. It has always been one of our underlying policies to fill, wherever possible, important positions from within our own company.

The Executive Committee, appointed by the Board of Directors, continues to meet monthly and keeps in intimate touch with the current affairs of the company. The Board of Directors held their usual quarterly meetings.

IN CONCLUSION

This report reflects a transition from wartime to peacetime operation. The problems of reconversion have been greater and slower of solution than originally anticipated by industry. Generally, production of soft goods has increased rapidly in comparison with hard lines. In textiles, due to wartime requirements and since the war's end to the working of certain pricing and distributing regulations, scarcity of many items still exists, although the over-all production is large. Insufficient poundage of rayon yarn allocated to textiles has prevented manufacturers from producing an adequate supply of woven goods. This condition on rayon may continue for some time as increasing uses and markets are steadily being developed.

Silk is now being utilized for civilian textiles. On January 6, 1946, your company landed in this country 500 bales of China silk. This represented the first shipment of raw silk received from the Orient since Pearl Harbor. Since then, imports from Italy and Japan have also arrived. Departments inactive since the start of the war have been reopened and consequently we are now handling the five basic raw materials used in the textile industry, namely, cotton, wool, rayon, silk and linen (flax).

During the past year the textile industry has witnessed a strong trend towards what is known as vertical integration. In our annual report of 1943 we mentioned a possible change in methods of distribution of textiles. This has taken place and we have endeavored to handle our production in such a manner that our customers' interests were protected as fully as possible.

We do not believe complete integration is to our best interests. Present abnormal conditions of supply and demand will change in the future and we feel as long as we perform a proper function in the styling, promotion and distribution of textiles, most of our sources of supply will wish to continue their friendly relations.

The structure of our company should allow us to adjust ourselves to new conditions while holding fast to those principles which experience has proved to be sound and best for our stockholders and employees.

The standard of living of many millions of Americans has risen and their present purchasing power is great. Most of the products your company distributes cater to the essential needs of the people.

It is my pleasure to express great appreciation and thanks to the officers and employees of the corporation and its subsidiaries, both here and abroad, for their loyalty and untiring efforts. This fine spirit of cooperation has been an all important contribution. I also extend my gratitude to the directors for their keen interest and guidance.

J. W. SCHWAB
President

November 4, 1946.

This report is not a representation, prospectus or circular in respect of any stock of this corporation and is not presented in connection with any sale or offer to sell or buy any stock or security now or hereafter to be issued.

Bank and Insurance Stocks

By E. A. VAN DEUSEN

This Week — Bank Stocks

Bankers Trust Company, New York, recently published a 54-page booklet entitled "Outlook for Bank Earnings: 1946-1948." It is so excellent and concise a piece of work that this column is pleased to offer a brief review of some of its more interesting prognostications.

Its contents comprise a "Summary," five chapters, and a "List of Tables." The chapter headings are: (1) Estimated Holdings of U. S. Government Securities; (2) Estimated Loans; (3) Estimated Current Operating Earnings; (4) Estimated Current Operating Expenses; (5) Estimated Losses and Recoveries.

In the "Summary" the report states: "On the basis of certain assumptions regarding fiscal policy, business activity, price movements, and interest rates, we have undertaken to project the earnings of insured commercial banks as a group through the years 1946, 1947 and 1948." The authors recognize that some of their basic assumptions may not materialize and that unforeseen factors may enter, nevertheless, they "have simply attempted to appraise the outlook as it appears today and offer no assurance that the picture may not change."

The banks included in the study hold 97% of the deposits of all commercial banks.

The principal conclusions reached are that holdings of governments will *decline* more than $22 billion during the three years, that holdings of other securities will *increase* $1.5 billion and that loans will *increase* over $9 billion. However, despite a decline in total earning assets, current operating earnings are estimated to increase by nearly $500,000,000, or 20%, while current operating expenses are expected to increase by $400,000,000, resulting in an anticipated increase in net operating earnings by 1948, before taxes, of $43,000,000, equivalent to 4.5% of 1945 earnings. Dividends are expected to increase from $274,000,000 in 1945 to $340,000,000 in 1948. On the other hand, recoveries and profits on securities will undoubtedly trend lower. Income taxes are estimated as declining from $299,000,000 in 1945 to $189,000,000 in 1948.

The following table summarizes the above figures:

EARNINGS, EXPENSES, AND PROFITS OF INSURED COMMERCIAL BANKS
(Amounts in millions of dollars)

	Actual			Estimated		
	1943	1944	1945	1946	1947	1948
Current operating earnings	1,959	2,215	2,482	2,739	2,892	2,967
Current operating expenses	1,256	1,357	1,523	1,756	1,897	1,964
Net current operating earnings	703	858	960	983	995	1,003
Losses and charge-offs	291	266	264	306	335	369
Profits on securities and recoveries	353	362	509	334	260	255
Nonoperating profit (+) or loss(—)	+62	+96	+245	+28	—75	—114
Profits before income taxes	766	954	1,205	1,011	920	889
Income taxes	128	203	299	218	197	189
Net profits after taxes	638	751	906	793	723	700
Dividends	233	253	274	300	325	340

With regard to deposits and capital funds, the former are pictured as declining from $147.8 billion in 1945 to $132.0 billion in 1948; and the latter are estimated to increase from $8.7 billion in 1945 to $10.1 billion in 1948. The 1945 ratio of deposits to capital funds is 17.0 and the 1948 ratio, 13.2.

The dominating factor in the expected decline of deposits is the estimated drop in U. S. Government demand deposits from $23.7 billion in 1945 to $2.5 billion in 1948. Interbank deposits are also estimated to decline from $13.8 billion to $10.0 billion, but other demand deposits are pictured as moving from $80.3 billion in 1945, to $86.5 billion in 1946, to $85.0 in 1947 and to $82.2 in 1948; time deposits are shown as $30.0 billion in 1945 and $37.3 billion in 1948.

Holdings of government securities are estimated as declining successively each year from $88.9 billion in 1945 to $66.5 billion in 1948, and the total public debt as dropping from $278.7 billion to $256.0 billion.

Loans of the banks are estimated as expanding by $9.4 billion from 1945 to 1948. Table 5 in the booklet exhibits the total year-end figures, classified, for the 11 years 1938 to 1947, inclusive. The following figures are abstracted from that table:

TOTAL LOANS (Billions of Dollars)

	1938	1945	1946	1947	1948
Comm., Industrial & Agricult.	6.6	10.8	14.0	14.7	15.0
Loans to brokers and dealers	1.0	3.2	1.4	1.3	1.3
Other loans for securities	0.9	3.6	1.6	1.2	1.2
Real Estate loans	3.9	4.7	7.0	8.8	10.5
All other loans	3.6	3.5	5.2	6.5	7.2
Total	16.0	25.8	29.2	32.5	35.2

The study points out that "Commercial banks have had seven successive years of rising current operating earnings. From 1938 to 1941, the increase was 9%; from 1941 to 1945, the growth was 43.5%." Illustrating the truth of the statement, a table is presented, from which the following figures are taken:

TOTAL OPERATING EARNINGS
(Millions of dollars)

Year	From Securities	From Loans	From Other Sources	Total
1938	532	705	347	1,584
1939	522	727	357	1,606
1940	500	769	363	1,631
1941	509	848	373	1,730
1942	610	817	364	1,791
1943	861	706	392	1,959
1944	1,030	698	427	2,215
1945	1,300	727	455	2,482
1948 (Est.)	1,208	1,254	505	2,967

In 1938, earnings from securities represented 33.5% of total earnings, while earnings from loans represented 44.5%. In 1945, the ratios were as follows: from securities (mostly governments), 52.2%; from loans, 29.2%. Estimates for 1948 indicate 40.6% from securities and 42.3% from loans. It is particularly significant that no great shrinkage in earnings from securities is anticipated, in recognition, obviously, of a very slow retirement of the national debt. On the other hand, a substantial increase in earnings from loans is anticipated.

Many more facts and figures are presented in the study than it is possible to allude to here. The original is recommended reading for all interested in bank stocks.

New York Bond Club Committee Appointm'ts

James Coggeshall, Jr., First Boston Corporation, President of the Bond Club of New York, announced today (Thursday) appointment of the following committees for the year 1946-1947:

Jas. Coggeshall, Jr.

Arrangements: T. Jerrold Bryce, Clark, Dodge & Co., Chairman; F. Kenneth Stephenson, Goldman, Sachs & Co.; and Joseph A. Thomas, Lehman Brothers.

Field Day: William G. Laemmel, Chemical Bank & Trust Co., Chairman; Ernest J. Altgelt, Jr., Harris Trust & Savings Bank; Jo M. French, Blyth & Co., Inc.; Robert L. Hatcher, Jr., Chase National Bank of New York; and C. Russell Lea, Reynolds & Co., Vice-Chairmen.

Publicity: William H. Long, Jr., Doremus & Co., Chairman; Eugene P. Barry, Shields & Co.; Lloyd S. Gilmour, Eastman, Dillon & Co.; and Kenneth C. Hogate.

Reception: W. Rufus Brent, Eastman, Dillon & Co., Chairman; Amyas Ames, Kidder, Peabody & Co.; Eugene P. Barry, L. M. Blacke, Robert H. Craft, Guaranty Trust Co. of New York; H. H. Egley, Dillon, Read & Co.; Jo M. French, W. Fenton Johnston, Smith, Barney & Co.; Grant Keehn, Wickliffe Shreve, Hayden, Stone & Co.; Frank M. Stanton, First Boston Corporation; J. Emerson Thors, Kuhn, Loeb & Co.; G. H. Walker, Jr., G. H. Walker & Co.; Walter W. Wilson, Morgan Stanley & Co.; and H. Warren Wilson, Union Securities Corp.

Implementing Increased Imports

By HENRY F. GRADY*

President, American President Lines, Ltd.
Former Assistant Secretary of State

Shipping executive, asserting high tariff policy after World War I was cause of world-wide disturbances and economic instability, warns against renewal of this policy. Sees need for encouragement of imports and change in attitude of creating domestic scarcity by restricting flow of foreign goods. Holds, in future, our imports will be measure of our export volume, and that key to greater world trade and to our foreign investments will be a liberal import policy. Urges U. S. representatives abroad be used to stimulate imports into U. S. and calls for end of international economic warfare.

When the subject of imports is discussed, and their importance is stressed, one cannot but feel that this is laboring the obvious. Of course imports are important. Indeed, we must think in terms of a very large expansion of import volume if we are to fulfill the greatly increased responsibilities for economic and industrial leadership in this post-war world.

Henry F. Grady

The key to an expanding and stable economy at home and to an expanding and stable economy abroad is, I am convinced, our own policy toward international economic and financial relations. This may seem like overstating the case, but I think it can be demonstrated that had we followed a liberal commercial policy instead of a high tariff policy after World War I, the history of the world might have been very different. We were an important factor in world economy after World War I; we are to a far greater degree so now. We demonstrated an industrial capacity and financial strength during the war to a degree that even the most optimistic of us never dreamed.

It is no reflection upon our gallant Allies to say that without American production, neither Great Britain nor Russia could have survived the Nazi assault. An expanding economy within our boundaries was necessary to accomplish this result. An expanding economy in the postwar world is just as important, if we are to accept our opportunities and obligations for reconstruction and the maintenance of world peace. And an expanding economy is not possible with a restrictive international commercial policy. We were bold and daring in meeting the war challenge, not only on the military but also on the industrial and economic fronts, and we must be that today, and remain that, if the world is to be really reconstructed and our own peace and prosperity assured. I am not talking in terms of humanitarianism or of emotional internationalism, but in terms of sheer common sense. This is not a theoretical matter, it is essentially a practical matter (involving national self interest) and should be approached from the standpoint of business statesmanship.

What Happened After Last War

Let us review, briefly, what happened after the last war. At a time when Europe's economy was prostrate and there was no danger of any flood of imports into our markets (we had, as a matter of fact, an excess of commodity exports over imports of about $4 billion dollars in 1919, $3 billion in 1920, and $2 billion in 1921) Congress passed in 1920 what was called an emergency tariff because there was such a hurry to get it onto the statute books. By the way, it was well-called an "emergency tariff" because it did, in truth, create an emergency. Then, after 18 months' effort, Congress brought forth a general tariff revision, the Fordney-McCumber Tariff of 1922. Since we were the largest single market for European goods, we effectively restricted European production and European recovery by this tariff.

During the period between the two wars, we consistently maintained large excesses of commodity exports over imports, again contributing to the difficulties of really sound recovery in Europe and hence prosperity and stability in the world. We balanced out our international payments with loans, a large part of which were ultimately defaulted upon because our international balance of payments made it impossible for us to get adequate service and full repayment on these loans. Then, in 1930, we greatly upped the tariff rates again and intensified the problems which the 1922 tariff had created. During the '30's we balanced out our payments to the world largely by gold imports, most of which have been reverently interred at Fort Knox. All this history is familiar to you, but I wish to stress the bearing of this policy on our balance of payments and consequently on the commercial policies of other countries.

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*An address by Mr. Grady before 33rd National Foreign Trade Convention, New York City, Nov. 11, 1946.

The Foreign Economic Policy of the United States

By HON. WILLIAM L. CLAYTON*
Under Secretary of State for Economic Affairs

Mr. Clayton points out close tieup between economic and political aspects of our foreign policy. Declares we need big world markets for buying and selling; for internationally trading out our great deficits and surpluses. Our policy is based on free and equal access by all nations to world's trade and raw materials. Describes U. S. plans for international trade organization, reduction in tariffs and elimination of discriminations. Discloses State Department is working toward protecting our nationals' legitimate rights abroad.

Time and science having mastered those phys cal phenomena which served as the chief bulwark of the isolationists, the American people are now settling down to their responsibilities as full partners in world affairs, and appear to like it. At least one would judge so from the attention which the subject receives, particularly in the press and on the radio. The emphasis so far having been on the political aspects of our foreign policy, I wish to direct your attention to its economic aspects. The two are closely tied together.

William L. Clayton

The objective of the foreign economic policy of the United States Government is to lay the foundation for peace by an expansion in world economy, that is, by an increase in the production, distribution and consumption of goods throughout the world, to the end that people everywhere may have more to eat, more to wear and better homes in which to live.

Sounds very simple, doesn't it? And it is simple. It is only in the formulation of measures to achieve our objective that we run into some opposition and some difficulties.

But let us first examine the objective itself.

A Simple Objective

As we have said, it is a simple objective. We do not claim for it any altruistic motives. There is, however, nothing inconsistent in the protection of enlightened self-interest with a due regard for the rights and interests of others. Indeed, the two almost invariably go hand in hand.

So, let us admit right off that our objective has as its background the needs and interests of the people of the United States.

We have here a large and growing population with the highest standard of living and the greatest productive capacity in the world. Indeed, our productive capacity of many important commodities exceeds that of the rest of the world combined. That capacity, however, is geared to the production of much more of some things than our people require. Likewise, we require of many other things much more than we can produce.

Thus, the efficient operation of our productive machine leaves us with great deficits and great surpluses, which we must trade out with the rest of the world.

We need markets—big markets—around the world in which to buy and sell. We ask no special privileges in any of these markets. We hope that others will neither ask nor be granted special privileges.

In the Atlantic Charter, and again in the mutual aid agreements, we laid down the principle of free and equal access by all countries to the trade and raw materials of the world. We are devoted to that principle. It is basic. It doesn't mean free trade. It means non-discriminatory trade.

So much for the policy. Now how is it to be put into effect?

Measures for implementing this policy fall into two general categories:

The first relates to financial assistance to countries faced with problems of relief, reconstruction and development.

$3 Billions Sent Abroad Since War's End

Since the end of the war the United States Government has made available as grants for emergency relief and rehabilitation abroad about $3 billions. In addition, it has made available as credits for reconstruction and development in foreign countries, for the purchase of surplus property, and for the financing of lend-lease pipe lines, inventories, etc., a total of about $17 billions. A grand total of about $20 billions. Nearly half of this sum represents contributions of the United States Government to international organizations to which other governments have also contributed substantially. It will take some time to lend and spend this money. Without this help and the hope which it has revived in the hearts of millions of people, chaos would have followed the end of the war in some countries and world recovery would undoubtedly have been retarded for many years.

The second measure designed to promote the achievement of our objectives relates to the elimination of discriminations and the reduction of tariffs and other barriers which restrict world trade and limit the production and consumption of goods.

The United States Government is moving on a broad front in this field.

In the summer of 1945, the Hull Reciprocal Trade Agreement Act was renewed by Congress for the fourth time, and with broadened powers.

About a year ago the Government issued its Proposals for the Expansion of World Trade and Employment.

These proposals deal with such problems as reductions in trade barriers; elimination of discriminations in international trade; prevention of restriction of international commerce by the action of cartels and combines; intergovernmental commodity arrangements for dealing with the problem of surpluses; the adoption of a common code to govern the regulation of international commerce by governments and the creation of an International Trade Organization under the Economic and Social Council to administer such a code.

Nearly a year ago, the Government of the United Kingdom announced its full agreement on all important points in these proposals and its acceptance of the

(Continued on page 2508)

*An address by Mr. Clayton before the World Trade Dinner, Thirty-third National Foreign Trade Convention, New York City, Nov. 13, 1946.

More Competition for Consumers' Dollar

By CLARENCE FRANCIS*
Chairman, General Foods Corporation

Leading food manufacturer, though predicting a world food shortage for coming pear, points out that in U. S. present trend is for food to get less of consumers' dollar. Recommends food manufacturers and distributors (1) keep business efficient and competitive in consumers' service; (2) build, expand and create; (3) reject economic isolationism; and (4) have confidence in future. Holds our free enterprise system is source of strength, and urges aiding in increasing foreign production as key to world peace.

In the words of the philosopher, "Nothing is constant but change." There has never been an era in which precedent counted for so little. Nor has there ever been a time when world events could so completely alter our best domestic calculations.

Clarence Francis

Somewhat over a year ago, an unprecedented war was ended by an unprecedented event. The thunderclap over Hiroshima jolted the Japanese into sudden surrender. It also brought us all face to face with new moral and political issues too terrible and too profund for me to discuss here except in the terms I understand—the terms of the businessman. In these terms what happened?

Well, V-J Day sent the economic prophets scurrying back to their charts and graphs. And there was confusion! Here was a nation, groping, hoping, and wondering. And what did it get?

From the radical side came gloom. Communists, liberals, socialists, labor economists, and some government officials joined in predictions of "six million, nine million, and even eleven million unemployed" within six months. This new uncertainty took the edge off the relief which Americans felt in victory. Unchecked, it might have spread into panic.

But it was *not* unchecked.

From the business side came reassurance. The steadying voices which were heard during that period were those of business leaders. And from them the people took courage and hope.

I think we ought to remember that. It went a long way to reestablish business leadership in the public mind. For, despite strikes, despite shortages, despite all obstacles, business has forged ahead since then. It has shown, as it must continue to show, the courage to build, to plan, and to grow. We have passed through the wartime struggle with controls and restrictions into a period of comparative freedom. The charge

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*An address by Mr. Francis before the Super Market Conference, Chicago, Ill., Nov. 6, 1946.

Railroad Securities

Percentagewise Illinois Central common has rebounded quite sharply from the low established at the bottom of the break but it is still selling very substantially below the earlier 1946 high. Many rail men view the stock as among the most attractive of the speculative issues in the group at present prices. Illinois Central is one of the few of the larger so-called marginal carriers that even at the height of the war boom in earnings, and despite substantial profits for a number of years, did not resume dividends on its stock. Moreover, those close to the situation do not look for any dividend action for some time to come.

While dividends are not in prospect, it is the contention of those constructively disposed towards the stock that the use to which the company's earnings are being put has far greater favorable implications over the longer term. Consistently during these years of profitable operations (net earnings have been reported in each of the past ten years) the management has utilized all available funds for building up the properties, improving its equipment status, and cutting down the debt. One of the most unfavorable aspects of the Illinois Central picture has always been the heavy maturity schedule of the early 1950s.

This maturity problem has by no means been solved even yet. Nevertheless, considerable progress has been made towards this end in recent years. Since the beginning of 1941 the outstanding non-equipment debt has been reduced by nearly $93 million to an indicated level of not much above $220 million. Nevertheless, the 1950-1952 maturities other than equipments still amount to almost $50 million. In addition, there are close to $35 million of non-equipment maturities due in 1953, and $35 million of the junior mortgage bonds due in 1955. Well over half of the present non-equipment debt matures within the next ten years.

An attempt was made earlier this year to solve the maturity problem through an exchange offer to holders of the 1950-1952 maturities (none of them are callable) which was to be followed by refunding of the 1955 maturity. The plan was not well received by holders of the 1950-1952 maturities and was consequently abandoned.

On the basis of the company's still strong financial position and the favorable earnings outlook it is believed that considerable further debt progress can be made between now and 1950. Moreover, it is pointed out, despite what may have been claimed by proponents of the Wheeler-Reed Bill, that rarely, if ever, in the present era has bankruptcy or receivership resulted from inability to meet principal maturities if the earnings of the property were satisfactory. There is a disinclination to worry about the heavy maturities as such and concentrate attention on the improved earnings position of the stock stemming from aggressive debt retirement. Illinois Central's fixed charges have been cut by almost a third during the past ten years and are now below $12,000,000.

Illinois Central has been permanently adversely affected by barge competition and loss of bituminous coal tonnage to competing fuels and other coal fields. To a considerable degree this has been offset by industrial growth of the territory served. On the whole, the trend of revenues over a period of years has closely paralleled that of the industry as a whole. In respect to the adverse influences it is believed that the peak has been passed. In respect to the favorable factors, they are still at work. Expansion of the service area has by no means been completed. Also, considerable expansion in trade through Gulf ports is looked for. All in all, then, the future traffic outlook is more favorable.

Illinois Central has always been an efficient property with a far better-than-average ability consistently to carry gross through to net. This should be augmented by substantial capital improvements of recent years. With this background the company's estimates of earnings of $4.19 this year and close to $6.00 in 1947 if rate increases are granted in full appear reasonably conservative. Such earnings certainly should support enthusiasm for the shares.

U. S. Foreign Policy Stands

By HON. JAMES F. BYRNES*
Secretary of State

Asserting his support of open diplomacy and full publicity of United Nations and Peace Conference, Secretary Byrnes emphasizes recent elections will not alter U. S. foreign policy, which is conducted on a non-partisan basis. Reiterates American people want peace for all nations, and reads letter of Mother of Marine killed in action.

For years the press has been urging open diplomacy, open covenants of peace openly arirved at. Now that those great objectives have been attained, I am sure that many of the press look back with longing upon the days when they were struggling to obtain them. Like statesmen, they are discovering that the fruits of victory are bitter-sweet.

James F. Byrnes

Undoubtedly, open debate and open discussion have in many ways increased, rather than lessened, the responsibilities of those who participate in the debates and discussions and the responsibilities of those who report them.

We cannot be wholly unmindful of some of the very trenchant criticisms that have been leveled against open diplomacy as it is now practiced. But, regardless of the criticism, I am proud of my contribution to open diplomacy.

It is not, however, surprising that our first efforts at democracy in international affairs should be somewhat crude and at times even rude.

The forums of the United Nations and of the Peace Conference have been open to the public not for the purpose of letting the public witness a spectacle but to enable the peoples of this world to know what are the differences of opinions.

Unless the peoples of various lands do know what their statesmen are trying to do, they can have little influence on their actions.

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*An address by Secretary Byrnes at Foreign Press Association Dinner, New York City, Nov. 11, 1946.

Newly-Elected Legislators Should Give Unions Legal Responsibility, Packard President Says

Newly-elected Senators and Representatives should place high on their agendas "constructive legislation designed to strengthen all labor-management relationships by giving legal responsibility to labor equal to that which long ago was given to management," Geo. T. Christopher, President and General Manager of the Packard Motor Car Company, told newsmen at the Astor Hotel, New York City, Thursday, Nov. 7.

Geo. T. Christopher

Christopher explained he is "wholeheartedly" in accord with the fundamental principles of unionism.

"But we'll never be able to achieve the heights of prosperity and stability which labor and management mutually and earnestly desire until all labor-management relationships are based upon a solid foundation of equal legal responsibility," he declared.

Says Unions Will Become Stronger, More Democratic

The 59-year-old executive, who once worked 12 hours a day for 17½ cents an hour and who for years has bowled regularly with his employees, asserted, "Unions will become stronger, and certainly more democratic, when they accept responsibility along with authority, thereby benefiting everyone in labor and management."

Recalling conditions 15 to 20 years ago, when workers lacked most of the rights and privileges they now have, Christopher declared, "Nobody should ever want to go back to those days. I, for one, emphatically do not. But—as is so often the case in democracy—we jump from one extreme to the other."

"This has happened in labor-management relations, and I believe labor and management will reach maturity only on the day when they step forward to sensible middle ground."

"I'm eagerly looking toward the new era of economic development when labor and management will sit at the table with fair and equal legal responsibility; come to honest and sincere agreements; and trust each other in all good faith to carry them out."

Urges Workers to Become More Active in Unions

Christopher, starting a coast-to-coast tour of seven key cities to bring his dealers up to date and discuss confidential future plans, predicted that wildcat strikes, jurisdictional disputes and contract violations will largely disappear after labor reaches the legal level of management.

"These," he said, "are the factors principally responsible for

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Munic. Forum to Hear George Wanamaker

George W. Wanamaker, City Comptroller of Buffalo, N. Y., will be the speaker at the luncheon meeting of the Municipal Forum of New York on Nov. 15 at the Lawyers Club, 115 Broadway, New York. Mr. Wanamaker's subject will be "Municipal Sins and What They Cost."

Metropolitan St. Louis Adds

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, MO. — Harold E. London is now with Metropolitan St. Louis Co., 718 Locust Street.

U.S. and Russian Disarmament Proposals Can Be Harmonized

By V. M. MOLOTOV*

Minister of Foreign Affairs, U.S.S.R.

Russian statesman, in stressing responsibility of members of United Nations to their peoples to promote peace, calls attention to his disarmament proposal and its universal approval by Delegates to the General Assembly. Says Russian and U. S. views on question can be harmonized and points out advantages of disarmament not only as promoting peace, but in relieving peoples of tax burdens and reducing number serving in armed forces.

Permit me above all to thank you and the Foreign Press Association for the invitation to this banquet in honor of the United Nations Organization. The Soviet Delegation readily accepted this invitation. It regards this meeting as one of the facts testifying to the respect for the international organization which serves the lofty aims of the United Nations.

V. M. Molotov

The war ended in our victory. The strivings of the peoples are directed at enjoying the benefits of universal peace. The common people who constitute a vast majority of the population in all countries are only anxious that these possibilities to enjoy the benefits of universal peace should be as stable and lasting as possible. They are fully entitled to this, especially after the great feats of arms performed and sacrifices made during the war. One cannot forget or underrate the right of those who by their daily toils create the values and realize those attainments of civilization, the benefits of which we all enjoy. We shall be hardly mistaken if we say: they will gauge their leaders, statesmen and public men by the degree to which they will really prove capable of securing to the peoples a peaceful life, of raising their material well-being and of enabling them to enjoy the benefits of culture and life in freedom.

They will present these demands also to the new international organization which now unites 54 states.

We, the members of this international organization, must be mindful of our responsibility to the peoples. We should have no fears about the free press reminding us of our duties by a wide use of method of criticizing faults. Of course, the press is not heterogeneous. I make no appeal that the press should be treated without discrimination. I am even confident that the press, which even in peacetime prefers a belligerent

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*An address by Mr. Molotov at Foreign Press Association Dinner, New York City, Nov. 11, 1946.

NACA (Bklyn. Chapter) To Hold Tech. Sessions

The Brooklyn Chapter of the National Association of Cost Accountants will hold another in its 1946-47 series of technical sessions on Wednesday evening, Nov. 20, at the Park-Vanderbilt Restaurant, Park Place and Vanderbilt Avenue, Brooklyn, New York.

The speaker of the evening will be James L. Dohr, a member of the law firm of Greene and Greene, New York City, who will speak on the subject, "Problem of Inventory Valuation."

Mr. Dohr, a certified public accountant and member of the bar, is professor of accounting at the School of Business, Columbia University. Formerly Director of Research for the American Institute of Accountants, he is a past president of the American Accounting Association and a member of the National Association of Cost Accountants. Mr. Dohr has written several excellent articles on business and accounting subjects and three of his books, "The Law of Business," "Cost Accounting" and "Lecture Notes on the Law of Accounting" are well known. His special articles have appeared in "The Journal of Accountancy" and in "American Accounting Review."

Portland Transit Co. Stock Offered to Public

An underwriting group, headed by First California Co., on Nov. 13 offered to the public 60,000 shares of 5% cumulative convertible preferred stock (par $25) and 220,000 shares of common stock (par $1). The preferred stock was priced at $26.50 per share and the common stock at $7.50 per share.

Britain's Faith in United Nations

By THE RT. HON. ERNEST BEVIN, M.P.*

Secretary of State for Foreign Affairs, Great Britain

British foreign policy spokesman extolls universal desire of all nations for peace, and decries fears of another war. Says Britain favors disarmament, but was almost brought to ruin by adhering to it alone after last war. Holds principal need for continued peace now is atmosphere of international confidence and faith in United Nations to replace nationalism as means of affording security to peoples.

I am very happy tonight to be the guest of the Foreign Press Association because for many years I have been associated with the press. I was a director of one of the largest papers in Great Britain, the "Daily Herald," and I used to kid myself that I controlled it until I read the leaders in the morning, then I gave up the idea!

Ernest Bevin

When they reported the speech of a director, he did not appear very well next day.

But at this great gathering tonight, I should like for a few minutes to tell you quite informally some of the thoughts that continually occupy my mind on the subject of foreign relations. The first thought is of the people's great anxiety as to whether those of us who have the responsibility for making peace will so devise it as to prevent another war. The thing which is constantly before me is the extent to which ordinary men and women in all countries are thinking, arguing and expressing their views about the way to prevent another war. There is a great human urge throughout the world to prevent war, and I believe it has reached the pitch of passion among the people. This very urge, properly crystalized and diverted into right channels, gives us the greatest chance we have ever had of developing a great moral force supporting the observance of international law.

So I am not unduly perturbed that there should be so much talk about the possibilities of future trouble. It is right that doubts and fears should be expressed and discussed in the same way as hopes and promises. Therefore I welcome the present-day awareness of our problems and I welcome also the hard realism now applied to the great issues which confront us.

There have been two stages in the process by which foreign affairs have ceased to be the prerogative of the few and have become the responsibility of the many. The first stage, namely, getting the people to take an interest in and understand questions of foreign policy, was not enough. There was a tendency between

(Continued on page 2503)

*Address by Mr. Bevin before the Foreign Press Association, New York City, Nov. 11, 1946.

Sees Foreign Trade Reaching New Peak

Northern Trust Company of Chicago reports both physical and dollar volume of exports more than two-fold over late 1930's, with imports running about same as prewar. Warns heavy excess of exports constitutes an inflationary menace that can be offset only by increased imports.

The dollar volume of U. S. foreign trade is rapidly approaching record peacetime levels and may soon exceed previous highs set in 1919 and 1920, the November issue of the The Northern Trust Company's "Business Comment" predicts.

Allowing for UNRRA shipments and continuing small exports on lend-lease account, commercial exports are running two to three times higher than in the late 1930's while imports are almost doubled, the bank reported.

After allowing for price changes, the physical volume of exports has increased two-fold over the late 1930's, while imports are running about the same as before the war. The latter are expected to exceed prewar totals when rubber, tin and other items become available in quantity, the bank said.

"Practically all areas of the world are sharing in the great expansion of our commercial exports," the article pointed out. "Canada is buying almost 200% more than before the war, Latin American countries 300% more, the United Kingdom 50% more and continental European countries 150% more."

Part of the funds necessary to pay for our goods is obtained by the expansion in the dollar total of our imports, the bank said, but in only a few countries, notably Argentina, Brazil, Chile, Australia and India, does the United States have an unfavorable balance of trade.

Loans may finance approximately 35% of commercial exports, the bank added, or a total of $2.8 billions out of a possible $8 billions worth of goods expected to be moved overseas this year.

The present day composition of our foreign trade mirrors the disruption of economic life and trade in all parts of the world as a result of the war, the bank pointed out, citing the rise in exports of foodstuffs from 9% of total shipments before the war to the present total of 24%.

The bank pointed out that there appears to be no great amount of movement overseas of articles that are in short supply in this country. For example, the article said, exports of sawmill products—the export of which has been severely criticized in view of shortages—are only 50% as large in physical volume as before the war and appear to account for no more than 2% of current production.

Exports currently make up about 8% of U. S. commodity trade but the absorption of labor and materials into that percentage may add to inflationary pressure, the bank warned.

"The best way to offset this pressure is to increase our imports," the article concluded. "In reality, it is the net result of trade that counts and it is only when the total of goods and services desired by us is increased that foreign trade is beneficial."

Mutual Funds

By BRUCE WILLIAMS

Back From the Wars

Although investment company personnel generally was well represented in the armed forces, no other sponsor can quite match the record of Barringer, Nelson & Hyde, Philadelphia investment counsel firm and sponsor of **Delaware Fund**. All three principals went off to war in positions of high responsibility. Mr. Barringer came out a Colonel, Mr. Nelson a Commodore, and Mr. Hyde according to our information was "drafted" as an assistant to Stettinius when he was Secretary of State.

During the war interval Delaware Fund was entrusted to other management and more or less put on ice. Now these gentlemen are very much back on the job and "Reau" Barringer's weekly reports, which were so favorably known among dealers before the war, are again making their regular appearance. We quote from the Nov. 1 report:

"I am tempted to take a text from an article, reprinted in the 'Reader's Digest' for October, by our new Secretary of the Interior, Mr. J. A. Krug, entitled 'What Are We Afraid Of?' This boundlessly optimistic burst points out that there is no reason for a depression, or for fear of a depression, because of the huge number of things our people need—and even because of the huge number of things they want. These things—housing, automobiles, television, air travel, vacations, leisure, and many others—are listed in some detail. Hence, says Mr. Krug, all we have to do is remain smiling and confident, and everything will be O. K.

"It is quite true that we need a multitude of things, and that we want even more. The peons of Mexico need even more things, and I suppose they also want them. Both we and the peons inhabit countries that are richly endowed with natural resources. The difference lies in that the peons don't want these things (with the exception of leisure) enough to work for them, hard and intelligently. In the past we have wanted them this much, and have worked hard and intelligently. As recently as the late war, the people of this country threw a greater amount of energy, brains and efficiency into production than has probably been seen before.

"What Mr. Krug omitted in arriving at this conclusion was the requirement of hard and efficient work to achieve the production that would realize the things that we need and want, and cause such a level of prosperity as would bring about their equitable distribution.

"Until the productivity of manufacturing and service labor makes some progress toward the peak efficiency of the early '40s, we can continue to need and want all the nice things Mr. Krug mentions, and still have shortages, high living costs, and questionable corporate earnings.

"And until some signs of this attitude on the part of the majority of the people appear, I don't think that one can be any more than a temporary and opportunistic bull on the stock market."

Dealers, Please Note!

The following ever-timely comment is quoted from the current issue of National Notes published by **National Securities & Research Corp.**:

"Some salesmen who have not had experience in distributing trust shares are fearful that they will 'tie up' customers' funds and not be able to do the usual amount of switching. It is fallacious to believe that accounts get 'frozen' in investment funds any more than in individual securities. Drastic declines such as we have witnessed in the past several months have hit listed securities, over-the-counter, and new underwritings much harder in some instances than good investment funds.

"The important fact, however, is that satisifed clients in investment funds not only re-purchase again and again, but are frequently a rich source of new accounts. A satisfied purchaser is often willing to recommend a group investment when he would not think of advising his friends to buy some individual issue. The following is an almost classical example of the advantages of radiation sales:

"On June 9, 1944, a Mr. G. of Pittsburgh bought 63 shares of National Income Series. On a later call Mr. G. bought additional shares and gave the dealer the names of a few of his friends. To date, and this 'chain reaction' has by no means exhausted itself, there have been a total of 57 purchases of National Trust Funds made by 20 different purchasers . . . 19 new accounts . . . and totalling well over $50,000."

Dividends

New York Stocks, Inc.—The following year-end distributions payable Nov. 25, 1946, to shareholders of record Nov. 6:

	From Income	From Profits	Total
Agricultural Industry Series	.18	1.83	2.01
Alcohol and Distillery Industry Series	.18	1.75	1.93
Automobile Industry Series	.10	.30	.40
Aviation Industry Series	.24	.80	1.04
Bank Stock Series	.10	.02	.12
Building Supply Industry Series	.07	.10	.17
Business Equipment Industry Series	.13	1.33	1.46
Chemical Industry Series	.09	.60	.69
Electrical Equipment Industry Series	.08	.73	.81
Food Industry Series	.10	1.87	1.97
Government Bonds Series	.05	.50	.55
Insurance Stock Series	.02	.71	.73
Machinery Industry Series	.08	.64	.72
Merchandising Series	.15	1.89	2.04
Metals Series	.08	.04	.12
Oil Industry Series	.14	.10	.24
Public Utility Industry Series	.04	.74	.78
Railroad Series	.07	.52	.59
Railroad Equipment Industry Series	.12	.18	.30
Steel Industry Series	.11	.27	.38
Tobacco Industry Series	.10	.08	.18
Diversified Investment Fund	.19	.22	.41
Diversified Speculative Shares	.09	.70	.79

[The views expressed in this article do not necessarily coincide with those of the "Chronicle." They are presented as those of the author only.]

FRB Eases Margin Rule for Exercise of Stock Rights

Will permit after Dec. 1 50% margins by stockholders in exercising rights to purchase new securities. Action applies also to acquisitions by utility holding company stockholders resulting from simplifications of capital structure. Early relaxation of consumer goods credit controls expected.

On Nov. 12, the Board of Governors of the Federal Reserve Board announced that beginning Dec. 1, stockholders of a corporation may buy new issues of a corporation's securities in the exercise of "stock rights" on a 50% margin. The same ruling was applied to stocks of operating utilities acquired by stockholders of utility holding companies through actions taken to simplify their capital structures under the Public Utilities Holding Company Act. The object of these new rulings, it is stated, is not to relax existing curbs on securities speculation but rather to prevent hardship to shareholders who wish to take advantage of their rights to acquire additional shares of stocks in companies in which they already have an equity interest.

According to word from the "Chronicle's" Washington correspondent, some "streamlining" of Regulation W is also anticipated at an early date. The present consumer credit regulation, of course, stems from a temporary executive order. The Federal Reserve Board's position seems to be that consumer durable goods, which constitute the major items of consumer credit, should be subject to permanent Reserve Board credit controls. Representative Jesse Wolcott of Michigan, who is in line for the chairmanship of the House Banking and Currency Committee next session, has gone on record as favoring the freeing of consumer credit from all control, but Board members feel that the case for control of credit on durables should at least be heard by the Congress.

The order pertaining to easing of margins on exercising of stock rights constituting an amendment to Regulation T, is as follows:

"(1) Subscriptions — Notwithstanding any other provision of this regulation, a creditor may effect and finance the acquisition of a registered security for a customer in a general account through the exercise of a right to acquire such security which is evidence by a warrant or certificate expiring within 90 days of issuance, provided (1) such right was originally issued to the customer as a stockholder of the corporation issuing the registered security or as a stockholder of a company distributing the registered security in order to effectuate the provisions of Section 11 of the Public Utility Holding Company Act of 1935, and (2) the creditor shall obtain a deposit prior to the initiation of the transaction in such amount that the cash deposited plus the maximum loan value of the securities so acquired or deposited equals or exceeds the subscription price, giving effect to a maximum loan value for the security so acquired or for any other registered security so deposited of 50% of its current market value as determined by any reasonable method. After such acquisition, the security or securities so acquired or deposited shall have only the maximum loan value, if any, prescribed for general accounts in the supplement to this regulation. The right shall be deemed to be issued to the customer as a stockholder if he actually owned the stock giving rise to the right when such right accrued, even though such stock was not registered in his name; and in determining such fact the creditor may rely upon a signed statement of the customer which the creditor accepts in good faith."

The amendment to Regulation U read:

"In connection with the making of a loan the sole purpose of which is to enable the borrower to acquire stock in a corporation by exercising a warrant or certificate evidencing a right to acquire such stock, which right expires within 90 days of issuance and was issued to him as a stockholder of such corporation or as a stockholder of a company distributing the stock in order to effectuate the provisions of Section 11 of the Public Utility Holding Company Act of 1935, a bank may treat any stock received as collateral in connection with the making of such loan as having a maximum loan value of 50% of its current market value as determined by any reasonable method. After the loan has been made, the stock so received shall have only the maximum loan value, if any, prescribed in the supplement to this regulation. The right shall be deemed to have been issued to the borrower as a stockholder if he actually owned the stock giving rise to the right when such right accrued, even though such stock was not registered in his name; and in determining such fact the bank may rely upon a signed statement of the borrower which the bank accepts in good faith."

Business Man's Bookshelf

Executive Ability: Its Discovery and Development—Glen U. Cleeton and Charles W. Mason—The Antioch Press, Yellow Springs, Ohio—Cloth—$4.50.

Relief and Social Security—Lewis Meriam—The Brookings Institution, Washington, D. C.—Paper—50c.

Twenty Crucial Years—The Story of Incorporated Investors—Parker Corporation, 1 Court Street, Boston, Mass.—Cloth.

Will the Guaranteed Annual Wage Work?—An evening with the Economists—text of round table discussion by fifteen leading economists — National Industrial Conference Board, 247 Park Avenue, New York 17, N. Y.—paper—50c (lower price on quantity orders).

Ranger Fastener Stock Offered by F. R. Lushas

An issue of 75,000 shares of Ranger Fastener common stock, par value 10 cents, is offered today by F. R. Lushas Co., New York. The offering price is $2 per share. The company, incorporated under the laws of New York, on Sept. 25 last, has not yet commenced operations.

It proposes to engage in the business of selling and distributing slide fasteners (zippers). Company will sell and distribute a zipper constructed with a removable slider so that it can be released easily by the user to open the closing plates when the teeth are jammed, enabling the removal or clearance of the obstruction causing the jamming and when this is done the slider can be reattached easily by the user or, if the slider is derailed, it can be removed and adjusted to run along the teeth properly.

New York Stock Exchange Weekly Firm Changes

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

Transfer of the Exchange membership of Philip B. Winston to Richard A. Eising will be considered on Nov. 21. Mr. Eising will continue as a partner of Hirsch & Co.

Transfer of the Exchange membership of the late Howard F. Clapp to Rudolph Reimer will be considered by the Exchange on Nov. 21. Mr. Reimer will continue as a partner of Reimer & Co.

Transfer of the Exchange membership of the late Irving Blumenthal to Solomon E. Shahmoon will be considered by the Exchange on Nov. 21. Mr. Shahmoon it is understood will act as an individual floor broker.

"Our Reporter on Governments"

By JOHN T. CHIPPENDALE, JR.

The government bond market has turned dull and inactive, after having recovered practically all of the minor losses that were registered following the elections. . . . The December financing may also have something to do with the present tone of the market. . . . Prices have been quite stable during the last two weeks, with the market, however, showing a rising trend. . . . There are some who believe that fluctuations will continue to be narrow, and it was pointed out, that investment markets do not, as a rule, show very wide price changes. . . . These sources are of the opinion that the government bond market is rapidly becoming the true investment market, that it should have been all along, because the speculative element has been largely eliminated, and operations now are principally for income purposes and more permanent holdings. . . .

On the other hand, the opinion is held in some quarters, that prices are tending to top out near these levels, and it is best to stay on the sidelines until there is more certainty in the situation. . . .

The election which changed the make-up of the Congress is given as the reason for a cautious attitude at this time toward the market. . . . Nevertheless, none of the money market experts believe that there will be decided price changes immediately in either direction because of the elections. . . .

THE NEW CONGRESS

It is still too early to indicate the effects of the Republican victory on the money markets. . . . Despite the talk of a balanced budget and lower taxes, it will be some time yet, probably well after the turn of the year, before there is likely to be tangible evidence of what may take place along these lines. . . . The fiscal policy of government, which will be principally in the hands of the new Congress, will be most important. . . . It is evident that the country cannot go on indefinitely with unbalanced budgets. . . . It has been indicated by Senator Taft of Ohio, one of the most important and influential Republican leaders, that expenditures for the Army and Navy should be cutrailed. . . . These reductions, it is assumed, would still leave sufficient provision for national defense. . . . It is agreed by most financial experts that the important points for curtailment of expenses should be in these two items, but it is also admitted that it will take courage to do this and it is not likely to be very popular, as would any move to halt the expenditure of funds. . . . Certainly expenditures should be reduced if there is to be a lowering of taxes. . . . If there is to be a decrease in taxes without a corresponding cut in expenditures, there will still be deficits as in the past. . . . Such a course would mean the foundation for future trouble is being laid and this will result in maladjustments which will be more evident as we move along in the cycle. . . .

If politics should be prominent in the fiscal policy of the new Congress, which may be looking toward 1948, then it could mean a somewhat different approach to the problem, probably along lines that would not be considered exactly the most sound for the nation. . . .

Taxes should be handled so that they are not only beneficial to the individual but also helpful to business. . . . Accordingly, it does not seem as though there will be much that can be definite on fiscal affairs, until there is tangible evidence of how the problem of the budget and taxes will be dealt with by the new Congress. . . .

BASIC FACTORS

The trend of business and the level of commodity prices will have an important bearing on the money markets, irrespective of the party that is in control in Washington. . . . An inflationary development would be given different treatment, than a recession in business. . . . Undoubtedly one of the most important elements in the future trend of economic conditions will be the attitude and position of labor. . . . A reactionary labor policy would no doubt lead to prolonged labor difficulties, which would have an unfavorable effect on business. . . .

Therefore, until there is some idea of the course that will be followed by the new Congress, in dealing with labor, there will be an element of uncertainty in the business picture. . . . This should be watched carefully for possible effect on the money markets. . . .

NO CHANGE IN POLICY

The statement of Senator Taft that debt service would amount to $5,000,000,000 in the new budget seems to indicate no immediate change in interest rates, since this figure assumes an average debt rate of about 2%, which is the same as that presently prevailing. . . . Likewise the remark, by the Senator, that "I do not favor paying off the national debt too fast" is believed to forecast a trend in debt management that is not likely to be too disimilar to that being followed by the Treasury. . . . Debt retirement from now on must come from surpluses resulting from an excess of revenues over expenditures. . . . Debt management will no doubt be very important to any part in Washington because of the tremendous size of the debt, and the political and economic implications that would result from an increase in debt service. . . .

Despite the unknowns in the situation, it seems to be the opinion of most money market experts that the short-term outlook for the money markets is for no change in present monetary policies. . . . As for the longer-range program, this will depend in no small measure upon the legislation that will be enacted, and there seems to be an attitude of wait and see, what is likely to take place. . . .

However, in no case is there a feeling that low interest rates will not be continued. . . .

ACTIVITY BY BANKS

Although the shift in securities by the commercial banks has not taken place yet in volume, because of the recent uptrend in prices, there have been some changes made, with reports indicating a trend toward the higher income longer-term obligations. . . . Among the larger New York City member banks, the purchases have been largely in the partially exempts. . . . Some of these institutions have disposed of taxable issues, principally the 2½s due 1956/58, in order to take on the longer partially exempts and thus improve tax-free yield. . . . The New York City member banks since Oct. 2, have been sellers of bonds with holdings of these obligations down $171,000,000 since that date. . . .

On the other hand, the Chicago banks have been buyers each week (except last week) since July 24, with the increase in holdings from that date amounting to $225,000,000. . . . According to reports both the taxables and partially exempts have been taken on by these institutions. . . .

Member banks in the Cleveland district as well as those in the Richmond area have been purchasers of the longer-term obligations. . . .

SAVINGS BANKS

Savings banks have been in the market in not too large a scale with new money, but they continue to shift some of their eligibles into the restricted issues. . . . There is no sharp pick-up in demand yet from these institutions, despite reports that they are interested in putting funds to work. . . . Life insurance companies are following much the same policy as the savings banks, although it is indicated they are somewhat more interested in switching than in using new funds. . . .

Smaller commercial banks continue to be buyers of the 2¼s due 1956/59 and the 2½s due Sept. 15, 1967/72, as well as some of the longer partially exempts. . . .

RESERVE HOLDINGS DECINE

For the first time in almost a year, (Dec. 12, 1945) aside from redemptions, there was a change in bond holdings of the 12 Federal Reserve Banks, last week, when they reported a decline in holdings of $1,900,000. . . . These Banks have not been important in the longer-term government bond market for some time, which no doubt accounts for the very minor changes in their positions in these securities. . . . The Treasury seems to have taken on the responsibility for that section of the list.

John B. Burrows Joins First Colony Corp.

John B. Burrows has been named First Vice-President of the First Colony Corporation, underwriters and security dealers, 52 Wall Street, New York City, it was announced by John G. Sittig, President.

Mr. Burrows, formerly a member of J. W. Seligman & Co., has also served in executive capacities with Union Securities Corp., the Thomas Edison Co., the Chase National Bank and the Equitable Trust Co.

Mr. Burrows will assume his new duties immediately.

Walter Seeholzer Is With Ernst & Co.

Ernst & Company, 120 Broadway, New York City, members of the New York Stock Exchange, announce that Walter F. Seeholzer has become associated with them as manager of their bond commission department. Mr. Seeholzer was formerly a partner in Sagar & Seeholzer.

Julius W. Abernathy Opens

NEWTON, N. C.—Julius W. Abernathy is engaging in the securities business.

Canadian Securities

By WILLIAM McKAY

The popular urge for a change continues to exert its effect on the Canadian political scene. The precarious Liberal advantage of four votes in the House of Commons in conjunction with the significant Progressive Conservative gain in Portage la Prairie is causing growing unease in Liberal circles. This feeling of alarm has given rise to a recent statement of Prime Minister Mackenzie King to the effect that he might reconsider his previous decision not to lead the Liberal party in the 1950 elections.

The unerring political instinct that has kept the Liberal leader at the head of his party for a quarter of a century thus perceives the danger signals ahead. Moreover in looking around for a successor within the Liberal administrational ranks there is little cause for encouragement. To strengthen the Liberal regime the introduction of new blood would appear to be highly necessary. Premier Garson of Manitoba would be an outstanding choice and as a first step he has been mentioned as a successor to the Hon. J. L. Ilsley in the Department of Finance. However as matters stand there is little incentive for a rising politician to associate himself with a seemingly waning cause. There is also the precedent of Progressive Conservative leader John Bracken who abandoned the Liberal ranks to head a drive for Conservative supremacy. The prospects for success if Premier Garson followed in the footsteps of his predecessor in office in Manitoba appear even brighter.

Unlike the movement in Europe the political swing on the North American continent is in the direction of conservatism. The bye-election at Portage la Prairie indicated that popular reaction in Canada, as in this country, favors the removal of bureaucratic restrictions and the restoration of private initiative. The Progressive Conservatives therefore now have the opportunity to capitalize on the current trend. With a capable leader from a western province, especially one who has worked not only in the interests of his own province but also for the country as a whole, the Progressive Conservatives would even have reasonable prospects of success in the conservative-minded Province of Quebec.

During the past week the bond market continued quiet but there was same activity in Albertas with the long 3's bid at par. Abitibi 5's of 1965 were also traded in fair volume and were finally offered at 99¼. Dominion internals were a shade firmer following semi-official denials of any intention of making a further change in the Canadian dollar parity, but little impression was made on free funds which fluctuated either side of 5% discount. Stocks on the other hand were quite buoyant with golds and base metals to the fore.

There is no doubt that the Canadian authorities, having taken such a decisive and momentous step as the restoration of the Canadian currency to its old parity, can not contemplate lightly any early retreat. However in accordance with Bretton Woods requirements they have, if necessary, until Dec. 12 to reconsider the position. Now that the step has been taken it is only too easy to see the defects in the situation.

The ample balance of U. S. dollars built up under wartime conditions, and by speculative bond purchases at 10% discount, is already beginning to dwindle. Canada still has to import from this country to maintain her high standard of living and her exports are largely to countries which are hard put to deliver U. S. dollars. It is also necessary to qualify the glib statement so often previously repeated that the cost of living in Canada is so much lower than in this country. As far as the basic necessities are concerned this is broadly correct, but when semi-luxury and luxury items are considered which assume important proportions in the Dominion's high living-standard, then it can be stated that the reverse is true.

Thus the outlook for the course of security markets is still confused and dictates in consequence a period of cautious waiting.

Moise Elected V.-P. Of Blyth & Co., Inc.

Blyth & Co., Inc., 14 Wall Street, New York City, announces the election of William L. Moise as a Vice-President. He has been connected with the firm since 1935, having occupied the position of Eastern Sales Manager for a number of years, and in the future he will be engaged principally in the origination and negotiation of new financing.

Mr. Moise is a graduate of Annapolis and during the recent war was on leave of absence from Blyth & Co. for a period of 3½ years, during which he served as a Commander in the Navy. He was awarded the Bronze Star for services in connection with the original landings on Leyte in the Philippine campaign. He is a member of the Lawyers Club, the Bond Club of New York and the Naval Academy Association of New York.

R. D. Quisenberry Opens

MONTGOMERY, ALA.—Ralph D. Quisenberry has opened offices in the First National Bank Building to engage in the securities business under the firm name of R. D. Quisenberry & Co.

Anglo-Argentine Monetary And Trade Agreement

Arrangements made for payments between Argentina and sterling area and provisions made for purchase by Britain of Argentine meat, and plan formulated for nationalization of British-owned railroads in Argentina.

The following is the text of the Agreement reached recently between the Argentine Government and the British Mission headed by Sir Wilfrid Eady:

The undersigned, plenipotentiaries appointed to this effect by their respective governments, as a result of negotiations carried out in this capital between the Argentine and British missions, have reached an agreement concerning the following questions, the attached texts of which form an integral part of the present instrument:

(1) Payments.
(2) Meat.
(3) Railways.
(4) The negotiation of a trade treaty.

The Argentine Government and the Government of the United Kingdom enter into an engagement to take necessary steps to implement the agreement referred to as soon as possible.

I. Payments

A. Current Payments.

(1) Trade and financial payments between Argentina and sterling area to continue to be settled in sterling.

(2) As from date of this agreement all sterling received by Argentina to be freely available for payment for current transactions anywhere. So long as the present technical difficulties temporarily preventing transfers of sterling to certain other countries subsist, this free availability can be exercised by transfer to American account or, at the option of the Bank of England, into gold.

B. Sterling balances accumulated up to date of this agreement.

(1) As at the date of this agreement, the spot balances of sterling accumulated on Argentine special account to be established.

(2) Argentina to be free to utilize part of this balance:

(a) To repatriate outstanding sterling public debt, national, provincial and municipal.

(b) To transfer to Brazil, subject to that country's agreement, an amount up to £10,000,000.

(c) To repatriate British investments in Argentina.

(3) The sterling balance which Argentina maintains in London (as established in B(1)), as also the balance resulting therefrom once operations in B(2) have been carried out, to continue to enjoy the existing gold guarantee.

(4) Interest on this balance to be ½% per annum, such interest to be freely available for current transactions.

(5) Of the said balance, Argentina, in each of the four years beginning as from the date of this agreement, to be free to dispose of

(Continued on page 2496)

American Labor Disputes Threaten World Recovery

(Continued from page 2459)

national Monetary Fund and the International Bank.

Objective of the Fund

The essential objective of the Fund is the revival and expansion of international trade through the promotion of exchange stability and the elimination of the destructive exchange practices which inhibted the flow of world trade before the war.

The essential objective of the Bank is to promote the international flow of long-term capital and to assure funds for the reconstruction of devastated areas and the development of resources in member countries.

Together, these institutions, wisely and effectively administered, can help nations and peoples to raise their standards of living through more efficient production and through freer interchange of the goods they produce. If they succeed in this, they will have laid a sound foundation for the political measures requisite to the maintenance of peace.

The International Bank is not intended to compete with private banks. On the contrary, it is designed to serve as a buttress to private finance. One of its stated functions is "to promote private foreign investment."

But private investors can hardly be expected to make foreign loans until they have some reasonable assurance that the borrowers are approaching a balanced economic position. Credit, if obtainable at all, would presumably be at short term and relatively high rates. This would not enable the carrying out of long-range tasks of reconstruction and development—the very tasks prerequisite to attainment of balanced economic positions. The Bank must serve during the transitional period following the war to achieve what private banking facilities would not for some time be in a position to achieve.

Bank's Credit—Granting Powers

The Bank is empowered to extend credit in three principal ways. First, it may lend directly out of its own capital funds. Second, it may lend out of funds which it borrows through the issuance of its own obligations in the private capital markets of member countries. Third, it may guarantee, in whole or in part, loans made through the usual investment channels.

Direct loans are to be made by the Bank only when they cannot be floated through the normal channels at reasonable rates. So, it is clear, I think, that the Bank will serve not as a damper upon private investment but as a stimulus to it, expanding the investment sphere by acting as a stabilizer and guarantor of private loans and by promoting the conditions under which private investment can prove fruitful.

Speaking entirely for myself and not as an official exponent of the Bank's views, I should say that the Bank ought to make every effort, even in the early stages of its operation, to help borrowers obtain the funds they need from private sources. It can do this very effectively indeed either by underwriting the loans when that seems prudent or by participating in them. It is my observation—based, if I may say so, upon a rather considerable experience extending over three decades—that the mere readiness of a public institution like the International Bank to take up any unsold portion of a loan issue gives assurance and encouragement to private investors. And frequently, under such circumstances, they leave nothing for the public institution to take up.

The Bank, charged as it is with responsibility for promoting genuine programs of reconstruction and long-range development of resources in borrowing countries, is very much concerned with the uses to which its loans are put. The funds of the Bank can have little real utility if they are applied merely to the repair of old and obsolescent machinery and the restoration of antiquated production processes.

Modern Industrial Techniques Needed

The great economic need is for a radical modernization of industrial techniques. Only as modernization takes place can countries make their full contribution to the world's wealth and bring themselves into a position to buy —and pay for—the imports they require. And only thus, of course, can they bring themselves into a position to repay to the Bank what they have borrowed.

Increased Production Indispensable

Increased world trade must go hand in hand with increased production resulting from increased efficiency. There can be no better means of raising living standards everywhere than the ready interchange among pepoles of what each is able to produce most economically. And it is equally true that there can be no better basis for friendly relationships and mutual understanding among peoples than commerce of this sort.

I have said that the Bank is necessarily concerned with the uses to which its funds are put by borrowers. Permit me, if you will, to go back to an observation I made more than a quarter of a century ago in connection with the fostering of international investment after the first world war. I remarked in an address to the American Manufacturers Export Association at that time that "credit is a little like some drugs. In the hands of people who know its powers but also its dangers it is the most helpful, useful and healing thing in the world. But like those drugs, with misuse, with carelessness and with habitual indulgence to excess, it can become the most demoralizing, disintegrating and destructive agency." I think that this warning is no less pertinent and applicable today. The credit supplied by the International Bank must be credit that is put to work, credit that is employed to produce wealth.

In reviewing the applications to the International Bank for loans, I find a listing of programs requiring material, machinery and technical manpower, all of which it is assumed will be available if funds are available. But money alone, of itself, does not provide materials, machinery and technical manpower. It is merely one of the tools to that end.

This brings us to the question of the sources from which materials, machines and skilled technicians are available.

During the war this country mobilized its full resources of man and womanpower for production. Every possible stimulus to production was used. While there were interruptions in production, they were not on a major scale. This total mobilization of natural resources, machinery, management and labor enabled the United States to lend its great strength to the Allied cause. It was American production that supplied the tools of our armies and of the armies of our Allies.

The Pressure of U. S. Productivity

The International Bank was created and organized on the assumption that America, even after the pressures of war, would maintain a high level of production. It was taken for granted that with our vast productive capacity the materials for world-wide reconstruction would be available if only the financial machinery for adequate loans were available. Our failure to produce these materials as rapidly as was expected has now created a bottleneck of serious proportions.

At this point, may I divert in a somewhat personal way to the subject of the Famine Emergency Committee of last spring. On February 12, in a meeting at the White House, I heard Governor Lehman and Secretary Anderson state that we were about to default on our actual commitments for wheat and fats under the UNRRA program. The result of this failure was projected in terms of starving tens of millions, and even hundreds of millions, of people throughout the world, while our own diet has increased by about 500 calories per capita daily over our prewar consumption. Some of us were profoundly shocked. We knew that if the American people realized what was happening they would insist upon constructive action. They would resent learning, months later, the dire consequences of a situation on which they had never been fully informed. To be sure, some statistics on the maldistribution of foodstuffs had been published, but the tragic results of our unconscious selfishness had never been fully brought home to the men, women and children of this country.

Out of this situation came the appointment of the Famine Emergency Committee. With the help of the Advertising Council, which sprang into action with remarkable rapidity and efficiency, a self-rationing program was presented to the people of our country. It was carried over the air on most of the major programs and many of the local programs as well. Commentators discussed it at length and frequently. Great quantities of advertising space in newspapers and magazines, paid for by the merchants and manufacturers of the country and many other groups and individuals, were devoted to the subject. Churches and schools cooperated generously. Mr. Hoover made a trip around the world to survey demands for wheat and fats in import countries and to increase the exports of producing countries. In short, every force that could be brought to bear upon the problem was mobilized.

As a result, starvation in many countries was averted. The point of this is that our people, learning the facts of the crisis, willingly shared their supplies with the nations threatened with starvation. They fought for the common welfare in peacetime as they had fought for it on the battlefield. Given information and leadership, the people of the United States can always be relied upon to do the right thing freely and generously.

Our Domestic Starvation From Production Stoppages

But there is a starvation now going on in the world concerning which leadership has been inarticulate. The starvation for the products of our fields in the form of food has been succeeded by a starvation no less extensive and dangerous to the welfare of humanity. I refer to the starvation for the products of our mines and factories. Stoppages of production here at home have reduced the supply of many of the materials needed to restore a minimum of economic life abroad. Lending money alone will not supply the products. This industrial starvation will remain acute as long as our production is restricted. Even the world's food supply has been curtailed by stoppages of our production of agricultural implements, fertilizers, coal, automobile trucks and other means of transportation and of electrical and mining machinery and many other things. In depriving other peoples of the tools they need for reconstruction, we are threatening world recovery and condemning vast numbers of human beings to serious deprivations.

The Coal Strikes

I have no wish to weary you with figures. But a few of them, I think, may be useful by way of illustration. The national coal strike which took place in the spring of this year lasted for 58 working days. It resulted in the loss of 70 million tons of coal. And since then, local strikes here and there throughout the coal mines of the country have cost us in the neighborhood of 175,000 tons every week—coal that might have been available for production but was not.

Now, it seems, we are threatened with a fresh stoppage of work in the coal mines. Let us face the practical impact of it, if it should come. Coal production is running currently at the rate of about 12 million tons a week or two million tons a day. Every day of a national strike, therefore, would mean the loss of that amount.

And the loss would inevitably be felt, as you know, in every phase of the American productive system—in power plants, factories, railroads. At the end of the chain, of course, it would be felt by the peoples overseas waiting hungrily for the products of our industries necessary to set their industries in motion. The maintenance of full production in this country requires every ton of coal that can be mined.

Effect of Work Stoppages

A look at the Federal Reserve Board's index of production reveals disastrous drops in manufacturing output resulting principally from work stoppages. The index for pig iron shows a drop from 100 in January to 48 in February; steel in the same months fell from 108 to 46; machinery from 217 to 188. When the General Motors strike took place last fall, the index of automobile production dropped suddenly from 137 in November to 95 in December.

The October report of the Civilian Production Administration discloses that copper, a key production metal, suffered grievously from strikes lasting through March, April and May of this year. Production fell off during that period from 70,000 tons a month to about 20,000 tons. Happily, it is now back at its earlier level.

I say emphatically that the crucial importance of continuous full production for our own welfare and for that of mankind the world over cannot be exaggerated.

We Americans who but recently showed our sympathy for the people of the world by sharing the products of our fields must now become aware that this economic starvation threatens the winning of the peace, the peace for which so many of our boys fought and died and for which so much treasure has been spent.

Although I cannot at this time prove it by statistics because statistics come only after events, I venture to say that, if we had not had many of these unnecessary stoppages of production, we could have helped the rest of the world by self rationing for export of part of our industrial production and at the same time have had more of everything here at home.

Your organization is an important one. Political science is your center of interest. National and world stability is your objective. That stability is now threatened by a starvation for the materials with which to reconstruct the devastated areas and to develop the economically backward areas. Why should the students of political science wait, as they have too often in the past, to analyze these grim realities after the event? Why should you not make the immediate need of raising our industrial production your immediate research problem? The key is better labor-management relations. How are they to be obtained with a minimum of delay? Is this a problem for political scientists?

Labor Disputes Must Be Settled

For our present disastrous labor relations I have no disposition to allocate the blame. But I do say this with every conviction that is within me—we must find a way of settling our labor disputes without the disastrous strikes which bring about world starvation in a broader sense than the mere withholding of food. And as to food itself, the demands upon us will be heavier the longer we lack ingenuity and the sense of responsibility to the rest of the world for the use of our powers to help our fellow men. This sense of responsibility we felt in full measure during the war. Let us feel it now in the same degree and make good the debt to our heroic dead.

To do so would be sound political science, sound human relations, sound religion and sound democracy. It would be the beginning the world over of a new faith in our ability to lead the way toward order, mutual confidence and peace. Given that surge of production here in our country, the International Bank can better play the accelerating role for which it was established.

Resume Future Trading On Commodity Exchange

Resumption of commodity futures trading on Commodity Exchange, Inc., was scheduled by action of the Board of Governors on Nov. 12, for Tuesday, Nov. 19. This leading world market for future contracts in seven commodities, hides, rubber, silk, copper, lead, zinc and tin, has been closed continuously for more than four and a half years because of government controls and price restrictions. The advices from the Exchange state:

"Initial trading at the reopening of the Exchange will be exclusively in raw hides. Contracts traded will be for 40,000 pound lots of wet salted hides, base grade light native cow hides, Chicago packer type. Trading is expected to begin with June 1947 and September 1947 deliveries. Trading in the December 1947 position is scheduled for Nov. 22. With resumption of trading, the contract will be the same as that in use when trading was suspended in this commodity June 3, 1942, at request of the Office of Price Administration.

"In view of President Truman's most recent further removal of Government controls and price restrictions, early resumption of trading in other commodities listed on the exchange is now being considered, said H. J. Fink, Commodity Exchange Secretary.

"Because each of its listed commodities were designated early in 1941 as strategic and critical materials essential to the national defense, Commodity Exchange, Inc., was one of the first of the international commodity markets to be hit by World War II. First contract in which trading was suspended was zinc, by request of the Council of National Defense, March 3, 1941. Cooper, tin and silk futures trading also were suspended before Pearl Harbor. Rubber trading closed Feb. 6, 1942, and lead and hides trading vanished from the Exchange shortly afterwards. OPA's most recent ceiling on wet salted light native cow hides was 15½ cents per pound. Bid prices ran up to about 23½ cents per pound while OPA was in temporary suspension last July. In the limited off-the-market trading in hides yesterday (Nov. 12), price bids approximated 33 cents per pound."

Export-Import Bank and Postwar Foreign Trade

(Continued from page 2463)
economic objectives were to be fully realized. For this purpose Congress in July 1946 authorized the extension of a $3.75 billion line of credit to Britain as part of the Anglo-American Financial Agreement.

The Repayment Problem

The third aspect of the rehabilitation effort, the necessity for repayment of the long-term dollar credits, poses one of the most challenging problems this country has been called upon to face. If we are ever to be repaid for these credits it will be essential for the American people sooner or later to accept a commodity import surplus as normal and proper. The discussions here attest to the full recognition by the National Foreign Trade Council of the crucial character of the import problem. I am sure, however, that no one would minimize the practical obstacles in the way of bringing about an appropriate increase in the volume of imports into this country and the development of a regular surplus of commodity imports over exports.

In carrying out its role under the Export-Import Bank Act of 1945, the Export-Import Bank has entered into commitments for general reconstruction purposes totalling $2,065 million. These credits comprise $655 millions for the purchase of goods which had originally been included in the lend-lease program, $1,277 million extended for emergency reconstruction needs, and $133 million made available for the purchase of raw cotton. In the first category France received $550 million, Belgium $55 million, and The Netherlands $50 million on the same terms as lend-lease 3(c), i. e., 2⅜% for 30 years. In the second group were loans to Belgium, Denmark, Finland, France, The Netherlands, The Netherlands East Indies, Norway, Poland, Saudi Arabia, China, and Ethiopia. These credits range in amount from $3 million to Ethiopia to $650 million to France, while the maturities range from two years in the case of the second general credit to The Netherlands, intended as a tide-over credit, to 25-30 years for the great majority of the credits. The long-term credits with several minor exceptions carry an effective rate of interest of 3% per annum. The cotton credits are largely to European countries and include $33 million to China. They are short-term credits, 15 months to 24 months, and bear an interest rate of 2½%.

Since the demands on it have been far in excess of its available resources the Bank has had to follow the policy of limiting its emergency reconstruction loans to the immediate minimum needs of the borrower. This has involved a very careful screening of all loan applications from the point of view of urgency of need of the borrower, the borrower's own resources, the possibility of obtaining the loan from other sources, the ability of the borrower to make effective use of the funds, the capacity of the borrower to repay, and the impact of the loan on our domestic economy.

The assistance rendered by the National Advisory Council to the Board of Directors of the Export-Import Bank in connection with its emergency reconstruction credit program has been invaluable. Before the Bank actively considers any loan application from a foreign government the application is referred to the National Advisory Council for its consideration from the standpoint of policy and coordination. Once a given application or class of applications has been "approved for consideration," as the action of the Council is now worded, the Export-Import Bank assumes full responsibility for the final decision as to whether or not the loan should be made and on what terms and conditions. This use of the Council mechanism attunes Export-Import Bank lending to U. S. foreign policy while retaining in the Board of the Bank, as it was obvious Congress intended, the veto power over indiscriminate or unsound loans. In view of the extreme complexity of the foreign lending problems, and the close inter-relationship between the foreign loan applications to the Bank and to other Federal agencies, the Export-Import Bank would have been faced with a well-nigh insuperable task in attempting to carry out its emergency reconstruction program expeditiously without the assistance of this machinery. Although the Bank has been able to meet only a portion of the total reconstruction demands of the war-devastated countries, I am confident that the essential minimum needs of most of these countries have been met with promptness and efficiency.

The Long-Term Role of the Export-Import Bank

With the International Bank scheduled to begin its loan operations in the near future, the emergency reconstruction credit phase of the Export-Import Bank's activity is now drawing to a close. At this point, therefore, I should like to comment briefly on the subject of the future plans of the Bank.

The fundamental purpose of the Bank as laid down by Congress is to aid in "the financing and facilitating of exports and imports and the exchange of commodities between the United States . . . and any foreign country or the agencies or nationals thereof." The Bank has been given broad powers to do a general banking business and to make practically any type of loan, without limitation as to the amount of loans to any one borrower, in so far as the exercise of these powers is necessary to carry out its fundamental purpose.

The broad powers and fundamental purpose of the Bank lend themselves well to assisting American foreign trade in fulfilling both its immediate and long-range postwar responsibilities.

Throughout its existence, the Bank has been prepared to extend assistance to American exporters and importers under appropriate conditions. Assistance to exporters has generally taken the form of credits for the benefit of individual United States exporters to facilitate the sale abroad of specific materials and equipment. Since the end of the war, American exporters have been applying to the Bank in increasing numbers for credit assistance not obtainable from private banks. The progressive relaxation of export controls in the United States combined with the accumulated foreign demand for United States products, have opened the way for a greatly expanded export business on a commercial basis. As before the war, however, exporters are obliged to sell on terms appropriate to the type of commodity involved, the ability of the foreign buyer to pay, and the competition offered by other suppliers. Since credit terms required are often longer than commerical banks are in a position to accommodate, it is necessary for the exporter to seek the assistance of the Export-Import Bank. The Bank has met, and will continue to meet, all legitimate demands of this character.

The Bank is prepared to extend similar assistance to American importers. Hitherto the Bank has made few importer credits; this, however, has been due, not to any reluctance on the part of the Bank to grant such credits, but to the fact that the American importer is normally able to obtain adequate financing for imports from private American banking institutions. As a rule, commercial banks are in a position to obtain a pledge covering the imported products at the time of making their advances, so that the transactions have all the attributes of a domestic credit and there is little need for the intervention of the Export-Import Bank.

The Board of Directors of the Export-Import Bank shares the opinion that an increased volume of imports is one of the essentials of a healthy, thriving United States postwar foreign trade. The Bank has a very special interest in this matter by reason of the specific requirement in our statute that we have reasonable assurance of repayment before making a loan. It is the opinion of the Board of the Bank that, if the broad effort to revive world trade and reestablish an effective multilateral trading system succeeds, all the countries to whom we have made emergency reconstruction loans should have no difficulty repaying the loans. It is our further view that the greatest hope for a revival of world trade and successful solution of the repayment problem lies in an appropriate expansion of imports into this country; indeed, in the absence of an indefinite continuation of U. S. foreign lending, this is the only way in which the borrowing countries will be able to meet the service charges on their obligations and continue to buy the products of this country essential to their welfare.

In this connection we have welcomed the enlightened discussion of the import problem in recent months by such informed private bodies as the National Foreign Trade Council, the Twentieth Century Fund, the Committee for Economic Development, the Aldrich Committee and others. We all realize that the task of educating American public opinion to the necessity of an expansion of imports, if U. S. foreign trade is to be put on a permanently sound footing, is a formidable one; in my opinion it is probably an impossible one without the continued enlightened leadership of such groups as yours.

For its part, the Bank has devoted, and will continue to devote, a great deal of attention to the import aspects of all the loan applications before it. In the case of all the Bank's general developmental and reconstruction loans the direct connection of the proposed loan with the creation of additional foreign exchange has always been studied. The contribution of any loan to the solution at least of its own foreign exchange problem has always been a factor present in its consideration. In its appraisal of loans the Bank regards financing of the production of commodities suitable for exports from the foreign country to the United States as a consideration as important as the promotion of exports from the United States.

Future Reconstruction and Developmental Credits

The pending early operation of the International Bank has brought the problem of future reconstrucion and developmental credits by the Export-Import Bank into sharp focus. From the time of the initial formulation of the U. S. foreign lending program it has been envisaged within the U. S. Government that, as soon as the International Bank could take over, the Export-Import Bank would largely withdraw from the field of long-term reconstruction and developmental credits. It has always been intended that the International Bank, rather than the Export-Import Bank should be the principal agency to make foreign loans for reconstruction and development which private capital could not furnish on reasonable terms. It is the policy of the Export-Import Bank not to compete in any sense with, but instead to cooperate fully, with the International Bank; it recognizes that the long-term reconstruction and development loan field from now on is the special province of the International Bank. This does not mean, however, that the Export-Import Bank will no longer consider shorter-term developmental loan applications from Latin American and other countries nor that any further emergency reconstruction credits by the Export-Import Bank are ruled out.

The Export-Import Bank recognizes that in special circumstances, such as the case of certain war-devastated countries which are not members of the International Bank and hence not eligible for loans from that institution, some emergency financial assistance from the Bank may still be necessary. The limited resources of the Bank, however, preclude the possibility of anything but limited assistance as a stop-gap measure to tide the situation in these countries over until their basic problems can be tackled comprehensively through other instrumentalities.

The Export-Import Bank has endeavored to live up studiously to the policy Congress gave it of supplementing and encouraging and not competing with private capital. There is inherent, furthermore, in such an injunction the implication that the assistance which the Bank gives must have in it the element of pioneering. I am convinced there is a real and continuing need for the services of the Export-Import Bank as an organizer and trail-blazer in financing foreign trade. But our whole purpose will be defeated if private capital is not better organized than it is at present to supplement and further our activities.

The Export-Import Bank is pursuing as diligently as possible a policy designed to return trade to private channels and to this end is avoiding wherever possible the government-to-government credit in favor of so-called exporter credits in which domestic suppliers participate. The Bank created early in 1946 a Private Capital Participation Division which maintains close contact with financial markets and provides information regarding our current portfolio in order that its commercially bankable paper may be made available to private investors within the limitations of the regulations of the Securities Exchange Commission. Ultimately, perhaps, we may have private Export-Import Banks, and then the Export-Import Bank of Washington can act as a sort of central bank for these banks of foreign trade. There is much pioneering work to do in this field and I know we can depend on the National Foreign Trade Council to be a leader in seeing that a sound course is developed.

Achievements of Export-Import Bank

In an address before the Academy of Political Science in New York, on Nov. 7, Mr. Martin, in addition to describing the functions of the Bank in international reconstruction, spoke of its achievements as follows:

Looking back over the implementation of the U. S. foreign loan policy during the past year, from the special vantage point of the Export-Import Bank, it seems to me that two major achievements of the loan policy stand out so far.

In the first place, a mechanism for the coordination of all U. S. foreign lending has been placed in effective operation. I think it would be difficult to overestimate the importance of the contribution of the National Advisory Council, not only to the U. S. foreign lending program, but also to the permanent machinery of our Government.

The National Advisory Council was established by Congress in the Bretton Woods Agreement Act. According to this law the members of Council are the Secretary of the Treasury, as Chairman, the Secretary of State, the 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. As a result of Congressional decision, we now have for the first time in our history a Cabinet-level committee charged with the responsibility of coordinating all the foreign financial activities and interests of our Government. Before the establishment of the Council this area of work, responsibility for which was scattered throughout the Executive Branch of Government, was not coordinated and there was inevitable confusion and overlapping. Immediately upon its establishment the Council installed a procedure to insure the orderly consideration of all requests and proposals for foreign loans. For example, as in the case of all Federal agencies with respect to their particular field, before the Export-Import Bank actively considers any loan application from a foreign Government, the application is first referred to the National Advisory Council for consideration of the application from the standpoint of policy and coordination with the Government's foreign lending program. In this manner the application is given central consideration by all the interested departments. This highly technical work is done through a staff organization of which the Export-Import Bank's trained force of economists and examiners forms an essential and closely integrated part along with the economic staffs of the several government departments and agencies represented on the Council.

The assistance rendered by the National Advisory Council to the Board of Directors of the Export-Import Bank in connection with its emergency reconstruction credit program has been invaluable. In view of the extreme complexity of the foreign lending problems, and the close interrelationship between the foreign loan applications to the Bank and to other Federal agencies and to the International Bank, the Export-Import Bank would have been faced with a well-nigh insuperable task in attempting to carry out its emergency reconstruction program expeditiously without the assistance of the National Advisory Council machinery.

To achieve this type of coordination without assuming prerogatives specifically allocated to other agencies such as the banking and business judgment which the Export-Import Bank Board must exercise, requires skillful administration. Under the able guidance of Secretaries Vinson and Snyder I can testify that this has been achieved.

Has Final Say on Applications

Once a given application or class of applications have been "approved for consideration," as the action of the Council is now worded, the Export-Import Bank assumes full responsibility for the final decision as to whether or not the loan should be made and on what terms and conditions. The use of the Council mechanism attunes Export-Import Bank lending to U. S. foreign policy while retaining in the Board of the Bank, as it was obvious Congress intended, the veto power over indiscriminate or unsound loans. It is clear that the members of the Board are expected to resist pressure for unsound loans from whatever source and to insure strict observance of the Export-Import Bank Act of 1945. This clear-cut independence must be maintained if the Export-Import Bank is to further its established record of intelligent and businesslike lending.

The Aldrich Committee

The mechanism for coordinating the U. S. foreign lending program was further rounded out in recent weeks by the formation of the Aldrich Committee. President Truman appointed this committee of private industrialists and financiers under the Chairmanship of Mr. Winthrop Aldrich to bring about the fullest cooperation between the Government agencies and private industry and finance in the foreign financial field. Mr. Aldrich in accepting appointment as Chairman of the Committee summarized its purposes as follows: ". . . to bring into orderly common effort public and private finance, through businessmen and bankers, in the foreign field; to foster the application of the productive capacity of the United States in the most effective manner possible to the needs of domestic consumption and foreign reconstruction; and to promote relations between American and foreign business enterprise for the purpose of developing and maintaining foreign trade, both export and import, on a high and expanding level."

Two months ago there was held in Washington the first of a series of joint meetings of the Aldrich Committee and the National Advisory Council which will undoubtedly prove invaluable in bringing to the attention of the Government the viewpoint of industry and finance on all aspects of the foregin lending program.

The second important—and, of course, basic—achievement of the U. S. foreign loan policy so far is that it has provided the dollar credits required to finance the most urgent reconstruction requirements of the war devastated areas. The resources of the Export-Import Bank have been too limited to cover the total post-war reconstruction credit needs of all countries; however, the complex and laborious task of loan negotiations with fourteen countries, comprising practically every war-devastated area, has been completed within a year after V-J Day, and provision made for financing their emergency reconstruction needs.

First Bost. Corp. Offers $25,000,000 Crucible 3 1/8% Bonds at Par

An investment banking group headed by the First Boston Corp. offered to the public Nov. 13, $25,000,000 Crucible Steel Co. of America first mortgage sinking fund bonds 3 1/8% series due 1966 at 100 and accrued interest.

Of the proceeds from the sale of the bonds the company will apply $12,461,340 to the redemption on or before Dec. 31, 1946, of all of the outstanding $12,217,000 of 3 1/4% sinking fund debentures due Dec. 1, 1955, at 102. The balance of proceeds, together with such amount from general funds of the company as will make an aggregate of $27,500,000 will be applied to the company's $30,000,000 program of plant expansion, betterments and replacements to property. Approximately $2,000,000 was expended for this purpose prior to Aug. 1, 1946. It is expected the entire program will be completed by the end of 1948.

The major expenditure to be made, representing approximately 40% of the total, will cover the program at the company's Midland (Pennsylvania) Works, including the installation of new equipment for the production of hot and cold rolled steel sheets and strip. While designed primarily to turn out stainless and other alloy sheets and strip, the new mills may also be used for producing carbon steel sheets, strip and light plates. Other expenditures in connection with the program will be for increasing finishing capacity, improving manufacturing practices, consolidating operations and reducing manufacturing costs.

Crucible was formed in 1900 and the company for many years has been a leading producer of high grade steels, specialty alloy, commercial alloy, commercial carbon and specialty carbon steels. The company's net sales in 1945 amounted to $141,422,881 and for the first eight months of 1946 sales totaled $56,244,563.

After completion of this financing Crucible's outstanding capitalization will consist of the $25,000,000 bonds now being offered; 316,282 shares of 5% convertible preferred stock, par $100, and 444,230 shares of common stock.

Britain Intensifies Export Drive

(Continued from page 2461)

response to the Government's exhortations to produce more. Absenteeism is very high. If only it could be reduced to its prewar proportions it would be possible to meet coal requirements. As it is, there is a grave danger that in case of a severe winter industrial output will have to be curtailed for lack of fuel.

The Government has adopted a defeatist attitude in face of the coal difficulties. Railways and steamers are converted for the use of oil. Not only is Britain not expected to resume the role of a leading coal exporting company, but she is not even expected to be able to satisfy her own coal requirements. Hence, the policy of reducing domestic coal requirements with the aid of imported oil. The absence of coal exports and the increase of oil imports are likely to affect between them Britain's balance of payments almost to the same extent as the loss of dividends from foreign investments during the war. And yet, very little is said about this. The Government intends to reconstruct the nationalized coal industry, but evidently it does not attach much hope to the results of its efficiency drive in this direction, judging by the way in which it assumes that the present coal shortage is not temporary, but permanent.

There are many people who are inclined to think that, with the Socialist Government in power, Britain is getting the worst of both worlds. Fear of nationalization and various forms of Government intervention prevents private enterprise from showing itself at its best. At the same time, the country cannot benefit by the advantages of planning, owing to the lack of discipline and devotion to duty on the part of the working classes. The incentive of the profit motive is gravely hampered, while the incentive of public interest is virtually nonexistent. As a Conservative M. P. aptly observed during a recent debate, "the millions of people who voted Labor at the general election did not do so because they were anxious to give something to the community, but because they were anxious to get something for themselves out of the community." If the profit motive is destroyed, or grossly reduced, before a public spirit has developed to take its place, the output is bound to decline. And it is difficult to see how a public spirit can be developed unless and until the profit motive is curtailed. The transition period is bound to experience a decline in the standard of living, in spite of the technical progress and the removal of financial obstacles to full employment.

The reason why the Government is diverting so much badly-needed manufactures to export trade is that the alternative would be a reduction of food imports. And that would be even more unpopular than the lack of adequate supplies of manufactures.

John K. Walters & Co.

WILMINGTON, DEL.—John K. Walters & Co. has been formed with offices at 910 West Street to engage in the securities business. Officers are John K. Walter, President; John M. Abernethy, Vice-President; and Frances A. Dunn, Secretary. Mr. Walter has recently been doing business as an individual dealer. Prior thereto he was with Woodcock, McLear & Co., Carstairs & Co. and Theodore Prince & Co.

Securities Salesman's Corner

By JOHN DUTTON

We have come to the end of an era in the securities business as well as politically. During the past several years there has been very little incentive for those who have been retailing securities to look ahead on a "long term" basis. There has been an over-emphasis upon promoting the sale of securities that would "go up fast." The public psychology, and that of the professionals, has been concerned with making capital gains, RATHER THAN STRESSING SOUND INVESTMENT PRINCIPLES.

With the New Dealers in the saddle no one could look ahead with confidence. The general attitude toward investment was one of "grab what you can and run." Such procedure is no longer necessary—it is needless to say that it never was sound practice. It was part of the inflationary hysteria that always accompanies unsound fiscal policies.

There is an obligation upon the part of every broker and dealer in securities to eliminate this unsound policy among investors whenever it is encountered. There is one thing certain—prosperity and progress in this country cannot be erected upon a psychology of getting something for nothing. We know that wealth has been created at the rate of about 4 1/2% per annum on an average, during years when solid economic progress was achieved in this country. To try and make profits of from 25% to several hundred per cent, as a general procedure, is not only downright silly, but we all know this leads to an over excess of speculation and trouble.

If you have been selling too many securities of doubtful quality cut it out now. If you have too many customers with cats and dogs around, have a talk with them and try and show them that times have changed. From now on government subsidies, or political pull that has provided government loans to weak companies with strong Washington friends, is not going to be the controlling factor in their ability to go ahead, as it has undoubtedly been in many instances in the past. (This is no fantasy—we know of one company that never had any assets to speak of before the war and has less now, yet it was able to secure several hundred thousand dollars from a government agency.) This stock went from 25 cents to over $4.00. It is now under a dollar. Those who gambled on it and made money got theirs—but it is no longer necessary to take such gambles or offer them to your customers in order to preserve capital.

The new Congress will do a job on taxes and on spending—of that you can be sure. We are not going to end up in this country with FUNNY MONEY. That is the implication of this past election which is important to investors. Markets will fluctuate—individual securities will vary in their attractiveness because of underlying factors both within such companies themselves and the entire economy. But the UNITED STATES OF AMERICA HAS REJECTED UNSOUND FISCAL POLICIES AND A REGIMENTED ECONOMY. This means that investors can once again get back to fundamentals. These fundamentals are: (1) preservation of principal, (2) continuity of income, (3) marketability in keeping with the needs of the investor. You learned them years ago—NOW YOU CAN PUT THEM INTO PRACTICE AGAIN.

LaSalle St. Women Hear Duncan Miller

CHICAGO, ILL.—John Duncan Miller, Director of the British Information Services in Chicago, was the guest speaker at the dinner meeting of La Salle Street Women at the Cordon Club, Chicago, on Nov. 13. The subject of his address was "Occupation in Germany." Mr. Miller has just returned from Europe where he made an extensive tour of the British Zone of Germany and Berlin. While there he interviewed many of the leading Germans as well as British and American representatives on the Control Council and the heads of departments dealing with the various aspects of the occupation. Mr. Miller was on the British Army Staff in Washington, D. C. from Sept. 1941 to October 1943. He served as a Colonel in the British Army in the Allied Headquarters of the South East Asia Command in Burma and India until March 1945 when he left to go to Chicago.

The Task of the UN in Developing Int'l Trade

(Continued from page 2464)

conditions of economic and social progress and development. If there is one thing which should have burnt into the hearts and minds of men in the years between World War I and World War II it is that world wide economic depression, which deprived more than 30 million men of their livelihood in the early thirties and produced a rash of economic restrictions throughout the world, is a disaster second only to war itself. While I, for one, do not believe that economic factors are the main causes of war, I think we can all agree that one of the surest guarantees of peace is to be found in expanding world trade, rising standards of employment and freedom from catastrophic cycles. It was to contribute to these ends that the Economic and Social Council, its Commissions and Sub-Commissions and various Specialized Agencies, such as the Bank for International Settlements, the International Monetary Fund were established. And in view of the great and growing importance of international trade and employment the first steps have been taken to hold a great international conference on these subjects next year under the auspices of the Economic and Social Council.

Preliminaries To Current London Meeting

Let me recall the steps that have led up to the preparatory meetings on this subject which are now being held in London. You will recall that Article Seven of the Lend-Lease Agreements and articles of other Mutual-Aid Agreements recognized the need for international agreement to remove impediments to international trade and to promote its expansion. At Bretton Woods a decision was made to call a conference on international trade and employment. In Dec. 1945, the United States transmitted to other governments for their consideration a document entitled "Proposals for Expansion of World Trade and Employment." This document proposed the creation of an International Trade Organization with a Charter establishing rules to govern trade barriers, intergovernmental commodity arrangements, restrictive business practices, and international aspects of domestic employment policies. In February of this year, the Economic and Social Council of United Nations passed a resolution calling for an International Conference on Trade and Employment, defined its terms of reference, and established a Preparatory Committee of 19 countries to organize the Conference and to prepare annotated agenda, including a convention and a draft charter for an International Trade Organization. It is this Preparatory Committee which is now in session in London.

Discussions are now progressing on the basis of a Draft Charter put forward by the United States Government, purely as a basis for discussion and not as a final expression of the views of the United States.

The general purposes of the International Trade Organization as out-lined in this Draft are briefly:

1. To promote the solution of problems in international commercial policies by consultation and collaboration.
2. To enable members of avoid recourse to measures destructive of world commerce by providing, on mutually advantageous bases, expanding opportunities for trade and development.
3. To encourage industrial and economic development in member countries, particularly the under-developed countries.
4. To promote national and international action for the expansion of the production, exchange and consumption of goods, for reducing trade barriers, and for eliminating discriminatory policies in international commerce; thus contributing to the establishment in all countries of high levels of employment and the creation of an economic climate favorable to world peace.

The articles of the draft are designed to implement these purposes. It was not to be supposed that all parties of the London Conference would accept the American paper without criticism, and there are in fact, many important divergencies in view. Nevertheless, the value of the American draft as a working document, is fully recognized. It is now the task of the present Preparatory Committee and also of the Conference to be held next year, to resolve the various divergencies of view which have emerged.

When I left London the preliminary work of the Committee had been completed and five Working Committees had been set up. These Working Committees have broken the broad field covered by the Charter into five main divisions, and are examining each in detail.

The Scope of the Working Committees

Thus Commitee One is concerned with the achievement and maintenance of high and stable levels of employment and economic activity. Committee Two deals with problems of commercial policy, and in particular the multiplication of regulations, restrictions and discriminations affecting international trade. Committee Three is concerned with restrictive business practices. Committee Four deals with intergovernmental commodities arrangements. And Committee Five is discussing the constitutional and administrative aspects of the proposed International Trade Organization. You may be interested to hear something of how the work of each of these Committees is progressing.

The members of Committee One have been hard at work examining, criticizing and amending the Articles in the American Draft Charter which deals with employment. These Articles provide that each member of the proposed new Organization shall take action to achieve and maintain high employment within its own jurisdiction through measures appropriate to its own political and economic institutions. It is provided that no country shall adopt measures which would create unemployment in other countries, or which would prove incompatible with the promotion of expanding international trade and investment. Some of the points of view expressed have been of great interest. Thus delegates of some of the under-developed countries have pointed out that it is extremely difficult in some cases to carry out policies of industrial development without causing some degree of temporary unemployment in the industries concerned, in other countries. Therefore, they suggest that highly developed countries might be required to make reasonable adjustments in their own industries to permit industrial development in underdeveloped countries. It has also been pointed out that full employment as an end in itself is not enough. To be of an importance in international trade, it must also lead to a rise in effective demand. In other words, countries enjoying full employment must translate this into terms of international trade by an effective demand for imported goods.

"Escape Measures"

Perhaps the liveliest discussions in this Committee have been concerned with the strongly expressed fear that some countries whose economics react very sensitively to developments elsewhere may suffer if other countries fail to fulfill their obligation in maintaining effective demand. Spokesmen for these countries have expressed the view that if their economies are damaged in this way, they should have the right to appeal to the International Trade Organization for temporary relief from their own obligations to the so-called "offending" countries. The significant fact in relation to this very difficult problem is that countries interested in such escape measures are not claiming the right to take unilateral action, but rather to bring the problem to the International Trade Organization and to modify the agreement or resort, in turn, to protective restrictions only after a round table discussion.

There have also been a number of suggestions for financial policies which would contribute to the maintenance of full employment and effective demand. For example, it has been suggested that the international financing of development and international credit policies could be timed with these ends in view. International arrangements might even be made to enable countries in periods of depression to continue their purchase of foreign goods and services. Furthermore, international plans might be worked out whereby countries with full employment could continue to buy from countries suffering depressions, even if this procedure involved temporary unbalances in their payments. A Sub-Committee composed of representatives of Australia, Brazil, Cuba, India, United Kingdom and the United States are now attempting to harmonize the many views on these difficult and delicate questions, and to reach agreements as a basis for redrafting these provisions of the Charter.

Committee Two, as I have explained, has been dealing with the problems of commercial policy. Here again, there is general agreement regarding the need for freeing international trade from all sorts of restrictions. However, a number of countries, particularly European Countries, which have enormous problems of reconstruction, have emphasized the need to study exceptions which may have to be made as a temporary measure, to a generally accepted policy. They feel they may be obliged to resort, for a time, to ad-hoc agreements and would find it difficult at this point to remove certain restrictions, some of which are necessary on foreign-exchange grounds, in order to facilitate the reconstruction of their industries.

Again, there is a search for a formula which recognizes the special needs of under-developed countries attempting to carry out programs of development. The Australian delegation has submitted the draft for a chapter relating to proposed international agreement on industrial development. This draft maintains that members should recognize that protective measures may be necessary on some countries to encourage production in certain industries. Protection would be limited, however, to industries necessary to enable a member to carry out its military and strategic responsibilities as a member of the United Nations, industries which have technological prospects of achieving a scale of production costs which will not be excessive in relation to the costs of comparable imported commodities, industries which will diversify the economy of the country and contribute to a more balanced economic development of its resources. The Australian draft also provides that such protective measures must be subject to periodical reexamination, with a view to progressive reduction. Furthermore, the proposal provides for setting up an Industrial Development Commission within the International Trade Organization. This Commission, in conjunction with independent national tribunals would provide a mechanism for consultation and investigation in order to arrive at reasonable agreements and to provide for their revision.

Most-Favored Nation Treatment

Lively discussions are also taking place in this Committee on the pros and cons of a general most-favored nation treatment. In certain areas, countries have a special geographical relation. Possibly, it is argued, the most-favored nation treatment should not necessarily apply to some regional agreements, based on geographical factors.

The encouraging point to keep in mind is that the countries, in putting forward these various suggestions are not claiming the right to pursue selfish, purely national policies. They are making an honest attempt to reach agreement on an international instrument which will enable them to carry out policies which will be constructive from the point of view of the world, as well as meeting the legitimate needs of their national economies.

Committee Three on restrictive business practices has been grappling with divergent opinions on a very controversial problem. The draft Charter contains provisions which aim to prevent private business agreements that would be incompatible with governmental commitments for freeing channels of world trade. There has been considerable disagreements as to the extent to which private agreements are likely to be actually restrictive and reprehensible, and as to how these circumstances could be controlled.

In considering commodity policy, the attention of Committee Four, and indeed that of the whole Conference, is focused on raising standards and increasing consumption. Particular care has been taken to consider interests of consumers, as well as of producers, for both of whom violent fluctuations in the past have been disastrous. It is obvious that expanding international trade can only be based on commodity conditions which provide stability for both producers and consumers. The Charter takes a long step in this direction by providing that future commodity arrangements will no longer be a series of unrelated agreements, but will be brought within the framework of a coordinated international plan.

The last working Committee, number Five, is considering the constitutional provisions of the Charter, questions of membership, voting rights and the various organs of the proposed International Trade Organization. This task will probably be the last to be completed, since it is dependent on the progress of the other working committees.

This Committee has also been considering the future relationship between the proposed International Trade Organization and other bodies. Some of the problems under consideration by the Preparatory Committee are also the concern of the Economic and Social Council and the Economic and Employment Commission of the United Nations. Furthermore, the plans for an International Trade Organization have a considerable bearing on the activities of the World Bank, the International Monetary Fund, the FAO, and various Specialized Agencies of the United Nations. One of the important tasks of the Preparatory Committee is to define tentatively the sphere of operations of the International Trade Organization in relation to these other bodies. This problem holds for non-governmental organizations such as the International Chamber of Commerce, the World Federation of Trade Unions and other bodies which have already given constructive attention to the problems under discussion.

The Hopeful Outlook

Now you all realize, I am sure, that at this time it is not possible to make more than general comments on the actual work of the Preparatory Committee. It is a truism that the spotlight is always thrown on narrow areas of disagreement, leaving the broader and more important areas of agreement in relative obscurity. I can honestly say, however, that the spirit of the Preparatory Committee is distinctly hopeful and that the general determination to find a basis for agreement means that the battle is more than half won. We can look forward to the day when the International Trade Organization will take its place as an effective institution for economic development and world peace.

I must, of course, emphasize that these discussions are in no way binding on the nations taking part. They do, however, represent the first important step in international negotiation along these lines. I need hardly mention the great and special international responsibility of the United States in this field. With your great economic strength and resources, I venture to say that the United States could weather a major economic depression. But it would be hard indeed to compute the scale of tragedy that such a depression would bring to the rest of the world, except perhaps to countries like the Soviet Union which because of its size and relative self-sufficiency is less sensitive to economic repercussions elsewhere. The immense influence of your economic conditions and economic policies on other countries heightens your responsibility to take every possible measure for the maintenance of high levels of employment within the United States and to play the leading part in the expansion of world trade through international economic co-operation. The combination of these two factors may lead to an unprecedented era of rising economic standards throughout the world and unexampled prosperity in the United States itself. Addressing a Convention such as this, there is no need for me to labor the point that the promotion of rising standards throughout the rest of the world is not a question of charity, even though it may call for temporary sacrifices by some sectional interests. In no other sphere of life is it more true that the nations of the world are members of one another than in the sphere of international trade. There is no country so strong economically that it can suffer neglect to do all it can to maintain and develop the economic strengths of those with whom it does business. The government of the United States has been responsible for a splendid initiative in providing a carefully thought out basis for the ordinary discussions of mass-enlightened system of international commercial relations. I cannot for a moment doubt that if this splendid initiative is maintained with the full backing of the business community of this nation the preliminary discussions now in progress in London can lead to successful Conference on International Trade and Employment next year, and to the inauguration of a new and more hopeful era in the economic life of the world.

Picketing—Its Economic and Legal Status

(Continued from first page)

by an automobile workers' union, to a group of store employees in their attempt to unionize a retail outlet of a mail order house; to block entrances to various strike-bound plants; to induce retail merchants and meat dealers to hire members of a teamsters' union (or join the union) to effect delivery of meats from packing houses to their stores instead of using their own vehicles; to persuade an executive, by picketing his residence, to attend a negotiation conference arranged by the union; and to induce a proprietor of a bar and grill to require that his bartenders join a bartenders' union.

No doubt a more adequate sampling would add significantly to the above list of specific objectives of unions in their use of picketing.

Methods of Picketing

The methods employed by unions in picketing activities represent as great a variety as the ends sought through picketing. The variety of methods employed in the picketing instances referred to above, for example, included, according to newspaper accounts, peaceful picketing by one or two persons carrying signs; forcible prevention of entry of employees into a retail store by blocking of the entrance; the surrounding of two strike-bound factories by several thousand workers — including hundreds of union workers from two other plants; employment of roving bands of pickets to go from one picketed retail store to another; disorderly picketing of the residence of a company executive by some 60 pickets; and the blocking of entry to a manufacturing plant by mass picketing, and issuance of union permits to those persons allowed by the union to enter the establishment.

As indicated in a Supreme Court opinion of 1940, a more comprehensive listing of picketing methods would include the following:

1. Mere observation of workers and customers by the picket;
2. Communication of information—true or untrue—to those approaching a picketing place;
3. Attempts, by pickets, to persuade employees or others not to deal with an offending employer, and the use of methods of persuasion ranging from calm talk or truthful slogans on banners to the use of loud and abusive language, a threatening attitude, and attempts at bribery;
4. Threats, by pickets, of physical violence, destruction of property, or other types of harm to those continuing to deal with the employer;
5. Actual assaults, by pickets, of those failing to heed the wishes of the union;
6. Destruction of property, and
7. Blocking of entrances to establishments and interference with the movement of traffic.

Economic Effects of Picketing

The economic effects of picketing depend primarily upon the frequency of its use, the purposes for which it is employed, and the methods followed in specific uses of the practice.

The frequency of picketing is sufficient to cause its use to be of economic importance. In fact, at the present time reference to one or more cases of picketing of such a character as to constitute "news" is a common—almost daily—feature of metropolitan newspapers.

Economic Significance of Objectives

Economic results of human activity are affected significantly by the objectives of the participants as well as by the methods used in a given case. Effort aimed at the production, exchange, storing, and servicing of goods is essential to economic life. The same amount of effort, on the other hand, directed to the ends of theft, fraud, or scarcity-creation tends to impoverish the people.

The same principle applies in the case of picketing. Even when the methods employed are analogous, the effects will vary according to objectives sought by the picketing groups. Picketing, on the one hand, may be employed as an aid to workers in their attempts to secure justifiable improvements in working conditions, hours of work, wages, or other conditions vitally affecting the welfare of the workers. The same picketing methods, on the other hand, may be employed to assist a union in achieving a labor monopoly, to assist in the operations of a monopolistic combination of business and labor, and to achieve other conditions tending to restrict production and, therefore, to reduce the national income. The essential problem in connection with picketing objectives therefore, is merely the problem of union objectives in general.

Economic Significance of Methods

The economic effects of picketing are influence powerfully by the particular methods adopted in a given situation. Such is the case because of the great variation in the amount of economic power resulting from different picketing techniques. The extremes of this range of power, it appears, are likely to be induced by peaceful picketing of one or two persons on the one hand and, on the other, by mass picketing accompanied by violence.

The Method of Peaceful Persuasion

The economic effects of peaceful picketing by one or a few pickets are analogous to the effects of other forms of peaceful persuasion such as advertising and selling activities. When such a peaceful presentation of the workers' side of a labor controversy is honestly made, tactfully presented, and based on what people believe to be a justifiable grievance it is likely to have a similar effect to that of a well-used advertisement or a competent sales talk presented to a receptive group. When peaceful picketing distorts the facts it induces misjudgment of the issues involved, as would sales talks, advertisements, and financial prospectuses, containing misrepresentation of fact. When peaceful picketing appeals are made to workers who prefer to work rather than to strike and to a general public which is unsympathetic to the union's general objectives or its specific demands, picketing is likely to add little, if any, economic pressure to that resulting from other union practices.

Refusal to Cross a Picket Line

Even when picketing methods are limited entirely to practices of peaceful persuasion, however, employment of one widespread union practice may increase greatly the economic pressure of a strike. This practice is the one of non-striking workers of other unions refusing to cross a picket line established by a union on strike.

If union workers (other than those on strike) supplying some essential material, such as fuel, or some essential service, such as transportation, or who constitute a substantial proportion of a firm's patronage, refuse to cross a picket line, the economic pressure brought to bear upon an employer may be changed from a moderate to an unbearable one. For example, in a picketing case decided by the Supreme Court in 1942, the refusal of union truck drivers to cross a picket line of striking restaurant workers in order to make deliveries and other supplies and refusal of other union workers to eat there — coupled with direct effects of the strike—reduced the restaurant's volume by 60%.

This aspect of "peaceful picketing," it should be noted, is essentially a problem in the economics of "restraint of trade or commerce."

Economics of Mass Picketing

The economic power of picketing is enhanced by an increase in the number of pickets. Even if the pickets avoid abusive language, threats, or acts of violence, an increase in their number near entrances or approaches to a struck plant tends to magnify the economic pressure of picketing. The reasons are obvious. Persons approaching the establishments fear the potential violence of a large number of persons more than they fear the same type of violence attempted by one or two individuals. Again, as the number of pickets increases a point of concentration may be reached in the assemblage of pickets which provides effective physical obstruction to persons and vehicles.

Mass picketing, therefore, is coercive by nature. By its use the operations of a picketed firm may be slowed down to a much greater extent than would be the case by the use of a few pickets, or, possibly, brought to a standstill when the mass of pickets becomes an effective human barrier before the plant.

Intimidation and Violence

Acts of intimidation, threats, and violence enhance the economic pressure of picketing. Obviously the pressure is increased as these coercive tactics succeed in causing more and more employees, potential customers, and representatives of firms supplying essential goods or services to a struck firm to remain away from an establishment.

Mildly coercive tactics, such as loud talk by one or a few pickets, may add little to the pressure of peacful picketing. The coerciveness increases, however, as the intimidatory tactics employed become more dangerous to persons approaching the establishment. The climax of pressure induced in coercion is attained when a mass of workers station themselves before all entrances to a business and adopt the methods of an unruly mob. Such picketing is, obviously, only one form of mob action rather than picketing in the constitutional sense of a peaceful presentation to others of the workers' side of a labor controversy. Picketing, rather, approaches or achieves, in such instances, the status of an embargo against an enterprise's supplies of essential goods and services and its contacts with customers.

Regulation: Basic Constitutional Issues

Important constitutional issues have arisen in connection with the numerous attempts of government—mostly by the States—to prevent abuses in picketing.

The Federal Constitution guarantees to Americans certain basic rights — including freedom of speech and the press. The right of workers to picket is, in the Supreme Court's interpretation of the Constitution, grounded in these basic constitutional rights. For example, in a major case involving picketing decided in 1940 (*Thornhill* v. *Alabama*, 310 U. S. 88), the Court stated that in the circumstances of our times, "the dissemination of information concerning the facts of a labor dispute must be regarded as within that area of free discussion that is guaranteed by the Constitution."

On the other hand, an employer, also has certain basic rights. Thus, the Supreme Court ruled in 1921 (in *Truax* v. *Corrigan*, 257 U. S. 312) that a State which prohibited its courts from issuing injunctions against disorderly picketing deprived employers of liberty and property without due process of law, since the employer had a property right in his business.

Another basic governmental principle involved is that concerning the police powers of the States—that is, their powers, as sovereign governments, to adopt regulations to protect or promote public safety, morals, health, and welfare. The Supreme Court in a 1945 case (*Thomas* v. *Collins*, 323 U. S. 516), recognized this right of the States and its application to regulation of labor unions, but pointed out that such regulation, whether aimed at fraud or other abuses, "must not trespass upon the domains set apart for free speech and free assembly."

The fundamental constitutional problem involved in regulation of picketing, therefore, is the problem of determining standards which will protect the public safety and welfare, protect the basic property rights and liberty rights of the employer, and avoid unconstitutional encroachment upon the freedom of the workers to disseminate "the facts of a labor dispute."

Regulation Mostly by States

Attempts to regulate picketing have been undertaken—especially since 1932—to a large extent by the States. Several conditions

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have contributed to this result.

Threats, intimidation, violence, destruction of property, obstructions to the use of public property or highways, and the creation of public disorders are looked upon as abuses well suited to control of local authorities acting in accordance with general police powers. This point of view was expressed, in fact, in a Senate Report on the Wagner Act—cited by the Supreme Court in a 1942 picketing case — in which it was stated that the Act was not intended to be a mere police court measure to prevent fraud or violence by employees or unions. Rather, it was contended that remedies through the agency of local police and the Federal and State courts were adequate to cope with the problem.

Congress, in 1932, enacted the Norris-LaGuardia Act to restrain what was considered an excessive use of injunctions by Federal courts against activities of labor organizations. Among restrictions of the Act upon the issuance of labor injunctions is one which prohibits the issuance of such an order against "giving publicity to the existence of, or the facts involved in, any labor dispute, whether by advertising, speaking, patrolling, or by any other method not involving fraud or violence." Broad interpretation of the term "labor dispute" has had the effect of substantially restricting the issuance of Federal court injunctions against picketing not involving fraud or violence.

Restrictiveness of the Norris-LaGuardia Act against the issuance of Federal court injunctions in picketing cases, the absence of regulation of union practices in the Wagner Act, and the lack of specific Federal statutes regulating picketing shift the bulk of the problem of regulating picketing to the State and local governments.

General Prohibitions by Statute

The most extreme form of legal restraint adopted in connection with picketing has been to prohibit it altogether by statute or ordinance. Such general bans on picketing have been adopted, apparently, on the ground that any kind of picketing is inherently intimidating or because of the ease with which peaceful picketing can develop into disorder and violence.

During the late 1930's a number of State courts ruled that such general bans on picketing were unconstitutional.

The Supreme Court, during 1940, handed down decisions involving two general bans on picketing. One of the decisions *(Thornhill* v. *Alabama,* cited above) involved the validity of a section of the State Code, of 1923, of Alabama which prohibited picketing, declaring it to be a misdemeanor for a person or persons to picket a place of business "for the purpose of hindering, delaying, or interfering with or injuring" the business. The other decision *(Carlson* v. *California,* 310 U. S. 106) involved an ordinance of Shasta County, California, which declared it to be unlawful for any person — using any highway, sidewalk, street, or other public place for the purpose — to picket any place of business or employment for the purpose of inducing any person to refrain from entering such an establishment, to refrain from working therein, or to refrain from other lawful relations with the enterprise.

The Supreme Court held both of the above-mentioned bans on picketing to be violations of the due process provisions of the Fourteenth Amendment. The Court recognized the power of a State to take adequate steps to preserve peace and to protect the privacy, property, and lives of its people. On the other hand, it contended that no clear and present danger of destruction of life or property, or invasion of the right of privacy can be considered *inherent* in the activities of every person who approaches the premises of an employer and "publicizes the facts of a labor dispute." Holding that such dissemination of information concerning a labor dispute is "within that area of free discussion . . . guaranteed by the Constitution," the Court held that the Alabama Statute and the Shasta County ordinance, therefore, were invalid.

Regulation of Picketing Methods by Statute

General prohibitions of picketing by statute are unconstitutional. Attempts, by statute, to prevent major abuses of the right to picket, on the other hand, are allowable.

An outstanding attempt to prevent major abuses in picketing activities was undertaken by Wisconsin in 1939 under terms of the Employment Peace Act. A section of this law prohibited, as an unfair labor practice, coercion or intimidation (by one employee or a group) of an employee in the exercise of his legal rights, intimidation of his family, picketing of his domicile, or injury to his property or person. The act also prohibited (a) hindrance or prevention, "by mass picketing, threats, intimidation, force or coercion of any kind," of pursuit of any lawful work or employment, (b) interference with entrance to or egress from any place of employment, and (c) obstruction of, or interference with, free and uninterrupted use of streets, roads, railways, or other ways of travel or conveyance.

In two decisions during 1942, *(Allen Bradley Local* v. *Board,* 315 U. S. 740) and *Hotel Employees' Local* v. *Board,* 315 U. S. 437) involving the validity of the Wisconsin picketing regulations, the Supreme Court held that a State regulation prohibiting violence in picketing, but allowing peaceful picketing, is constitutional; also, that the inability of employees on strike to utilize various forms of intimidation, threats, violence, and mass picketing (because of prohibition of such practices by State law) does not subtract from any of the rights guaranteed to workers by the Wagner Act.

Regulation of Picketing Methods by Injunction

Court injunctions have been employed widely as a means of regulating the methods of picketing. In numerous cases the courts have issued injunctions against various forms of coercive, abusive, violent, or destructive picketing practices. In some cases where the coercive practices are rather mild in form or committed at a distance from a place of employment, peaceful picketing may be permitted to continue under an injunction against the abuses. Quite generally, however, courts have issued blanket injunctions against continued picketing of any kind in cases involving picketing excesses such as threats, abusive language, violence, obstructions to property—as by mass picketing—or destruction of property.

The Supreme Court, in a 1941 case *(Milk Wagon Drivers Union* v. *Meadowmoor Dairies, Inc.* 312 U. S. 287) ruled on the constitutionality of the blanket injunction against picketing. The Court held that when a labor dispute is attended by peaceful picketing and acts of violence — and the violence has been such that continuation of the picketing will operate coercively by exciting fear that violence will be resumed—an injunction, by a State court, which forbids "the picketing as well as the violence does not infringe the Fourteenth Amendment." On the other hand, the Court held that the right of free speech cannot be denied "by drawing from a trivial rough incident or a moment of animal exuberance the conclusion that otherwise peaceful picketing has the taint of force."

Restriction of Picketing Right to Employees

Attempts to limit the right of peaceful picketing to the employees of an employer are unconstitutional, according to rullings in a number of Supreme Court decisions. In a 1937 decision (in *Senn* v. *Tile Layers Union,* 301 U. S. 468) the Court upheld the right of union workers to picket the place of business of a contractor who employed only non-union workers as a means of inducing him to unionize his business. "There is nothing in the Federal Constitution," said the Court, "which forbids unions from competing with non-union concerns for customers by means of picketing as freely as one merchant competes with another by means of advertisements in the press, by circulars, or by his window display."

The Court in a 1941 case *(A. F. of L.* v. *Swing,* 312 U. S. 321) ruled that an injunction, by a State court, against picketing of a non-union beauty parlor by a union of beauty shop workers was unconstitutional. "Such a ban of free communication," said the Court, "is inconsistent with the guarantee of freedcm of speech." The Court concluded that a State has no constitutional power to "exclude workingmen from peacefully exercising the right of free communication by drawing the circle of economic competition between employers and workers so small as to contain only an employer and those directly employed by him."

In a decision rendered in 1942 *(Teamsters* v. *Wohl,* 315 U. S. 769) and another handed down in1943 *(Cafeteria Employees Union* v. *Angelos,* 320 U. S. 293) the Court ruled that injunctions against peaceful picketing, by union workers, of enterprises *employing* no labor (but relying instead, upon the work of the enterprisers) were unconstitutional interferences with the right of free speech.

Antitrust Law Regulation of Picketing

While statutes or court injunctions which restrict picketing to an employer's workers are considered unconstitutional, it is not to be concluded therefrom that a State may not place limitations upon the use of peaceful picketing.

An instance of State restriction of peaceful picketing which has been approved by the Supreme Court involved an injunction issued by a Texas court under terms of the State's antitrust statute. A cafe proprietor had engaged a contractor to construct a new building for him (not to be used in his restaurant business) at a distance of one and one-half miles from his cafe. Under terms of the construction contract, the contractor was permitted to employ either union or non-union workers. A local of the Carpenters Union picketed the cafe in retaliation for the fact that the proprietor's contract with the builder allowed non-union labor. When the carpenters began picketing the cafe, unionized restaurant workers went on strike and withdrew the union card from the cafe. Union truck drivers, at the same time, refused to cross the picket line to make deliveries to the cafe. The general result, said the Court, was to "erect a barrier around plaintiff's cafe, across which no member of defendant-unions or an affiliate will go" and to decrease the business of the cafe by 60%.

The Texas Court of Appeals, under the circumstances outlined, held that the activities of the unions constituted a violation of Texas antitrust law and issued an injunction against picketing of the cafe, although it permitted continuation of picketing at the construction project. In a 1942 decision *(Carpenters and Joiners Union* v. *Ritter's Cafe,* 315 U. S. 722) the Supreme Court upheld the constitutionality of the Texas injunction. The Court stated that recognition of peaceful picketing as an exercise of free speech does not imply that the States are without power to confine the sphere of communication to that directly related to the dispute.

Summary of Constitutional Status

The principal aspects of the constitutional status of picketing—as developed by Supreme Court decisions—may well be summarized at this point. Briefly, they are as follows:

1. The right of workers to engage in peaceful picketing is grounded in those constitutional guaranties pertaining to freedom of communicating ideas (freedom of speech and the press).
2. A general denial, by statute, of the right to engage in picketing, therefore, is an unconstitutional denial of the basic freedom of

workers to communicate to others their ideas about the facts of a labor controversy.

3. Although a statute imposing a general ban is unconstitutional, one which prohibits coercion, violence, destruction of property, or obstructions to public highways or the property of an employer is an admissible exercise of police power.

4. The writer has not found a case in which the Supreme Court has ruled directly, in recent years, on the constitutional status of mass picketing. However, the Court did not consider that the Wisconsin Employment Peace Act — which prohibited mass picketing and a number of other picketing practices—impaired in any way the the rights guaranteed to workers by the Wagner Act. Also, in *Thornhill* v. *Alabama* the Court referred to "picketing *en masse*" as a type, among others, "which might occasion . . . imminent and aggravated danger to . . . community interests."

5. Restrictions of the right to picket to those persons who are employees of an enterprise are unconstitutional.

6. Court injunctions may be employed in specific cases to prevent picketing excesses. In fact, when intimidation and violence have been so prevalent as to cause peaceful picketing to be intimidatory a court may enjoin picketing altogether.

7. Court injunctions, under terms of antitrust statutes, to prevent unreasonable restraints of trade growing out of picketing practices are permissible restrictions of picketing.

Conclusions

The Supreme Court rests the constitutional basis for the right to picket on the right of workers to communicate to others the facts of a labor controversy. In numerous instances, however, picketing is a means (a) of coercing workers who might otherwise continue to work, (b) of frightening customers away from a struck business, (c) of touching off a multiple withdrawal of labor services to an enterprise by non-striking union workers who refuse "to cross a picket line," (d) of shutting off intercourse between an enterprise and the outside world—by mass picketing, barricades, or other effective barriers.

There appears to be no constitutional difficulty in the way of government efforts to restrict picketing to the status of a peaceful, non-coercive presentation of a union's viewpoint to the public. If picketing were so restricted, unions would be unable to win strikes merely by flouting the rights of non-union workers, the employer, and the general public.

Three general types of practice deserve special attention in any serious attempt to reduce the abuses of picketing. These are: (1) various forms of intimidation and violence, (2) mass picketing, and (3) restraint of trade growing out of refusal of union workers to cross a picket line.

Threats, coercion, and violence could be reduced substantially, no doubt, by improved administration of local regulations. In the writer's judgment, however, mass picketing is coercive, *per se*, and should be prohibited by statute. The general refusal of union workers — not on strike — to cross a picket line is a problem suitable for treatment under the terms of State or Federal antitrust statutes.

In view of the nationwide scope of a number of powerful unions, there appears to be a valid basis for a positive national policy on picketing abuses. Three lines of approach to the problem suggest themselves: (1) reconsideration of the Norris-LaGuardia Act restrictions on Federal Court injunctions in picketing cases, (2) suspension or revocation of bargaining rights of unions subject to the Wagner Act and other Federal labor laws when such unions are shown to be responsible for acts of coercion or violence on the part of their members, and (3) amendment of Federal antitrust laws to deal with unreasonable restraints of interstate or international trade or commerce induced by picketing practices, including the custom of non-striking union workers refusing to cross a picket line.

Factors in Preserving Peace

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lies in the existence of faith and good intention without its urgent marriage to practical system. We saw that happen before the war. We had proof in the League of Nations Union that indeed the mind of the general public had changed. Overwhelmingly the people wanted peace. War, in the feeling of most men, was not only bad—it was silly. It was, they thought, an anachronism. But the faith and hope of the majority was not enough. It was not backed up by a realistic security organization.

There were only two big war-like nations left in the world, Nazi Germany and Japan. That Italy's warlike demeanor was, after all, only a grimace, was proved by the fact that she only came into the war when she thought it was comparatively safe. Mussolini was quick on the draw in Abyssinia, but slow when there was a more formidable enemy in the field. There is the fact—two powerful States were enough to bring about a world war, and indeed, only one State at the beginning.

Therefore it is not enough resolutely to wish for peace, not enough to have a great statistical majority of people against war. All that is right and good and indispensable; but it will be useless at the same time we have effective machinery to act with swiftness, force and courage against preparation for war wherever it may be. One powerful nation can destroy world peace unless the other nations are together much more powerful than any one and are willing to exercise that collective power.

That is collective security, and it calls for goodwill, cooperation, courage and willingness to act on the part of all countries. It is, after all, analogous to and as simple as a domestic Police Force, which either restrains or apprehends the wrong-doer, or makes it so certain that the wrong-doer will be apprehended that he avoids wrong doing. But, as the world is today, it is true that three powers have the keeping of peace in their hands and can maintain world peace if they act together—the U.S.A., the U.S.S.R., and the British Commonwealth. Together, the three can take care of future peace. But speeches are not enough. Statements that war is not imminent are not enough. The risk remains, and the risk is grave unless the three are standing together in full understanding and active cooperation to maintain world peace. If one breaks away, and the remaining two with other smaller nations combine against it—that way lies the risk of another world war. The problem is how can we curb *now* the forces making for another world war without allowing them to bring about another blood-bath.

Peace Is Not Passive

Peace is not passive. It is not a matter of wishing. The true love of peace is positive. It is lively. Peace will be achieved by action, by positive policies, by willingness to act and even to risk peace itself to maintain a lasting and certain peace.

Not only should we seek to perfect international machinery to prevent the preparation for war; we will, if we truly hope for peace, make it our duty to try and eradicate the causes of war, one of the greatest of which is poverty and political and economic insecurity.

Economic insecurity races hand in hand with social discontent until the minds of men and nations grow desperate and unbalanced, and until, only too often, nations end with the illusion that war will solve their economic problems and stave off the day of economic collapse. Here again, it is not enough to talk goodwill and persuade ourselves that well wishing will raise world standards. We must be practical and businesslike.

Trade between nations is the only possible basis of a prosperous and safe world—only possible way but not inevitable. The great network of world trade, one of the incomparable achievements of human history, can spread economic disease as well as economic prosperity—just as the arteries of the body keep a man in good health or convey disease to every limb.

Responsibility of U. S.

At this moment it is the U.S.A. with their tremendous economic power that can determine whether the arteries of world trade shall carry prosperity or unemployment and misery into the corners of the earth. It is because of this that every seeker after peace must welcome as a great landmark the fact that the U.S.A., as signatories to the Charter of the United Nations, have by including a special chapter in their proposals for consideration at an International Conference on Trade and Employment, recognized that the maintenance of full employment is an obligation that each country has to the rest of the world.

We must never forget that world peace is a compound of the sensible organization of world trade and the sensible control of military power.

We are pledged, as a member of the United Nations Organization, "to take joint and separate action in cooperation with the 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."

That is not just idealism—it is plain business foresight and sound economics. We are traders and trade we must; and unless all countries share a rising prosperity we face the danger of 'dumping,' of importing unemployment, of mistrust, of desperate economic protective measures which eventually must strangle the life from industry and bring back poverty with its seeds of war. When I talk of importing or exporting unemployment, I am thinking of all those selfish and shortsighted devices by which each country a few years ago sought to keep its own workers in jobs by throwing workers in other countries out of them. It was all the same whether goods which could more economically have been imported were kept out by tariff walls and quotas, or whether goods which ought to have been consumed at home by people who needed them were forced on to export markets by subsidies or other forms of dumping.

A Full Employment Policy

We aim never again to export unemployment. Our Full Employment policy means that for a long time we will have a shortage of labour. That is one of the biggest contributions a country can make to sound and prosperous world trade. And, therefore, to world peace.

Here is work to do, work which will help to make a lasting fruitful peace—the work of rebuilding a new world trade which, if the countries concerned will each strive for balance between their imports and exports, for constancy in their outside economic policies, and for a rising standard of living and full employment for their own people, will make trade a world blessing and an economic bulwark against want and war.

But not only are we concerned to play the fullest possible part as a nation and a great part of a great Commonwealth and Empire in helping to make world trade a wealth-giving force, a positive contribution to peace, we are also concerned to play our part to the utmost of our ability in securing cooperation and good sense amongst the Powers in the diplomatic field and in the active protection and organization of peace.

I know that I am speaking as my fellow countrymen would wish me to when I say that Britain will not be content with paying lip service to the high ideals and hopes of the United Nations Organization. Britain will strive and work to make a full and practical contribution to world security and world economic advancement. We will strive to build up our export trade with the single purpose of paying for our necessary imports. We will work to raise our own domestic standard of living and security, and organize to implement a policy of full employment, not from selfish reasons, but because we know that by so doing we are making a vital contribution to international trade, international well being, and international peace.

Truman Lifts Timber Tariffs for Emergency

In an effort to combat lags in the veterans' emergency housing program, President Truman on Oct. 25 authorized importation of lumber duty-free, and his Housing Administrator, Wilson Wyatt recommended $54,000,000 in Federal loans for makers of prefabricated homes, according to Washington advices from the Associated Press. At the same time Mr. Wyatt announced a "premium payment" subsidy of $20 a ton for extra production of nails, which have been a prime bottleneck in the building program which is expected to fall slightly short of its 1946 goal of 1,200,000 new dwellings started.

The President issued a proclamation declaring an emergency and authorizing Secretary of the Treasury Snyder to permit temporarily the importation of scarce timber, lumber and lumber products duty-free for housing construction. A list of specified forest products is to be sent by the National Housing Agency to indicate which products will come under the waiver. From the Associated Press we quote:

> The duty-free privilege will affect mainly imports from Canada. The flow of Canadian lumber was jeopardized in July by the revaluation of the Canadian dollar. This action cut the revenue of Dominion lumber men by 10% on sales to the United States, and made it likely that much of the 1,000,000,000 board feet imported by this country annually would go elsewhere.
>
> A NHA spokesman said he believed the White House order would apply not only to the 50 cents per 1,000 board feet import duty but to the $1.50 revenue tax. The proclamation will remain in force until the Emergency Housing Act expires Dec. 31, 1947, or until the President declares the emergency at an end.

Fund Raising Drive of Jewish Philanthropies

E. P. Lewis of James Talcott, Inc. and Sidney A. Stein of Century Factors Corp., have accepted the co-chairmanship of the Factors Executives and Credit Executives Committee of the Federation of Jewish Philanthropies of New York, it has been announced by Louis M. Loeb, city-wide chairman of the current Federation campaign. The campaign, 29th annual fund raising appeal of the Federation, has a $12,000,000 objective, the largest maintenance goal in the history of philanthropy. The funds will be used to support the Federation's 116 hospitals, health and welfare agencies, which last year served 350,000 persons of all ages and religious beliefs. At an organizational luncheon meeting of the group, held on Oct. 29, at the Hotel McAlpin, plans were made to inaugurate the group's drive in behalf of the Federation with a luncheon tentatively set for Tuesday, Nov. 19.

Mr. Lewis and Mr. Stein stated that the greatly increased maintenance goal is explained by rising prices, which have added to the budgetary needs of all Federation institutions, and by Federation's expansion of services in the fields of medical care, child welfare and family counseling. These, they said, are in addition to the regular budgetary requirements.

Financing Small Business

(Continued from page 2461)
amusement and construction concerns with sales or receipts of less than $50,000.

Weissman says "annual sales volume probably provides the best single denominator and the most simple index." He gives the following classification of small business:[1]

	Sales per Annum	Net Profits	Number of Employees	Total Assets
Small	to $250,000	to $25,000	to 100	to $250,000
Medium size	above $250,000 to $5,000,000	above $25,000 to $500,000	above 100 to 2,500	above $250,000 to $5,000,000
Large	above $5,000,000	above $500,000	above 2,500	above $5,000,000

Congressional committees, bankers and business associations, government officials, research organizations and other groups are active in efforts designed to enhance the present and future welfare of the small businessman. These organizations are trying, at least some of them, to determine underlying difficulties economically and to prescribe remedies which will make it possible for small business to continue to function successfully.

Small business is regarded by some as the backbone of the free enterprise system of this country. It is stated that big business itself is dependent on "many thousands of healthy small businesses to support it."[2]

Any serious attempt to study this problem or to ascertain what, if any, fundamental changes have occurred in the position of small business relative to what is rather vaguely termed "big business," prompts a large number of questions.

Is small business losing ground?

Did small business units obtain their full share of the business growing out of war production?

Should the government provide financial assistance?

Should small business have a service provided at public expense to help keep it informed regarding new markets, new methods of production and distribution?

Should other special financial agencies be established to help the small businessman?

The way in which the matter has been urged by certain groups and the enthusiasm and emotion which surround the whole discussion, suggest that many are giving lip service to what appears a very popular subject. It is fast becoming a political problem which may well serve to create a false impression or put the emphasis where it does not properly belong. The public is being led to believe that the problem is fundamentally different from that which has long existed in this country.

Public Policy Should Rule

It would be most unfortunate to create the impression that credit or financial or other assistance should be provided at public expense to help businessmen who have not proved their ability to use such help successfully and profitably. There can be no doubt that many small businessmen as well as large businessmen are not granted financial aid by commercial banks for the simple reason that their credit rating does not warrant such help.

Whatever is done must be based upon a clear understanding of why the small businessman is being helped. It must be determined upon grounds of public policy and not in the interest of any particular group.

The problem must be approached upon the basis that size does not in itself constitute a basis for government aid. A corporation or business unit is not good or bad because it is small or large. The business unit should be judged upon the basis of what it produces and the costs at which such goods and services may be had now and in the future. All large businesses, as well as small, should adopt and follow sound policies. Under these circumstances it will no doubt be easy to demonstrate that both types should have a permanent place in our economy. Some goods are and can be produced most advantageously under large-scale operations. Uniform methods make possible large-scale production at lower costs. In other cases the small business has an advantage and should be protected in that field.

Why Is the Public Aroused?

The decline in the number of business enterprises and the reorganization and transference to new owners of a large number of other business units have emphasized anew the important question of the future of free enterprise.

The position of small business was in part depicted by the Department of Commerce as follows:[3]

The Department of Commerce estimates that there are more than 2,750,000 small business establishments in the United States. More than 8,350,000 people are engaged as employers and employees in these enterprises. Relative to total business in the country, 93% of the business concerns of the country may be classified as small. These small units account for 45% of the workers and 34% of the business.

The changes in the number of business enterprises since the United States entered the war were summarized by the Department of Commerce as follows:[4]

During the two years from Pearl Harbor to the end of 1943, 1,073,000 business enterprises—about 30% of all those in operation—closed their doors. During the same interval, only about 572,000 new businesses were organized, leaving a net decline in number of enterprises of about 500,000. Quite apart from these changes, an additional 541,000 enterprises were reorganized or transferred to new owners.

Since a large per cent of all business concerns in this country has always consisted of small units, what are the reasons for the widespread interest and sentiment in behalf of the small business which has developed during the past decade or so? Does small business occupy a more important role in our economy today that it did before the depression of 1929? The economic position has not changed fundamentally but the emphasis has shifted considerably for different reasons.

Depression Ruined Many

The changed emphasis may be accounted for in part by the decline in profits during the period following the depression which started in 1929.

Industrial production fell off, leaving many firms with too small a volume of business not only to earn a fair profit, but to keep the enterprise going. While several large firms were forced into bankruptcy the number was not large in comparison with the number of small concerns which failed. The failures caused deep concern in some quarters and no doubt led many people to believe that small business was losing ground.

In addition, there was the question of short-term credits. Prior to the depression commercial banks had been considered fairly liberal in providing such credits, but failures or losses of many firms led many banks to tighten their credit standards. The general outcome of this financial condition was to attract public attention to small business.

Another important factor which influenced public opinion was the paternalistic attitude assumed by the government following 1929. The Reconstruction Finance Corporation was organized to help banks, insurance companies and others. Government had for a long time past given special help of one kind or another to the farmer. It now seemed logical to extend help to the small business units.

In trying to appraise the reasons for the changes in public sentiment, the political aspects must not be overlooked. The number of small firms was so much greater than the number of large corporations that the whole subject made a special appeal to not a few politicians. Still another factor was the difficulty of small business enterprises to secure a continuous and adequate supply of equity funds.

Economic Importance of Small Business[5]

The number of business enterprises operating in the United States reached an all-time high in the autumn of 1941 with a total of 3,400,000 firms.[6]

During the two years from Pearl Harbor to the end of 1943, 1,073,000 business enterprises, or about 30% of all firms in operation, closed their doors.[7] During the same period about 572,000 new business enterprises were organized, leaving a net decline of about 500,000.[8]

What part of this numerical decline represented discontinuance of small business concerns? Were they more seriously disrupted than the medium or large-sized business units? In considering at this time the economic significance of small business enterprises, it is important to recognize that many veterans want to establish new small businesses.

The total number of firms in operation, the number of new businesses and the number discontinued during the period 1940 to 1944 have been summarized as follows:[9]

	Total number of new firms	New businesses	Discontinuances
1940	3,307,400	431,200	434,400
1941	3,304,200	516,900	480,000
1942	3,341,000	408,300	678,000
1943	3,071,300	163,400	394,800
1944	2,839,900	340,200	172,400

In considering the economic problems facing the small business, the following summary is of interest:

"Even under favorable economic conditions, establishing and maintaining a successful small business is a difficult undertaking. In 1944, for instance, 16% of all new concerns with hired employees were closed by the end of the year. The mortality rate for the first-year businesses in 1944 ranged from 4%, in leather, apparel and textile manufacture to 39% among filling stations. Furthermore, the turnover among business establishments normally is such that the number of new firms started in a given year is just about equal to the number of firms going out of business in the same year. Thus, in 1940, when 431,200 new enterprises were started, 434,400 establishments were discontinued."[10]

Minority Employs Majority

The following table shows that out of a total of over 2,981,000 establishments in the United States more than 2,758,000 or 92.5%[11] (in 1939) were classified as small. These small establishments had 44.8% of the total personnel but were responsible for only 34.1% of the value of the total output.

These data show definitely that while a large portion of all establishments are small, 7.5% of all the establishments provide 55% of the personnel and 66% of the value of output.

Small business is an important part of our economy. Of the 3,316,700 (estimated number) operating business firms in 1939,[12] 2,724,300 or approximately 82% were firms with one to three employees or individual businesses with no paid employees. Only 122,000 firms had 20 or more employees; 26,900 or .8% of the total firms had 100 employees or more. Small firms in 1939 accounted for 45% of the workers and 34% of the value of the products produced. Another measure for determining the position of small concerns is in the volume of business produced by them in different industries.[13] In the case of manufacturing, the small concerns with less than 100 employees represented about 92% of the total number of manufacturing establishments, 30% of the employment and 31% of the total product of all manufacturing establishments. In retailing, 91% of the stores had sales of less than $50,000 but they represented only 42% of the total sales of all retail establishments and 56% of the employment. In the service establishments, 99% of all firms had receipts under $50,000 while they accounted for 66% of the total receipts and 74% of the employment.

Management Practices

It is difficult to secure capable and experienced management for small firms which cannot pay high salaries. Small concerns are, therefore, unable to compete successfully with the financially stronger firms. The smaller the business, generally speaking, the greater is the difficulty of obtaining and holding experienced management. Naturally the loss ratio under such circumstances is much greater than it might be if there had been trained and experienced managers.

The importance of sound management was indicated in the study made of 397 retail concerns in Chicago which failed because of mistakes in management. 7% had had practically no experience and another 6% indicated a recurrence of bad management.[14] A report of firms in Poughkeepsie showed that 38% had been employed in related occupations a year before.[15]

Tax Relief for Small Business

High taxes press harder on the small firms than on the large, even though the gross income in relation to capital invested by small business firms may be as high as that of the large concerns. A larger per cent of the gross income of the small concern is required or demanded by management, which leaves less for capital accumulation and business expansion. On the other hand it is held that higher taxes on large corporations will result in lower dividends for the stockholder and not necessarily smaller rewards for management. Since the percentage taken by management in large concerns is smaller, more is left to be added to capital invested. As a result of this tax situation it is much more difficult for small business to accumulate

SMALL BUSINESS—1939

Source: Computed from Censuses of Manufacture and Business.

	TOTAL UNITED STATES			SMALL BUSINESS			RATIO OF SMALL BUSINESS TO U. S. TOTAL		
	Number of Establishments	*Personnel	†Value of Output Million $	Number of Establishments	*Personnel	†Value of Output Million $	Establishments	*Personnel	†Value of Output
Service Establishments	646,028	1,754,538	3,420	637,585	1,294,724	2,241	98.7	73.8	65.5
Places of Amusement	44,917	257,200	998	40,351	145,640	333	89.8	56.6	33.4
Hotels	27,987	362,047	863	25,224	111,183	229	90.1	30.7	26.5
Construction Firms	215,050	1,300,439	4,520	200,299	§610,740	1,546	93.1	47.0	34.2
Manufacturing	184,230	7,886,567	56,843	168,814	2,358,968	17,367	91.6	29.9	30.6
Retailing	1,770,355	6,210,788	42,042	1,614,310	3,487,984	17,836	91.2	56.2	42.4
‡Wholesaling	92,794	912,795	19,419	71,681	355,731	4,100	77.2	39.0	21.1
Total	2,981,361	18,684,374	128,105	2,758,264	8,364,970	43,652	92.5	44.8	34.1

NOTE—Small Business: Manufacturing plants with 100 or less wage earners; wholesale establishments with less than $200,000 annual sales volume; retail stores, service establishments, hotels, places of amusement and construction establishments with sales or receipts of less than $50,000.

*Proprietors and employees except for manufacturing which includes only wage earners.

†Value of product for manufacturing; sales for wholesaling and retailing; receipts for service establishments, hotels, and places of amusement; value of work performed for construction.

‡Wholesale merchants.

§Approximate—Source N. Y. Trust Co. "The Index"—Autumn 1942.

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1. Weissman, Rudolph L., Small Business and Venture Capital, Harper & Bros., New York, 1945, pp. 8-9.

2. 390 Bills, Economic Series No. 27, a Digest of Proposals Considered in Congress in Behalf of Small Business 1933-1942, U. S. Department of Commerce, p. 1.

3. 390 Bills, Economic Series No. 27, A Digest of Proposals Considered in Congress in Behalf of Small Business, 1933-1942, U. S. Dept. of Commerce, 1943, p. 3.

4. New and Discontinued Businesses, 1940-1943, Bowen, H. R., Paden, D. W. and Wimsatt, G. B., Survey of Current Business, U. S. Dept. of Commerce, July, 1944, p. 7. See also page 11a.

5. Certain enterprises do not lend themselves to large-scale production. Some of the general types of industry in which small-scale production is necessary are:
a. Industries in which products cannot be standardized and establishments which make products to suit the differing tastes of consumers. Such industries produce tailored suits, high-grade furniture, art goods and finely bound books.
b. Industries producing for a small market, such as those manufacturing artists' materials and nets and seines.
c. Industries in which the local market is small and whose product has a high transportation cost. Examples can be found in the manufacture of artificial stone products or bricks.
d. Industries in which the material used is widely scattered and cannot be concentrated because of high transportation cost or perishability. Cheese factories and cider mills are in this class.
e. Industries in which skilled labor is the chief element, such as engraving and job printing, i.e., products which are really services rather than commodities. W. L. Thorp. "The Integration of Industrial Operation," Government Printing Office, p. 89.

6. Survey of Current Business, U. S. Department of Commerce, May, 1944, pp. 7-9.

7. Ibid.

8. Ibid.

9. News release by the Department of Commerce, Dec. 16, 1945.

10. Ibid.

11. The same percentage was obtained by the Chamber of Commerce of the U. S. when a larger number of trades and industries were included. See Small Business, Its Place and Problems, Bulletin No. 7, December, 1943, by E. P. Schmidt, p. 7.

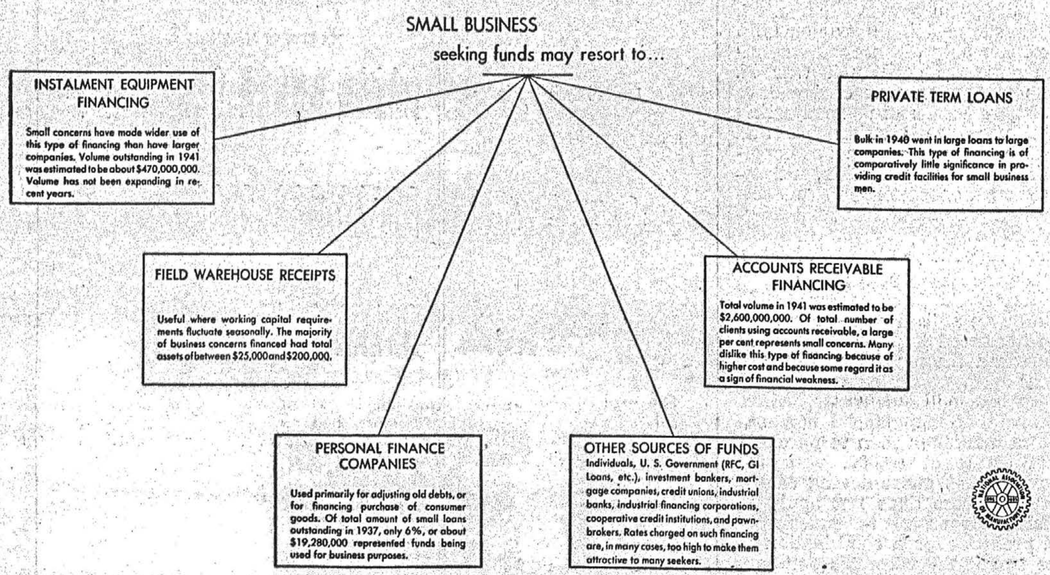
12. Survey of Current Business, May, 1944, pp. 12-14.

13. Business Review, Federal Reserve Bank of Philadelphia, Nov. 1, 1942.

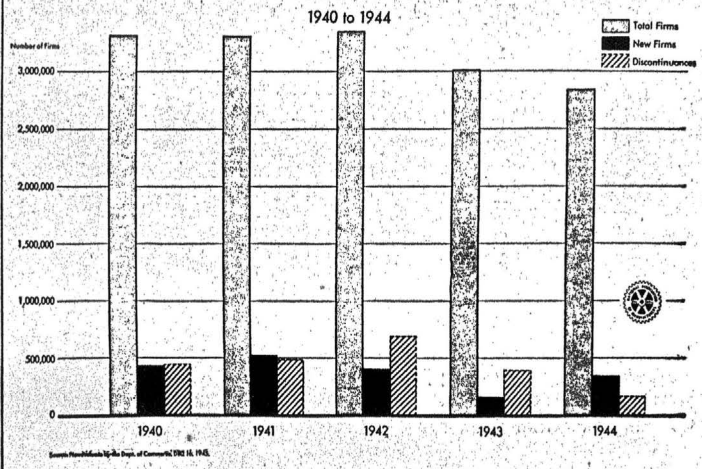
14. Temporary National Economic Committee, Monograph No. 17, Problems of Small Business, Washington, 1941, p. 82.

15. R. G. & A. R. Hutchinson and M. Newcomer, A Study in Business Mortality, American Economic Review, Vol. XXVIII, No. 3, September, 1938, p. 507.

ALTERNATE SOURCES OF FUNDS USED BY SMALL BUSINESS



ESTIMATED NUMBER OF OPERATING FIRMS, NEW BUSINESSES AND DISCONTINUANCES



funds internally for future expansion.

Special Services for Small Business

The United States Department of Commerce has given special consideration to the problems confronting the small businessman, and has created a Division of Small Business, thus emphasizing the place of small business in our economy.

The aid which the Department proposed to make available to small business and the primary problems facing the small businessmen are summarized under the following three heads:

1. *Taxation* — The Department will study the tax problem generally, with special reference to the impact of given taxes on business, and to the question of changes designed to lessen the tax burden on small business and to encourage expansion of business activity.

2. *Management Aid*—Under the general heading of management it is expected that the Department will collect and distribute material for use in:

a. selecting the location for a new business, with regard to opportunities and competitive conditions.

b. the preparation of manuals which will be helpful to the small businessman.

c. determining the advantages of cooperative action by businessmen.

d. determining the costs in various lines such as wholesaling, retailing and service establishments.

3. In view of the difficulties of small businessmen in obtaining an adequate supply of both short-term and long-term loans, it has been proposed by the Department that the "government guarantee long-term loans as a means of providing capital financing for small business enterprise." Commercial banks originating the loans are expected to "participate at least to the extent of 10%." The terms underlying these loans, including maturity, rates of interest and provisions for amortization, should be established in order to simplify the problem of making available an adequate supply of bank funds.

The Post-war Small Business Credit Commission was authorized by the Executive Council of the American Bankers Association in April, 1944. While denying any intention of advocating "the making of reckless loans," it was a declared policy of the Commission that "every competent individual, firm or corporation in the United States that needs bank credit will get it if the money is to be used for some constructive purpose that will serve the private enterprise economy of this country." The five-point plan developed by the Commission provided for the following:

1. Applying the term loan principle to the needs of small business.
2. Establishment of small business loan departments in banks having a volume sufficiently large to justify such segregation.
3. Expansion of existing correspondent relationship facilitating the extension of credit by small banks with assistance from their correspondents.
4. Formation of voluntary bank credit groups when and where local banks feel the need of implementing and augmenting existing sources of credit.
5. A comprehensive program of education and publicity for bankers and the public."

II
Credit Sources and Their Capacity

The problem of financing the small business enterprise is not new. The sources, terms and conditions under which such financing is done may change from time to time but the kind of funds needed remains largely the same from one decade to another.

The various demands for funds by businessmen for different purposes and periods of time may be classified:

(1) Fixed or permanent capital to provide plant, machinery and equipment.

(2) Working capital funds which are needed to meet payrolls and other operating expenses.

(3) Short-term or inventory loans for periods up to six months to maintain inventory which can be turned over shortly and funds obtained for retiring the loan.

Availability of Funds

Large corporations or firms with good credit rating find all three types available to them. They can borrow from the banks direct as well as sell their long-term obligations in the capital market. On the other hand, the small concern has not generally found the investment market readily available. Moreover, small businessmen have found it more difficult in some instances to obtain working capital than did many large business organizations. Interest rates are generally higher for the small business concern because its loans are smaller and, in some cases, it is less favorably situated from a bargaining point of view.

The feeling of resentment of many small businessmen against what they regard as an inadequate supply of available funds is largely centered around the commercial bank in connection with short-term credit and around the capital market in relation to equity or fixed capital.

The reason why small banks do not always make loans to small business is because the risk involved or the cost of making the loans is too great to warrant such advances. The risk involved in making large loans is frequently less than for small loans because larger concerns are likely to have larger equities, more experienced and diversified management and wider markets.

Cost of Short-Term Credit

Bank credit has not only been more readily available to large firms than to small ones, but the interest rate or per unit cost paid for the use of such funds has been higher for the smaller business enterprises. One reason for the higher interest rate charged on the advances made to the smaller firms is that the cost of making small loans per each $100 loaned is greater than that for large loans.

Another factor which helps to explain why the rate is higher is the risk involved. The larger number of failures proportionately among the small business enterprises indicates the greater danger in making loans to smaller firms. A third factor is that the smaller banks can, generally speaking, make only relatively small loans which, in turn, limits the use of a large part of their funds to the financing of smaller firms. Small banks do not adjust their interest rates as quickly as do the large banks when a shift in interest takes place in the money markets. There has been a strong tendency in the past for the small banks, especially outside financial centers, to charge the "legal rate," or the maximum rate allowed under the usury laws. The maximum rate permitted by the usury laws has tended to become the normal rate among such banks.

The shortage of equity or long-term capital constitutes an important aspect of the problem of financing the small business enterprise. The relative unavailability of this kind of capital has caused many businessmen to rely upon commercial banks for funds. Since these funds were frequently used for fixed capital purposes rather than as commercial loans, they should have been obtained, perhaps, from institutions providing long-term funds or from individual investors.

When this reliance has been placed on banks, it has tended to freeze bank funds and to make such loans less attractive to the commercial banking system. The uncertainty surrounding the ultimate payment of bank loans extended under these conditions has undoubtedly contributed considerably to the higher rates which prevail generally with regard to small loans as compared to the rates generally applicable to larger bank loans.

Sources of Short-Funds

There are several different sources of short-term loans for small business. No one either covers the field entirely or is very large in the aggregate. All combined offer fairly broad fields for the borrower provided he can meet the requirements. The sources may roughly be classified under the head of private and government sources. Let us first review the private sources.[16]

Instalment Equipment Financing

Increasing mechanization of American industry has meant an increased investment in fixed plant and equipment which has, in turn, created a serious financial problem for many concerns, especially the smaller plants and those which had a relatively small amount of working capital. Many firms found it necessary to buy the new equipment on an instalment basis, with the idea of paying for it out of income over a period of months or years—generally 24 to 36 months but in some cases up to five years.

This type of financing has been provided in some cases by the manufacturer or distributor of the equipment, but in many cases it is done by the buyer through his own bank or other connections.

The types of firms most likely to use this kind of financing have been described as follows:

> First, this type of credit is extended most frequently to concerns in service industries; retail trade is the industrial group showing the next highest frequency of use, and manufacturing next. Second, a larger precentage of concerns with low credit rating than of concerns with a high rating have been extended credit of this sort. Third, in general, a larger proportion of small concerns than of large concerns obtained income-producing equipment on this basis.[17]

Private Term Loans

During the past ten or fifteen years commercial banks and others have frequently referred to "term loans." This is not an entirely new type of lending. Such loans are used primarily for the purpose of obtaining working capital or for financing the purchase of machinery and equipment. This type of financing has been practiced by banks for many years even though the use of the words "term loans" had not been common before 1933. These loans generally are made upon the basis of the future possibilities of the borrower.

Term loans usually are defined by banks to include direct loans which have a maturity of more than one year. While there is no definite maximum period beyond which such loans may run, commercial banks, in most cases, prefer that they do not run for more than 5 years. Some term loans run for more than 5 years, especially if life insurance companies cooperate.

Field Warehouse Receipts

Firms dealing in certain types of commodities may find warehouse receipts a useful means of obtaining working capital. The average life of field warehouses[18] has been estimated at from three to five years.

"The majority of business concerns financed on this basis had total assets of between $25,000 and $200,000. Many of these concerns experienced high degrees of seasonal fluctuation in their working capital requirements, and found field warehouse receipt financing to be advantageous because the amount of credit was thereby geared closely to working capital needs."[19]

Accounts Receivable Financing

Small enterprises engaged in certain types of business have been able to secure loans on the basis of accounts receivable. The total amount of such credit in relation to the total volume of bank credit and other forms of short-term or intermediate credit is small, but its importance in certain fields is substantial. Of the total volume of $2,600,000,000 for 1941, commercial banks granted $952,000,000, factors $1,150,000,000 and commercial finance companies $536,000,000.[20]

Accounts Receivable Financing has been defined as follows:

> Accounts receivable financing is a continuing arrangement whereby funds are made available to a business concern by a financing agency that purchases the concern's invoices for accounts receivable over a period of time or makes that concern advances or loans, taking one or a series of assignments of the accounts as primary collateral security.[21]

Of the total number of clients using accounts receivable as a means of financing their business activities, a large percentage are small concerns. Out of 354 clients which were classified, 110, or 31% had assets of less than $50,000, and these accounted for only 4% of the total balances reported. About 63% of the clients with 15% of the loan balances had total assets of less than $200.000.[22]

(Continued on page 2486)

16. The credit problem and sources of credit for small business have been outlined in **Credit Sources for Small Business** by Donald Wilhelm, Jr., U. S. Department of Commerce, December, 1945.

17. Saulnier, R. J., and Jacoby, N. H., Financing Equipment for Commercial and Industrial Enterprise, National Bureau of Economic Research, New York, 1944,

18. A field warehouse is "simply a special warehouse leased from, and established on the premises of, the borrowing concern." Jacoby and Saulnier, Financing Inventory on Field Warehouse Receipts, National Bureau of Economic Research, New York, 1944, p. 1.

19. Ibid., p. 4.

20. Saulnier & Jacoby, Accounts Receivable Financing, National Bureau of Economic Research, New York, 1943, p. 32.

21. Ibid., p. 17.

22. Ibid., p. 64.

Financing Small Business

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Personal Finance Companies

Personal finance companies were organized and are operated primarily for the purpose of making small loans to individuals for adjusting old debts or for financing the purchase of consumer goods.

The fact that small loan companies usually cannot make loans in amounts greater than $300 limits this source to a minor role. Moreover, rates are necessarily higher for small instalment loans and businessmen cannot afford to use such credit for business purposes if there is another way to secure the needed funds. It was estimated that of the total amount of small loans outstanding in 1937 only 6% or about $19,280,000 represented funds being used for business purposes.[23]

Other Sources of Credit

Small businessmen have been able in the past to secure limited amounts of funds from other sources. In some cases individuals lend or advance funds which may be used either for short-term or long-term periods. Mortgage companies help local business in providing funds for both current and working capital loans. Credit unions, industrial banks, cooperative credit institutions and pawnbrokers afford some help to small business enterprise, but the rates charged on such financing are too great to make them attractive to many borrowers.

V, VT and T Loans

War production expanded rapidly after the United States entered the war. Early in 1942 it became more and more evident that existing methods of financing war contractors were not adequate for all contractors.

Executive Order 9112, dated March 26, 1942, authorized the War Department, the Navy Department and the Maritime Commission to guarantee loans to assist war contractors, sub-contractors or others engaged in a business deemed by these procurement agencies to be necessary for the prosecution of the war. This type of guaranteed loans became known as "V loans."

The Federal Reserve banks, subject to specific instructions from the guarantor agencies, were authorized to act as fiscal agents for the War Department, the Navy Department and the Maritime Commission.

Under the authority of the Contract Settlement Act, approved July 1, 1944, "the Board's Regulation V[24] was revised Sept. 11, 1944 to cover loans made under the Contract Settlement Act as well as loans for war production." Loans could be obtained after as well as before termination of war contracts. Loans made under these regulations were called T loans. With regard to the changes in the V and VT loan program, the following comment is important:

> Since the beginning of the T loan program in Sept. 1944, only two types of guaranteed loans have been authorized—T loans and 1944-V loans. "1944-V" loans . . . provide working capital for war production purposes or to provide for both production and termination financing . . . T loans are for the purpose of enabling war contractors to obtain the use of funds tied up in production pending final settlement of claims arising from terminated contracts.

Reconstruction Finance Corporation

The Reconstruction Finance Corporation is authorized and empowered "to purchase the securities and obligations of, and to make loans to, any business enterprise, directly or in cooperation with banks or other lending institutions"[25] through agreements to participate or by the purchase of participations provided credit is not otherwise available at prevailing rates of interest. It is the avowed policy of the RFC not to make such loans until the possibilities of a private loan from banks have been exhausted.

Despite the desire on the part of RFC to encourage the use of banks as sources for credit, the Corporation does not believe the need can be met privately. Small business "needs the considered efforts of the government and private organizations working in close harmony."[26]

Some indication of size or type of business which has been offered financial aid by the RFC is given by the total volume of loans authorized as of April 30, 1945. Out of a total of 22,421 loans which were then authorized, 20,141 or 89.9% were for loans of less than $100,000 and 10.1% for loans of $100,000 or more. It is interesting to note that 46.8% of all loans authorized were for loans of less than $10,000 while 67.5% for those below $25,000 and 80.1% for loans below $50,000.

Smaller War Plants Corporation

The Smaller War Plants Corporation, a Federal corporation or agency, was created under the Act of June 11, 1942, with a capital of $150,000,000, later increased to $350,000,000. The Act creating the corporation directed the War Production Board to "mobilize aggressively the productive capacity of all small business concerns, and to determine the means by which such concerns can be most efficiently and effectively utilized to augment war production."[27] It was intended to help in distributing subcontracts among small business firms and to "make loans or advances on such terms and conditions . . . to enable small business concerns to finance plant construction, conversion, or expansion, or to finance the acquisition of equipment, facilities, machinery, supplies, or materials, or to supply such concerns with capital, to be used in the manufacture of articles, equipment, supplies, or materials for war or essential civilian purposes; and such loans or advances may be made or effected either directly or in cooperation with banks or other lending institutions."[28]

The policy of the corporation was to make loans to small manufacturers with 500 employees or less, provided such funds were not available elsewhere. In 1944 the corporation made loans totaling almost $135,300,000 which represented a substantial increase over the previous year. The distribution of loans has been described as follows:[29]

> Ninety per cent of the loans made during the fiscal year 1944 were to plants with not more than 100 employees. Sixty-five per cent were for $25,000 or less and 14 per cent for $5,000 or less. About 76% of the loans were for operating capital, 5.7% for the purchase of machinery, 2.5% for building and 7.6% each for supplies and debt retirement.

Loans Under GI Bill of Rights

The Servicemen's Readjustment Act known as the "GI Bill of Rights," enacted June 22, 1944, as amended, and approved, Dec. 28, 1945, is intended to provide help for honorably discharged American veterans of World War II. This legislation was designed to assist veterans in readjusting themselves to civilian life and deals with such subjects as hospitalization, compensation, unemployment, education, job counseling and placement, and loan guarantees for the purchase of business properties, farms and homes.

The act as originally passed definitely fixed the amount of the guarantee at 50% of the loan, but not to exceed $2,000. Amendment increased the maximum Government loan guarantee from $2,000 to $4,000 on real estate, which means that the veteran may obtain a maximum loan to purchase real estate of $8,000, with the Government guaranteeing $4,000. This increase does not apply to business loans, but the new method provides for a combination of the two if the veteran's purchase of a business involves real estate.

Another feature of the amendment is an attempt to reduce red tape and thus expedite the making of loans. Some of the new provisions undertake to eliminate cumbersome requirements regarding the appraisal of real estate. Also they ease or modify the stipulations regarding the appraisal of real estate by substituting "reasonable value" of property for the earlier requirement of "normal reasonable value."

Equity Capital

One of the primary problems facing small enterprises is that of securing an adequate supply of equity or permanent capital funds. This problem arises in connection with many newly organized firms as well as with a large number of concerns which have been in operation for several years.

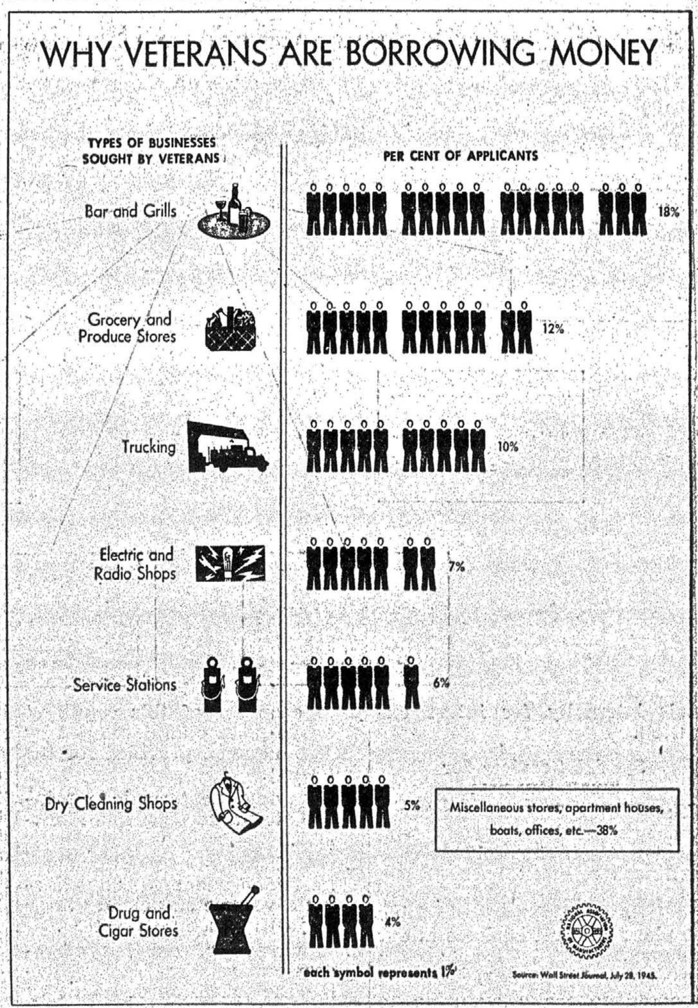
Equity funds are required to give financial strength and prestige to the concern and to provide the fixed plant and at least part of the working capital. These funds are needed to tide the concern over depression periods or times when the volume of business is low or collections are below normal. The equity funds also constitute a basis for bank borrowing.

The ability of the small business firm to obtain capital or equity funds is limited by the following among other factors:

1. In the case of new firms there is no past record of earnings upon which to judge the financial or business ability of the management. Often this situation greatly complicates the problem.
2. The amount of permanent funds or equity capital needed is so small in most individual cases that the investment banker can not afford to handle the transaction without charging prohibitive rates, regardless of how good the credit standing or indicated business ability of the management may be.
3. Small businessmen often are afraid that they may lose control of the business—a thing which they wish to avoid at all costs.

The following quotation is interesting in connection with financing asset expansion by small manufacturing concerns:[30]

> "Funds to expand assets in 1944 were derived largely from retained profit, that is, earnings after deduction of charges for current costs, taxes, and cash dividends. In many of the broad industry and size groups retained earnings accounted for 70% or more of the increase in total assets. Small manufacturing concerns, however, financed a substantial proportion of their funds from rising tax liabilities and to some extent from external sources including banks and trade creditors"



Among the proposals which have been made to provide funds for small business are the plans set forth in the Mead Bill for the creation of a Small Business Finance Corporation and the proposal by the Investment Bankers' Association for the organization of cooperative investment companies to aid small business enterprises. How do these plans differ, and to what extent do they propose to provide aid for small business?

The Small Business Finance Corporation[31] provided for in the Mead Bill was intended to be a part of the Federal Reserve System. It would be authorized to buy the obligations or preferred stock of any one concern "not to exceed $250,000 and in no case shall more than 50% of the Corporation's funds outstanding at any one time be invested in loans in aggregate amounts per concern of from $50,000 to $250,000."

The Mead Bill would establish a government-owned corporation to provide these funds under the operation of the Federal Reserve banks. The Investment Bankers' Association would set up an agency with private capital and private management but with the aid of borrowed funds from the Federal Reserve banks.

III

Summary

Our study seems to justify the following conclusions:

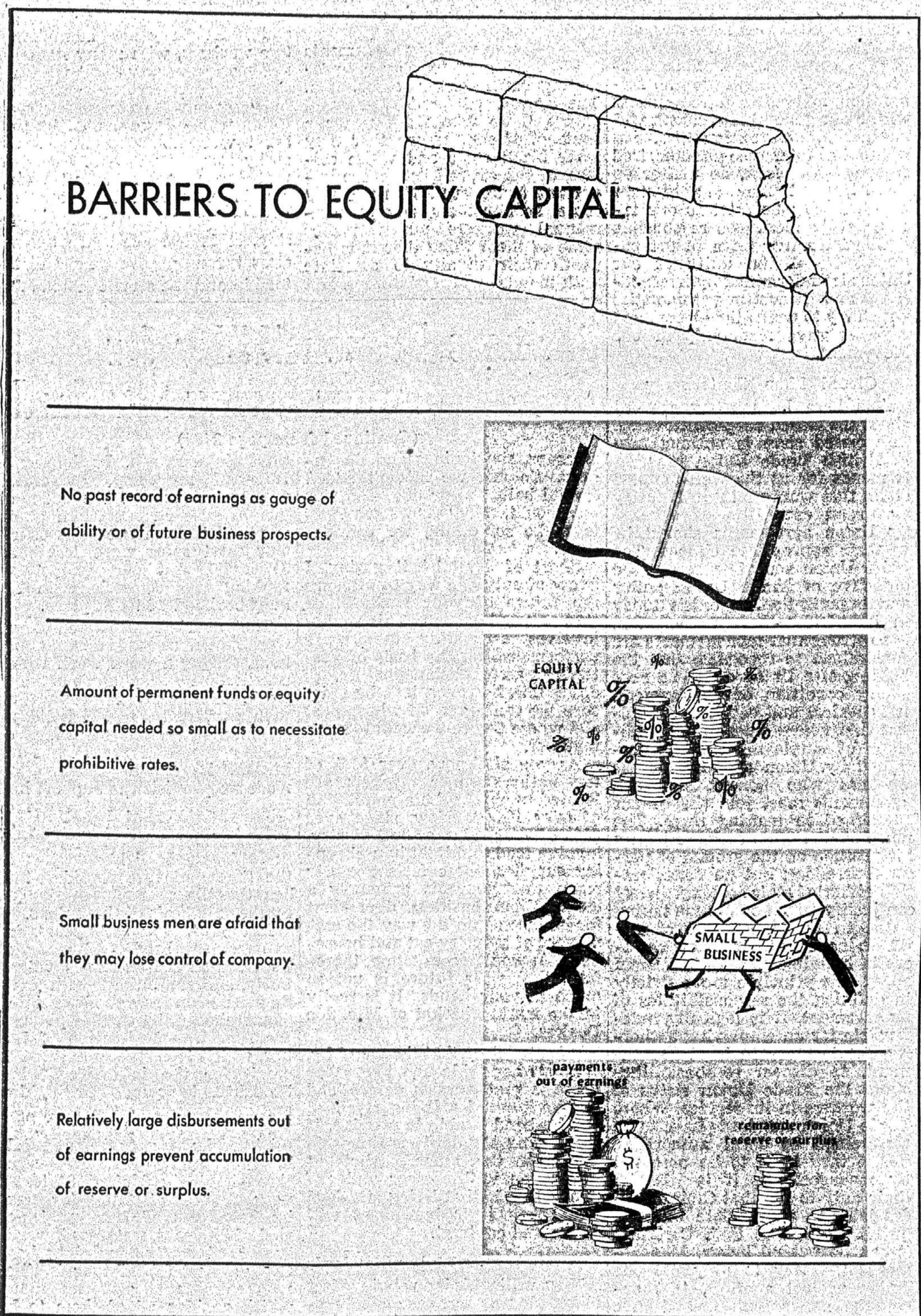
1. A large per cent of all business enterprises in this country is classified as small. This is true regardless of the definition used to define a small business.
2. Public interest in small business is widespread and appears to be increasing.
3. The problems of raising funds or the arguments that banks will not make adequate loans to meet the needs of business is usually made with special reference to long-term funds rather than to short-term financing.
4. The investment or capital market is more accessible to large than to small corporations.
5. Small businessmen usually do not make as full, regular and complete reports as do larger businesses, hence it is not as easy to get as complete a picture of the small firms in many cases.
6. Small firms have used bank credit relatively less than have larger concerns.
7. Financial problems facing small businessmen have been eased somewhat by the use of instalment equipment and field warehouse financing, accounts receivable financing and by small loans from commercial banks and personal finance companies. The wider use of term loans has provided many businesses with more adequate working capital funds.
8. Strong sentiment favors government setting up an advisory service specially suited to supply small firms with advice and help on managerial, technical and economic problems. It is felt that small businesses cannot afford to provide themselves with this service, whereas the larger concerns can do so.
9. The financing provided through the Smaller War Plants Corporation and the Reconstruction Finance Corporation, as well as the V and VT loans, have eased the situation for a considerable number of concerns.
10. The small businessman no doubt has found it more difficult to finance himself since the depression beginning in 1929 than he did before that time.
11. Because funds are less readily available for small businesses, the cost of obtaining them is greater—a situation which has led some to feel that small business is being discriminated against.
12. A larger per cent of small concerns fail than of large

23. Grey, Clara K., Small Business and Its Financial Requirements, Chase National Bank, Feb. 15, 1945, p. 24.
24. Annual Report, Board of Governors of the Federal Reserve System, 1943, p. 14.
25. RFC Information Regarding Loans to Business Enterprises, Circular No. 13, (Revised) January, 1942, pp. 1-3.
26. Snyder, John W., Statement before Select Committee on Small Business of House of Representatives.
27. Public Law 603, S. 2250, 77th Congress, p. 1.
28. Ibid., pp. 3 and 4.
29. Smaller War Plants Corporation, "Letter from Acting Chairman of the War Production Board, Transmitting the Thirteenth Report of his Operations under the Act to Mobilize the Productive Facilities of Small Business," Washington, 1944, p. 2.
30. Warner, Doris P., "Financial Developments in Manufacturing and Trade in 1944," Federal Reserve Bulletin, December, 1945, p. 1193.
31. Senate Bill 1320; July 27, 1945, 78th Congress, 1st Sess. pp. 5-6.

ones. Many investors hesitate to buy the stock of a small concern because of the large number of failures. Other factors in the sale of such securities are: marketability, scale of publicity, etc.

13. Small businessmen fear losing control of their business and for that reason they are more particular about the sources of funds than larger firms—this is especially true as regards loans.

14. A strong feeling exists that taxes are a greater burden on small business than large and that taxes should be adjusted with special reference to small business.



New Functions of British Trade Unions

(Continued from page 2468)

pared to let the work of our Labour Government be judged. Step by step and stage by stage the Government is taking hold of basic industries like mining, and iron and steel production; it is integrating with these great social enterprises essential social services connected with fuel and power, gas, electricity, and all forms of inland transport—and I challenge all who can examine objectively the social purpose of the Government's nationalization programme, free from political prejudices and party feelings, to say that the effort should not be made, or that it ought not to succeed. With equal emphasis I challenge opponents and critics of the Labour Government to say that its social security programme, its vast plans to provide by collective insurance against the destruction of family life, and the breaking up of the people's homes, should not have been attempted, or ought not to succeed. These measures are measures of social safety. They are the embodiment of a humane and far-sighted policy, which aims at ridding our country of the grim fears of want, of hunger, of misery and destitution which beset every wage earner as the possible fate of his family if he falls out of work, or is injured, or falls sick, or grows old. Insurance against these contingencies and hazards of our everyday lives as working people is now an accomplished fact.

Well on its way to becoming an accomplished fact also it the turn-over of the country's manpower and industrial equipment from war production to peace. Many of us a year ago were apprehensive about this great transition. The problems of demobilization and of industrial reconversion loomed large in our calculations. We have to congratulate ourselves upon a remarkably smooth and swift change-over. There has been a minimum of industrial dislocation, and not much in the way of friction and conflict.

Need for Increased Production

But we have, nevertheless, difficult production problems to solve. There are world-wide shortages, in food production, in raw materials, and in manufactured goods of every description. It is one of the inescapable responsibilities of this country to contribute to the expansion of world trade, by increasing our own output of manufactured goods. Before the war, as our friend, Sir Stafford Cripps, President of the Board of Trade, recently reminded us, more than 20% of the total export trade of manufactured goods throughout the world came from our own productive industries. This country's economic needs can only be met by a steady and a large expansion of our production. The goal of full employment depends upon it. The solution of our urgent and pressing domestic problems of shortages in food requirements, in the raw materials of industry, in the rehousing of our people, depend upon our capacity to increase our production, and to enlarge, beyond all prewar limitations, the volume and the value of our export trade.

We are not making full use of our productive forces. Apart from the amount of unemployment amongst registered insured workers there is still a large body of ex-service men and women who have not yet taken up employment. The reemployment in our productive industries and services of this great mass of labour would help materially towards a solution of the problem of shortages that beset us at every turn. This problem compels us to move in a vicious circle of frustration, obstruction and delay in meeting the needs of the country. Everything comes back in the last analysis to this necessity of increasing production, and that means the full employment of all our available manpower and all our industrial resources and technical equipment. We solved immensely complicated and imperative production problems in the critical months that followed the retreat of our expeditionary forces from Dunkirk. Industry performed in that crisis miracles of adaptation and still greater miracles of concentrated effort, under far worse conditions than those which exist today, with dangers and difficulties that no longer impede our productive efforts. To save the country, to reestablish our position in the postwar world, and to enable it to discharge its responsibilities of leadership in the building up of a new world order in the regime of security and peace, parallel efforts to those our people were capable of putting forth in the war years, are called for now; and I believe that our people will make it.

Let me turn now to other considerations vitally affecting Trade Union policy and organization. I said at the beginning of this address that I look back over a long term of years in Trade Union service. I have seen many changes in the status of the Trade Unions, in the position of the TUC, and in the relationships we maintain with organized bodies of employers, with Government Departments, and with Ministers. But in my view the present position of our Movement, as it has been affected by the advent of a Labour Government with power to implement our Movement's policy and programme, is the most important change of all that I have seen. It has been my privilege to have been associated with the development of the general labour union, to which that term has applied in the last decade of the 19th century. This is not the time or the place for me to speak at length upon the growth of the Trade Union organization among those who used to be called unskilled workers; but I find it significant, looking back, that the rise of general labor unions coincided with the spread of Trade Unionism amongst women workers.

Union-Government Relations

This is only another way of saying that there has been an intimate connection between the spreading of Trade Union principles amongst those formerly organized bodies of workers and the creation of a political consciousness imbued with Socialist principles that gave birth in my Trade Union lifetime to the Labour Party. Our industrial and political organization has developed side by side. That is perhaps the deepest and most significant change of all the changes that I have seen in my lifetime. And, in my view, fellow delegates, we are on the threshold now of still more profound and far-reaching changes in the relations of our Movement — and specifically of this Congress and its General Council — with industry and with Government.

Here let me pay tribute and offer thanks, in your name and on behalf of the Trade Unions represented here, to the Government for its bold and swift decision to repeal outright the infamous Act of 1927, which imposed restrictions and deprivations of elementary human rights upon trade unionists. That vindictive and disabling legislation of 1927 has been wiped from the Statute Book. The Unions have been set free to play their full part as responsible organizations of wage earning citizens and working people in all walks of life. The worst feature of the 1927 Act, in my judgment, was its manifestation of ill-will, suspicion and distrust about the place of the Unions in our national life. During the war much better and more effective relationships of confidence and cooperation were established between the Government and both sides of industry. Our General Council welcomed those new associations. We are glad that since the advent of the Labour Government these new relationships have been developed in a new and permanent form through the National Joint Advisory Council. The functions and responsibilities of this joint body will, I am convinced, be enlarged as time goes on. Its value as a link between the Government and industry will grow with the extension throughout the industry of the new technique of joint committees. Through them the representatives of the organized workers are given a larger share in the administrative tasks and responsibilities of industrial management.

Socialization of Industry

In the past management has been a function of ownership, and the managerial element was very largely drawn from and held allegiance to the private owners of industry. It seems to me that the position of management itself and its relations with the conduct and control of industry will undergo profound modifications as the area of socialized enterprise widens, and as the representatives of the organized workers claim to exercise the right of participation in the conduct of socialized enterprises. Statutory recognition has already been given to that principle of workers' participation. It is an obligation under the Mines Nationalization Act for the industry to cooperate with the responsible Minister and the controlling authority — the National Coal Board — in setting up joint machinery for the negotiation of conditions and terms of employment, and to consult on all questions relating to the safety, health and welfare of the workers in the industry. We have, in my considered view, to give much more thought than we have yet done to the significance of such provisions in the legislation extending the principles of public ownership to new fields of enterprise. The Trade Unions, in other words, have to reconsider both their functions, their powers and methods of negotiation. The old employer-employee relationship will continue to exist in nationalized industry, but in a fundamentally altered form. The employing authority no longer represents a limited private interest engaged in the pursuit of profits. It represents a public interest. The welfare of the whole community is its concern. It will conduct the industry as a social service, owing obligations equally to the workers it employs, the consumers it serves, and to the people as a whole. New wage relationships, it seems to me, and a new technique in collective bargaining, must be evolved to meet this altered situation as regards nationalized industry at any rate.

There are, too, let us remind

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New Functions of British Trade Unions

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ourselves, parallel developments impending in non-nationalized industries. The principle of a tripartite relationship between the Government as representing the community on the one hand, and employers and workpeople's organizations on the other, is being elucidated in the reports of the Working Parties, whose appointment we owe to the vision and statesmanship of the present Minister in charge of the Board of Trade, Sir Stafford Cripps. The four reports of the Working Parties, covering the Pottery, Cotton Textile, Boot and Shoe and Hosiery trades already published, merit the closest study by our Trade Union Leadership. The fundamental assumption that seems to me to underlie them is that the Trade Unions concerned with these industries have a direct interest, which is the interest of the workers employed in them, in making them efficient, in improving their techniques, and insisting upon the highest attainable standards of mechanization and modern scientific methods.

Workers' Share in Management

Implicit in this view is the realization that industrial efficiency is not the exclusive concern of management, and not solely the responsibility of the employers' side of industry. The Unions, too, have their contribution to make to industrial efficiency. This is not a new principle as far as some industries are concerned. In my own Trade Union experience we have been called upon to concern ourselves with managements that have not reached the required standard of competence; and we have stepped in with our own experts to apply more scientific methods, not in the interests of capitalist profit, but in those of the workpeople employed, whose rising standard of life depends upon improved methods, and upon the industry's capacity to serve the public needs.

To my mind, fellow delegates, there lie before us today greater and more practical opportunities of developing the principle of workers' participation in the conduct of industry than ever have presented themselves. Traditional Trade Union practice constrained us to drive the hardest possible bargain with employers and to impose many restrictive measures to protect the workers' investment in the industry—to secure continuity of employment, to lessen the evils of unemployment, and to prevent an unscrupulous exploitation of the most skilled and efficient workers against the lesser skilled. There have been good reasons for the reluctance of Unions to countenance the piecework system, and those techniques of time and motion study, and methods of scientific management, associated with capitalist industry. But I suggest that in the new situation resulting from socializing legislation and the closer associations of Unions with these problems of industrial management the Unions will have to reconsider their attitude towards many of these restrictive methods and practices. These stand in a different light when it is the public interest that is served by every managerial and industrial development that increases production per unit of labor, and where the output of an industry is treated as a social product to be equitably apportioned between those who produce, and those who distribute, and those who consume—that is, for the benefit of the community as a whole.

I will not pretend that this readjustment of the Trade Union point of view is going to be easy. There are strong conservative instincts in the Trade Unions. The notion that there is an irreconcilable conflict between the employing authority and the worker will die hard. It will not be easy for the workers in a nationalized industry to see that their claims to improved conditions, better wages and shorter hours of work must be balanced in a consideration of general social interests.

Wider Union Responsibilities

In the transitional stages of the change that is taking place in our economic life today, we, as trade unionists, will be called upon to exercise much patience in negotiations and to make real sacrifices, even where legitimate claims are in question, for the common good. I believe that we shall have to reexamine many trade union practices where they tend towards restriction; we shall have to do some fresh thinking about the historically conditioned principles of collective bargaining. We shall have to assume responsibilities in connection with the control and management of industry that we have considered to be hitherto beyond our province; and we shall have to adapt the machinery of our Unions, the training of our officers, and the education of our membership in regard not only to the management of industrial enterprise but to the other tasks of our organized movement.

You will find in your General Council's report evidence that the importance of the education and training of Trade Unionists is fully realized. The educational machinery of Congress is being built up on what I feel to be constructive and far-seeing lines. We have begun to prepare a new generation of trade unionists for new tasks and responsibilities. An ally of immense value in this educational work is the "Daily Herald." Our paper has been carrying on a splendid effort under difficulties. It has not yet been able to get back to the basis of a full scale national newspaper such as we knew before the war. But conditions is regard to the supply of newsprint are improving and with it the opportunities and responsibilities of our national paper are being accepted by those responsible for its management. We have to rely upon the "Daily Herald" for full reporting of our Movement's manifold activities, and still more for the interpretation and defense of Labour's policy and programme. Its record in the past, its fidelity to the principles of our Movement, and the skill and experience of its editorial staff and management justify our confidence that we shall have its efficient and consistent support both on the political and industrial side. On our side we must assist the paper to maintain and improve its position in every possible way. The paper can do more perhaps than any other single agency at our disposal as a Movement to serve the Movement's aims and policies, to inculcate a sense of responsibility in all parts of the Movement, and to strengthen and unify its purposes. I urge trade unionists and all our people to assist the paper by placing a regular order for it with their news agents. This is the best way at the moment to help the paper which serves our Movement's interests so well.

Reckless and irresponsible elements in our Trade Unions can work much mischief today. There have been unauthorized strikes and conflicts arising out of inter-Union relations that are disquieting from the standpoint of what I have just said. Every responsible Trade Union official and every loyal member of the Unions can see the dangers arising from unofficial strikes. There have been extenuating circumstances in some cases, but no extenuation justifies the deliberate incitement of bodies of workers to break Union rules, to flout the authority of Union Executives, and to involve their fellow members, and their workmates in other Unions, in the consequences. This Congress, I am sure, will give no recognition to unofficial movements within our general Movement, will not permit divided loyalties, and will not countenance unauthorized stoppages of work, no matter on what pretext they are brought about. It will be fatal to our future development as a responsible and constructive force in the national life if the unity of our Unions is undermined by irresponsible and headstrong minorities which try to usurp the elected and representative leadership of our Movement.

Closed Shop Controversy

And here let me say a word about the closed shop controversy. The closed shop is nothing new in British Trade Union practice. It means for us the well-founded claim that workers in an industry or in an establishment covered by Union agreements should be in their appropriate Unions. The 100% Union shop is a recognized objective of Trade Union policy and organization. It exists today in industries where unionization is so strong that managements are constrained to recognize that the holding of a Union card is a necessary condition of employment. It is logical and consistent to insist that where wages and conditions of employment are determined by Union negotiations the workers who benefit by such agreements must join the Unions concerned in making them. The non-unionist often seeks to justify his position on the ground of personal freedom; but no consideration either of ethics or expediency can justify a man or woman taking without return the benefit of sacrifices made by their fellow workers in building up a Union. But I apply this principle more strictly in defining the responsibilities of management. It is logically indefensible for an employing authority, for instance in local government, to disown responsibilities about the Trade Union status of the workers in its service. Where Trade Union standards have to be maintained by local authorities, where they have to be observed by managements, it is likewise their duty to see that their workers join the appropriate Union. I put it as high as that. Certainly it can be put no lower. Managements that try to play off one Union against another, that encourage non-unionism, and give countenance and support to breakaway organizations, are playing a dangerous game. Even in their own interests it is dangerous. It leads to unofficial strikes. It promotes internecine conflicts between Unions. It creates unrest. It leads to the breaking of Union agreements. It imperils good relations between workers and employers. It brings sections of industry to a sudden and unforeseen standstill. It sabotages the machinery by which industrial disputes are settled without any serious stoppages of work.

But there is a larger and more complicated problem involved in the closed shop controversy. We must face it. It is the problem arising from the existence of organizations outside the affiliations of our Congress. I believe myself that the jurisdictional difficulties that arise in this connection can be solved by patience and by industrial statesmanship, without a head-on collision between TUC Unions and non-affiliated organizations. I have a deep-rooted faith in the common sense of organized workers—the very fact that they have organized themselves, even though their Union may not be in our fellowship, is a sign of common sense. It means that they appreciate the necessity of combination amongst themselves. It is only another step to bring them to recognize the value and importance of association with their fellow trade unionists in other organizations.

Inter-Union working agreements have their part to play in promoting such closer association. The spread of Trade Unionism among those who work under a contract of service, whether they wear black coats and white collars, or the overall, is a more important factor still. There is still some snobbishness among non-manual workers which makes some of them thing that it is beneath their dignity to associate with manual workers' unions. But this Congress itself is a solvent of that kind of class consciousness and social snobbery. Unions of skilled operatives and craftsmen are joined in a common fellowship with general labour unions, with unions based upon occupation, with associations of technicians and supervisory and administrative workers, with many kinds of non-manual unions, and with associations of professional workers. In my time I have seen Trade Union principles accepted by salaried workers as unhesitatingly as by manual workers. I believe that the principle of voluntary association is valid in its application to every activity of citizenship. It is the guarantee against class tyranny, government dictatorship and the servile state . . ."

Business Responsibility for Better Living Standards

(Continued from page 2465)

of soaps, shortenings and dentrifices. So far, we haven't added crystal balls to our line. Perhaps we should. God knows we need to make something we can deliver.

Short of crystal-ball gazing, I know of only one way to measure the future of your business, or that of any business. This simply involves estimating tomorrow's performance on the basis of yesterday's accomplishments. Before doing this, however, let's be quite sure we can agree on whose past and whose future we want to stack together.

As you all know, over 85% of the nation's super markets are located in cities with a population of over 10,000. Now, since over 95% of your sales, as an industry, involve food and light housekeeping supplies, these facts together mean that yours is primarily a metropolitan business, dependent for its income on the way the employees of industry eat and housekeep. It would seem to me, therefore, that your future is not so much in your hands. It is really in the market basket of Mrs. Joe Doakes.

It is also clear that the way Mrs. Joe sets her table and keeps her home is pretty much determined by the kind of a living standard her husband is able to provide. If that living standard continues to rise, then the super markets of the nation will prosper and expand. But, if that living standard falls, then your businesses will suffer and contract.

Promote Higher Living Standards

Now, while this is an obvious fact about the way our economy functions, it suggests a number of implications which we in business have been rather prone to overlook. The first of these is that we must do more than pay lip service to the ideal of a progressively higher standard of living for the American wage earner. If, as salesmen, we applaud that concept, then, as employers, we must also do our part to make that concept work for those employees who depend on us for the kind of a living standard they enjoy.

I am frequently amazed at the ease with which we applaud the idea for a higher standard of living for all people, without apparently realizing that our own employees are also part of the "people." It doesn't make much sense for us to do only a little for our own employees while expecting other industries to do a lot so that their employees will be good customers of ours.

In thinking about the application of this principle to my own company, I came upon some rather startling facts, that carry implications for the future which make Buck Rogers look like a rank conservative. From our archives and records, I was able to reconstruct, in part, a picture of our operations 30 years ago. In the era of 1915-1916, my company operated with 180 employees. We made our merchandise in one small plant, and sold it from one sales office. Our total sales were less than $1,000,000 and our competitive ranking was somewhere in the neighborhood of tenth place.

The average plant employee working for us made 21 cents per hour, during a work week which consisted of more than 50 hours of work. He received no vacation with pay, and no paid holidays. Premium pay for overtime, or weekend or holiday work was unknown. By the same token, we made no provision to support him and his family in the event of sickness, accident, old age, or death. This was the picture then, in 1915, and I might add that at the time we were considered to be rather liberal employers, judged by the standards of those days.

In the intervening 30 years, our management broadened many of its viewpoints, sometimes voluntarily, and some times with a little persuasion from the bargaining agent chosen by our employees, the American Federation of Labor, which is certainly entitled to credit for the influence it has brought to bear upon our thinking and behavior as employers. With this shift in attitude which, I might add, was not without parallels in many, many other concerns throughout the United States, a very significant thing for *your* business occurred. During this period of 30 years, we grew inwardly and outwardly to a point where today almost 6,000 Lever families now enjoy a standard of living which enables all of them to be good customers in your stores.

The comparison between then and now is, as I said earlier, a startling one—180 employees multiplied to almost 6,000. One plant and one sales office, by a process of amoebic division, became 6 plants and 26 sales offices. Our total sales skyrocketed from less than $1 million to the neighborhood of $200 million, and in this process we emerged from tenth to second place in a highly competitive industry.

And here is how your new customers were born. Our average plant wage of 21 cents an hour increased to $1.13 per hour, while the work week shrank from 50 to 40 hours. Premiums ranging from time and a half to double time and a half were instituted for overtime after eight hours, and for work on weekends and holidays. And, since your customers must pay their bills regardless of accidents or illness or old age, employees receive the protection of a full pay envelope for 13 weeks in the event of sickness or accident. In addition, they are given a pension at age 65 which provides them with an income equal to 20% of earnings current at time of retirement, and this is over and above Social Security benefits. In the event of death, their families receive a minimum of $2,000 life insurance which, like these other protections, is furnished by the company free of charge.

Now these conditions entitle us, perhaps, to consider ourselves as rather liberal employers, judged by today's standards. But, as I said at the outset of this discussion, while the comparison between 1915 and the present uncovers some rather startling facts, it also carries implications for the future which make our present notions of liberalism seem as remote and antiquated as the ideas which passed for liberalism in 1915.

I suggest that we here today explore some of these implications together in terms of our future progress as a nation, because the experience at Lever was not unique, and our progress there was in many ways a part of a trend felt throughout our entire country.

A 100% Higher Living Standard

My first and only factual statement about the future of your business is that it can and should double during the next generation *if the leadership of American business is willing to establish as its objective for 1970 a standard of living for the American wage earners which is at least 100% higher than the level of today.*

The reasons for such an objective is clear. The facts are that while we have more telephones, bathtubs and electrical power production than any other nation in the world, the table of the average American wage earner could stand a more generous supply of quite a few necessities.

Moreover, such a higher standard of living, would also be good news to the sellers of those delicacies which transform eating from a necessity to a delight. Now I submit that if we could progress as a nation during the last 30 years from an average of 24 cents per hour to $1.11 per hour, then during the next generation as a nation we should certainly be able to increase average hourly earnings from $1.11 to $2.22. We should also be able to accomplish this without any further deflation of real dollar value. This is important. You could buy a lot more with $10 in 1915 than you can in 1946. As a matter of fact, as a general average, you need $18 today to match the purchasing power of a $10 bill in 1915.

There is, however, no necessity for further devaluation of the dollar, and if we set our sights on the objective, there is no reason why the next generation should not see real wages of $2.22 an hour or better. The only thing to stop us is that perhaps we're not as smart as our fathers were. That's a psychological problem we'll discuss in a few moments.

If, on the other hand, the new generation of business leadership is worthy of its inheritance, then we may look forward with some confidence to similar progress in other phases of our industrial relationship.

The Annual Wage

In this connection, I think we may expect a rapid growth in the extension of the annual wage principle, particularly as it becomes more apparent to American business that people who are irregularly employed make bad customers, whereas those whose employment is stabilized not only spend their money more freely, but also make much better credit risks. I believe too that sickness and accident, regardless of duration, will, by then, be universally regarded as insurable risks. It will be obvious to everyone that it is better for us all to pay a premium of a few pennies a day and share the risks than it is for the unlucky few to lose their incomes for protracted periods through no fault of their own. This, too, will be food for your business, because your customers will not be forced to restrict their buying when their homes are darkened by the adversities of sickness or accident.

In the same way, I believe that we will grow to realize that if American industry can amortize its obsolete plant equipment every ten years, it can certainly afford to set aside once every 25 or 30 years a retirement fund large enough to provide for the comfortable pensioning of its over-age manpower. On any basis you want to look at it, even the best retirement plans today are both inadequate in amount and overdue in application. Once again, when the day comes that the average American wage-earner receives both a timely and adequate retirement income, your business will improve. There is no reason why the retired man of 65 should not be considered as good a customer for you as the employed man of 35, and parenthetically, there are between the ages of 65 and 69 a total of approximately 4 million people, a sizable market—and a profitable one—if they have money to spend on your products.

I also look forward to the growth of another national insight, namely, that there is nothing particularly sacred about a 40-hour week. Business exists in order that people may live. People do not live in order that business may exist. Now in good living, leisure for recreation and self-improvement is a most powerful stimulant to increased business. Let anyone who doubts the value of universal education ask why the entire food and beverage industry spent only $4 millions on advertising in 1915 as against well over $200 millions today. Isn't it obvious that the growing ability of advertising to sell your products is directly related to the increase of our national expenditures on elementary and secondary schools? For the simple truth is that advertising is completely ineffective unless our population can read, write and understand English, and thereby raise their level of expectancies and desires. We have made good progress in this direction. In 1915, we spent about a half billion dollars nationally on elementary and secondary education, as against almost $3 billions last year. But we can make a great deal more progress, because with a decreasing work week, it may be possible for us during the next 30 years to stimulate adult education in a like fashion. This would provide a powerful stimulus to the welfare and to the living standards of our nation, and therefore to your income as the nation's super market operators.

A little while earlier, I said that the next generation should see a doubling of your business, if the leadership of American industry is willing to establish as its objectives for 1970 at least a 100% higher standard of living for the American wage-earner. But we cannot stop there. Annual wages, increased securities against the hazards of life, shorter hours of work, and increased opportunities for education and recreation—these too must come to pass for your customers and for ours if we are to prosper. The main barrier, as I see it, is the psychological one to which I referred in passing a few moments ago.

In one of his deeply perceptive essays, the Spanish philosopher, Jose Ortega, in describing Rome and Castile as the only states in history that were able to create lasting empires, said: "The people who came under their influence were made to feel that . . . they shared a vision." He then goes on to observe: "People do not live together merely to be together. They live together to do something together. The imagination for tomorrow is the discipline of today."

Business and Labor Should Work Together

I mention this necessity for sharing a vision because I believe that much of the division between business and labor in our country today stems from the fact that we have forgotten our *togetherness*, and are now dreaming our dreams apart. Our battles are being fought along the frontiers of ignorance and fear. Our sense of togetherness has become obscured by unintelligent self-interest on the part of both Big Business and Big Labor. However, since the faults of business were the fertile ground upon which grew many of the vices of organized labor, so will the reformation of business have to precede the reformation of labor, and in the doing of this, business will have earned the right to appeal to public opinion.

This challenge of putting our own house in order will not be easy to accept, because it will compel us to reverse attitudes which by now have become almost habitual with us. Let me illustrate.

Why is it that during the past 20 years American business has become identified in the public mind as opposed to everything that spells greater security, well-being, or peace of mind for the little guy? Why is it that scarcely a month goes by these days but that some trade association or other decides to embark on a crusade to save free enterprise for America? I think the answers are pretty clear. We got the reputation we have because, by and large, we earned it. How? Well, we declared war on collective bargaining. We actually opposed increased taxes for education. We fought health and safety ordinances. The record proves that we battled child labor legislation. We yipped and yowled against minimum wage laws. We struggled against unemployment insurance. We decried Social Security, and currently we are kicking the hell out of proposals to provide universal sickness and accident insurance.

We did all these things without making *one single constructive suggestion* which would assure the American people of our desires to achieve the same results for them on a basis which would be more business-like and less political. Where on the record is there a single example to show that big business or big trade associations ever initiated a legislative program of benefits for the workers? Is it not clear that they have always waited until they were asked or forced to do so? Of course, I recognize that there have been isolated exceptions but they merely serve to accentuate our general dereliction.

We did all these things, and today we wonder why people don't like big business! We wonder why it is necessary to start campaigns to save free enterprise from the damnation bow-wows. The answer is that we were doing everything within our power to prove to the American peope that business was neither free nor enterprising when it came to the simplest social needs of the community. To solve the problem we started to sell our brand of economics to a group of customers who were already pretty sore at us. And the theme of this brilliantly timed sales camgaign was that all the other systems in the world are a lot worse than our own. There was no alternative theme possible, because we lacked either the conviction or the courage or the vision to tell the American people what we thought our system of business could do for them in the future.

The American is not interested in the number of bath-tubs in Russia, or in the telephone situation in Sweden. He simply doesn't give a damn about the average life expectancy in India, and he is more or less indifferent to the kilowatt hours of electricity sold in Czechoslovakia. What he wants to know is "When am I going to get modern plumbing?" and "When can I afford a private telephone?" He is interested in the future, as Kettering said, "because from now on I have to do all my living there."

Must Satisfy Worker

Now the only way he will buy our method of doing business is if we satisfy him that we of business intend that system to work progressively well for him.

We cannot plant this conviction in his mind unless we do two things. First, we must mean it. And, second, we must merchandise our plans and policies the way we do our products. That means that, when we talk to the people of this country, we've got to stop making noises like a corporation. If our product advertising were written as badly as most of our institutional copy, we would have been out of business a long time ago. What we need are fewer negations and apologies and more affirmations and constructive plans.

In this connection, some of you may wonder whether it is really wise for me, as an employer, to state that I believe in higher wages, shorter hours, bigger pensions and so on. Isn't it "dangerous" to talk this way? Won't it put "ideas" in our employees' heads, and make "trouble"? Aren't we running the risk that our employees will mistake our objectives for a promise, our hopes for commitments?

My answer to these questions is that all our employees can read, write and understand English. Consequently I refuse to sell them short on common sense! I believe that we of management can share our objectives and hopes with them, without fear of crucifixion. I am also clear that unless we share our visions of the road ahead, we cannot expect the men who work with us to understand the temporary disappointments that inevitably arise along the way. Furthermore, we cannot expect them to put forth their best efforts, which so often spells the difference between disaster and survival, unless they know the intentions that are within our minds and hearts.

Business Objectives

And so I reiterate that your future is in the shopping bag of Mrs. Joe Doakes. You can help to make that bag bigger and fuller if each of you will exercise in your own community the progressive influence of which you are capable.

We must all go back and work for decent minimum wage legislation in our own state. Forty per cent of the increased purchasing power will flow into your cash register. We must fight for bigger educational appropriations, remembering that illiteracy is the enemy of every sales promotion. We must stimulate interest and discussion in stabilized employment plans, with the personal knowledge that the assurance of a stable income is a wonderful tonic for the appetite. We must start pension plans for our own employees as an example to the community, realizing that the average age of our population is increasing and that a mere token income for the aged not only constitutes a moral outrage but also makes for off-key cash register music. We must encourage efforts in our own community to insure against the hazards of sickness and accident. Bankrupt citizens are poor customers.

Yesterday's Republican landslide sharply focuses the crisis of our national affairs. The Chinese word for "crisis" as some of you may know, is composed of two characters—the one meaning "danger" and the other, "opportunity."

The "danger" we now face is that complacency may lead us in business to slide back, and to revert to past attitudes of indifference and unconcern for the people who man our plants and offices. That attitude was repudiated once before by the American people. If we are unwise enough to permit its resurrection, it can be repudiated again.

The "opportunity" which this crisis presents is the second chance American business now has in a favorable government climate, to conduct its stewardship of a national economy with a thoughtful, constructive concern for the hazards and problems which exist in the lives of our American wage earners.

This is not to say that we should pursue a blindly idealistic policy of sweetness and light. Realism compels us to recognize that the abuses of big labor should be rectified and rectified promptly in the public interest. My entire theme here is that Joe and Mrs. Doakes deserve to be protected by safeguards against socially destructive selfishness whether it stems from management or labor.

My plea to you today is that we of business should take the first step forward under our own power; and for the first time, present to the American people a constructive program for the future which will entitle us to the leadership which we have so often claimed but so rarely exerted.

In a word, let us reverse some of our historically negative attitudes, and become a force for enthusiastic progress each in his own community. And, as we do these things, let us not forget the part that vision and enthusiasm should play in this undertaking. Let us discard fear, and share our hopes with America. There is no other road to togetherness.

If we have no faith in ourselves and in the kind of future we can create together, we are fit only to follow but not to lead. But if we would lead our fellow Americans into the prodigious realm of usefulness foreshadowing an Atomic age, let us remember that the Bible contains two proverbs we cannot afford much longer to forget. The first is "Man does not live by bread alone" and the second is "Where there is no vision, the people perish."

Am.-Philippine Fin. Comm.

The Department of State announced on Nov. 4 that President Truman and President Roxas have agreed to establish a joint Philippine-American Financial Commission to study the financial and budgetary problems and needs of the Philippine Government. The State Department's announcement said:

"The Joint Commission will consider the entire range of Philippine budgetary and financial problems and report its findings and recommendations to both the United States and Philippine Governments.

"Under the terms of the Agreement, the Commission will consist of three Americans and three Filipinos to be appointed by the respective heads of government. There will be two co-chairmen, a Filipino and an American. The American membership is expected to be composed of a representative of the State Department, a representative of the Treasury Department, and a representative of the Board of Governors of Federal Reserve System. The Commission will do its work primarily in Manila.

President Roxas stated that he was very happy to welcome this further evidence of the interest of the United States Government in our welfare."

More Competition for Consumers' Dollar

(Continued from page 2471)

is now upon us to vindicate that freedom.

No doubt many "Leftists" would have welcomed a depression as a chance to move in for the kill. This may have influenced their thinking. Businessmen, on the other hand, based their policy on simple economics. They saw a big market, with plenty of purchasing power, and they reacted accordingly.

What of the Future?

So far so good. Now what of the future? The hope of all business will lie, I think, in a capacity to imagine greater markets and purchasing power than any we have ever known. To begin with, pre-war conceptions of production and consumption must be discarded. Our industrial capacity has grown greatly. Our domestic population has increased by 7,000,000. It is unrealistic to think in terms of 1941 production, just as it is difficult to limp along on quotas based on 1941 conditions—such as 60% of 1941 sugar.

We must also think beyond our 140,000,000 domestic customers to the 2,000,000,000 citizens of the world who constitute potential customers of American industry. Only thus can we understand the unprecedented opportunity which challenges us to a new conception of our task.

Now what does this mean to us in our business, yours and mine? Ours is only a small segment of a giant economy which is still only part of a much larger world. Why need we, and how can we, concern ourselves with affairs beyond our borders?

Confused Food Situation

Let's go back to last winter. There could be no better illustration of the impact which world events can exert upon domestic affairs. Suppose we had carried through all our plans, at this time last year, on the assumption of a plentiful food supply? "Peace and plenty" is a great phrase and, over the long run, a true one. But we've learned anew that the two don't come together immediately after a war. For, just as we were cutting our cloth for a period of possible surplus, the warning bells began to ring.

By mid-winter we were faced with world famine on an unprecedented scale. There was a period of confusion while the international specialists took the measurements of the problem. Some of the first estimates were pretty "scarifying." Any attempt to meet them would have resulted in a chaos and disruption beyond belief. Fortunately for America and for the world, however, Herbert Hoover was induced once more to serve. His wisdom, experience, and clarity of mind gave us a realistic picture of the problem and a workable plan.

Consequently, the world has pulled through the first famine year fairly well. America did her share — supplying 40% of the world quota. The demand for basic cereal exports just about exhausted our domestic stocks, however, and drew heavily on current crops. We are now advised by the International Emergency Food Council that the outlook for the coming year suggests another touch-and-go situation. Despite this year's good crops, world food production is still well below prewar levels; the best we can say is that 1947 may be a trifle easier than 1946.

World Situation Affects U. S. Economy

Be that as it may, the point — to us — is this: A world event can upset the best of domestic calculations. We may as well face the fact, therefore, that American industry — the food industry especially — must henceforth consider its own destiny as part of the world's. It may be possible to argue political isolationism pro and con. But economic isolation is, to me, a thing of the past. Industry is inextricably geared to the sentitive world economy, for better or for worse. And in the future, world surpluses, or a break in world prices can stagnate our own industry as swiftly as shortages can stimulate it today.

Thus we look at the world. The world, for its part, looks to us with hope and longing. Ours is the most industrialized nation on earth. Hence it is the most productive, the most creative. We make the most, buy the most, sell the most—and have something to spare. During the war we ran our huge industrial machine at full speed around the clock, generating new floods of purchasing power and consumer demand.

U. S. Food Production Increased

What happened? Mechanized American agriculture responded with a 30% increase in production over pre-war levels, despite a reduction in manpower. American food consumption rose 15% per capita above pre-war levels, despite rising prices. We speak today of a meat shortage. It is true that the national total of feed animals on the farm and in the feedlots has been definitely reduced. Yet American meat consumption per capita has run 13% higher than pre-war levels even in 1946. What we really mean is that people want, and can pay for, more meat than they ever ate before.

That's the situation in industrialized America. What about our 2,000,000,000 potential customers abroad? Most of them are not industrialized and most of them have never had enough to eat. A recent world survey by the Food and Agricultural Organization shows that well over half of the world's population lives on a per capita food intake of less than 2,250 calories a day—400 calories below the minimum for reasonable health and working efficiency and 1,350 below the American average of 3,600.

Consider the reverse side of the same picture. Canada has a productive industrial economy—and a purchasing power—not unlike our own. South America has a long way to go in this respect. As a consequence, the 13,000,000 people of Canada purchase more United States goods of all sorts than do the 130,000,000 people of South America.

Now let us set up two assumptions and ask ourselves a question: Assumption One: American prosperity and world prosperity are closely intertwined (which means that the prosperity of our own customers in our own stores will eventually depend on the prosperity of the peoples of the world). Assumption Two: World recovery can't be measured by the old standards — a new and bolder concept is required, the concept of an industrialized world able both to produce and buy.

Problem of Increasing Foreign Production

Question (and this is a 64 *billion*-dollar question because that's what war costs us per year): Cannot some way be found to get American productive equipment to the non-industrialized peoples of the world? I don't profess to know the answer to this but I do believe that it is the key to world peace.

It certainly won't be done, however, by handing power finished goods for which the users have no way of paying. It won't be done by dispensing socialistic largesse on any basis. Purchasing power comes from production. The have-nots must somehow be enabled to produce and thus to buy.

We may never find the answer. I pray we may for the alternative is a grim one. But all we know for sure today is this: America is the hope of the world because of the power, size, and productivity of its economic machine. Yet we can't afford to sit around and admire this machine. We must consider the source of its strength and keep it in good running order. And that is where you and I and every man who engages in business is confronted by a great obligation.

Our Enterprise System a Source of Strength

Well, what is the true source of our industrial strength? I believe it owes everything to the system under which we operate. By this I mean a system of individual political freedom based on individual economic freedom; by this I mean the spur of the profit motive, the incentive to build, and above all the stimulating and regulatory effect of competition. Here, I think, we have a basic reason for America's efficiency both in production and distribution.

Competitive efficiency is the thing we've got to keep. Complacency is the thing we've got to avoid—or else someone will step in to take our places. Consider our own evolution. The inefficient old-time grocer passed into oblivion long ago. The efficient independents took the spotlight next, followed by the large-scale corporate groups, and then the supermarkets. No one in our business, or any business, is entitled to assume that he has seen the last development in competition.

It is rightly said, however, that competition is an underlying bulwark of democracy. Why? Because it makes industry primarily responsible to the consumer. I think that's true. And it seems especially true of the retail food business which has been called the most democratic of all. For one thing, its customers vote on it—in a very real sense—about once a week. For another thing, few businesses are so close to the public, so much in touch with consumers' actions and reactions, so much a part of the daily lives of so many people.

We've spoken today of world food shortages, of boom industrial production, of vast purchasing power. These are things that have made the food business look extremely good these last few years. I think we're entitled to tell ourselves that, in the face of many hampering factors, we've done a pretty good job by and large. But I don't think we're entitled to very much relaxation on that account.

Can't Afford to Relax

Lest we tend to relax, let's consider a chart. A line at the bottom represents disposable income or public purchasing power. It tends to level off from the 1944 peak. A second line represents department store sales, the so-called "soft goods." This line has risen sharply and is still rising. A third line represents food sales. Although it has dipped slightly of late, it still stands abnormally high above the disposable income line to which it is usually related.

To me there is something artificial about this condition — just as there is something artificial about long lines of customers outside food stores and tickets being handed to customers to keep their turn in line.

Food Getting Less of Consumers' Dollar

What else does the chart tell us? Currently soft goods are getting just a little more — and food just a little less — of the consumer dollar. That looks to me like a warning. And here's another thing to watch: Around the corner some important claimants to a big share of the consumer dollar are just coming into production. Automobiles, radios, refrigerators, and appliances will soon appear in volume. Then, when Mother fares forth with her market basket, she will be watching the pennies much more closely than she does now. For the family budget will undergo a new scrutiny in millions of homes — and room must be found for the monthly payments on long-deferred durable goods purchases.

That spells inter-industry competition. And when that comes, all industries will have to face the fact that any business, any commodity, or any industry can price itself out of any market. On Oct. 18, the wholesale commodity price index of the Bureau of Labor Statistics showed a rise from 125 to 135 — an increase of 7%. The food price index went from 137 to 175, largely due to the meat situation, of course, and thus accounted for most of the general increase.

Plainly, it is the industry's responsibility to keep prices as low as we can consistent with sound practice. The declared policy of General Foods is as follows:

"First, of course, we must cover current costs of raw materials, labor, and other charges to us. Secondly, we shall add a sufficient margin to take care of adequate sales, promotion, and research expense. Third, competition permitting, we shall try to make a fair profit which past experience has indicated is necessary to keep our business healthy."

We expect to stay in business a long time, and we will not risk the future for any quick or temporary gain. It is vital to the national prosperity for all of us to "hold the line" and keep prices in balance.

Now I trust you won't think I'm lecturing you or calling your attention to something that you have already seen. Frankly, I don't know of a more consumer-conscious group of businessmen in America than yourselves. I don't know of anyone who has done more to hasten the spread of more goods for more people at lower cost than you have.

My purpose really, is just to offer confirmation of something we all know instinctively yet are sometimes inclined to forget. It will pay us all to re-examine our businesses in the light of pre-war conditions. We can then ask ourselves whether or not we're still paying the same attention we did to payrolls, cost-cutting methods, services to the consumer, and efficient personnel administration procedures. Just the other day I met with a group of General Foods industrial engineers, time and motion study men, and I told them that I thought the biggest job of all lay just ahead of them. This is true of personnel methods, too. Every business can well consider the development of a better-trained, harder-hitting working force. And finally, consumer relations can probably take a little more attention. Advertising can be efficient in the announcement of goods for sales—when available — and still miss the boat when it comes to the friendly, human approach. We can do much more in the information of the public along public relations lines. And we can do still more to instruct our personnel in the warm, pleasant manner of answering questions.

Well, so much for the domestic side of the business outlook. Nov. 5 is past now, and it was quite a day — as election days always are. I'm just reminding you now that Election Day is continuous for a business that exists by permission of the consumer. And I think we're moving into a new period. American business has been partially freed from one of the most dangerous restraints it has ever faced — price control. Necessary as it was in wartime, it was a constant threat to a free economy. Now the challenge is to us. And this, I think, will summarize the challenge:

(1) To keep our businesses efficient and competitive in the service of the consumer, (2) to build, plan, create, and expand our businesses — and thus keep the confidence of our employees and of the public at the same time, discrediting the critics of the system in which we believe (3) to reject isolationism as a philosophy and to recognize the role which our strong American economy can play in bringing peace and endless prosperity to the world and (4) to turn our eyes to the future and transmit to others our own courage and faith in the rightness of that which we do.

You and I have everything in common. You sell. I sell. From the beginning of my business day, I've just been a "prune peddler" by trade and an optimist by nature. I shall be more than satisfied if today I have sold you just one idea. And that idea is this: We're not just a part of a city or a state but of a nation to which the world looks with hope. What we're doing is not a drab, dollars-and-cents, over-the-counter affair. It's an art, a science, and a mission. It's the creation of jobs — not for "employees" but for people. It's the creation and distribution of goods and satisfactions, not for anonymous "consumers" but for human beings. It's the preservation not of an economic system but of freedom itself.

Is that worth working for? Can we take a chance on that? Tom Paine once said: "We have it in our power to start the world over again." With those words he widened the horizons of those about him and so helped to create the freedom which American business today can—and will—preserve.

1947 ABA Convention In Atlantic City

The 1947 convention of the American Bankers Association will be held in Atlantic City, it was announced on Oct. 31 by C. W. Bailey, President of the American Bankers Association. The dates will be Sept. 29 to Oct. 1. Bankers are urged not to request hotel reservations now, Mr. Bailey says. The Atlantic City hotels are preoccupied at present with 300 conventions scheduled to be held before the American Bankers Association convention.

Later on, official ABA convention forms will be sent out, he states. The Atlantic City hotels will not accept any reservations from bankers unless they are received on these forms.

Alexander Lehmann Dead

Alexander H. Lehmann, former Treasurer of the New York Produce Exchange died on Oct. 26 at Saratoga Springs, N. Y., after an illness of several weeks. He was 57 years of age. Mr. Lehmann, was born in New York, and resided here at the time of his death. The New York "Times" in noting his death said:

"He was treasurer of the Exchange in 1941-42 and had been a member of several of the body's committees.

"He served on the Mexican border in 1916 with the old Seventh Regiment, fought overseas in the Meuse-Argonne offensive in the first World War and rose to the rank of First Lieutenant in the conflict. In the recent war he was a Major in the Army's Inspector General's Department.

Foreign Markets and Our National Economy

(Continued from page 2460)

suggestion of Henry Hazlitt, so admirably stated in his stimulating new book, "Economics in One Lesson," by distinguishing between those policies which in the long run benefit everybody and those policies which benefit certain groups only and at the expense of all others. I propose to apply Mr. Hazlitt's formula to my topic by first stating the proper purpose of our foreign trade for us as a nation and then to relate our exports and our imports to that purpose.

Purpose of Our Foreign Trade

The purpose of our foreign trade was accurately stated in the Final Declaration of the 32nd National Foreign Trade Convention. It is "to bring benefit to the people of the United States through an increased production, interchange and consumption of useful goods and services." The purpose of foreign trade between the United and Associated Nations was stated, in almost identical language, in Section 7 of the Master Lend-Lease Agreement:

> . . . "the expansion by appropriate international and domestic measures, of production, employment and exchange and consumption of goods. . . ."

Let me add to this the statement of the Colmer Committee, that the postwar foreign economic policy of the United States is to establish the economic foundation of a durable peace and to assist in providing high and expanding levels of income here and abroad.

Taken together, these statements accurately state the case for foreign trade and state it in terms which are at once beneficial to us as a nation and to the other nations of goodwill who work with us toward the common end of an expanding world trade.

Now let us consider exports. This year our export volume, including lend-lease and UNRRA, is reaching toward $10,000,000,000, of which three-fourths may be commercial exports; $10,000,000,000 is a sizable bite out of our gross national production for 1946, which may fall not far short of $200,000,000,000.

Good, or Bad?

The value of our exports has been stated in strikingly different fashion by two of my friends in the Department of Commerce, Dr. Amos E. Taylor, in a study prepared for the Committee on International Economic Policy, entitled "The '10%' Fallacy," puts the case for exports in scholarly fashion. He maintains that it is fallacious to state the importance of our exports in arithmetical terms—that their impact on our national economic welfare far outruns the small percentage they usually constitute of our domestic market. This he bases on the fact that in some lines not only 40 or 50% of their total production goes abroad but also that even when the percentage is much less it nevertheless constitutes that final margin of production which is the profit maker. The Undersecretary of Commerce, Alfred Schindler, states the case for exports in language you trust officers understand. He puts it in terms of the husband who lingered too long at the tavern—but not long enough to avoid his wife, who was waiting up for him when he got home. She led him through the familiar routine, ending up with this one: "And now will you tell me how you got drunk in the first place?" To which he patiently replied, "Dearie, I didn't get drunk in the first place; I got drunk in the last place." That, too, emphasizes the punch inherent in that last per cent!

Undoubtedly, banner exports are good for special groups of our people in the short run. The exporter and his satellites — the freight forwarders and steamship agents and operators, the foreign exchange traders, the foreign bankers, the insurance underwriters and agents—will be busy. Labor leaders who utilize periods of high employment to press demands welcome the added pressure which exports exert on our under-supplied domestic market. The leverage of export sales will serve to lift the domestic profits of many producers and manufacturers. And, as our former Secretary of Commerce was wont to emphasize, exports of $10,000,000,000 in goods provide 5,000,000 jobs.

But to claim any lasting utility to our people from exports alone, is a fallacy easily demonstrated. Yearly production of $10,000,000,000 of goods in excess of the ability of our domestic market to purchase and pay for them would create the same amount of employment and give the same marginal lift to domestic production, were we, instead of exporting them, to simply dump them in the ocean. If we are not eventually to get back equivalent goods and services from foreign markets, we would be wiser to distribute the excess production among the more impoverished of our own citizens.

Distinction Between Exports and Foreign Trade

The fallacy is in failing to distinguish between exports and foreign trade.

The basic principle of foreign trade is that it is a trade. Trade must ultimately balance. We can give to the limit of our productivity; but we can trade no more than our purchasers can pay for out of what we buy from them, plus what we pay them for services such as freight or foreign travel—plus what we give them in remittances to relatives and friends. The ability of the foreigner to pay for our goods can be further expanded by our loans or capital investments abroad, but this is true only if we are content to let the funds remain permanently abroad. Even then, we must deduct from the total available for payment for our goods the sums we will expect to receive each year as interest or dividends on our foreign investment.

To the extent that our present-day exports are not balanced eventually by the receipt of a corresponding value of useful goods and services from abroad, they will end up as an involuntary addition to the outright gifts, so labelled, which are our contribution to the cost of world reconstruction. No one can doubt that there lies immediately ahead a foreign demand for our goods, which we shall be hard put to meet. Nor can one doubt that our exporters will be paid, though payment may come from the proceeds of loans raised from our taxpayers or investors. However, this is only potential foreign trade. Exports paid for by our investors and taxpayers will have no lasting utility for us as a nation until we receive what we are trading for — useful goods and services.

These goods and services, when and if we receive them, will be "imports." And with their role thus understood, we can see how fallacious it is to regard imports as objectionable because they consist of goods that we could perhaps produce at home, or to claim that payment for imports is "money sent out of the country." Such an attitude betrays a failure to understand the nature and function of either money or international trade.

We are, currently, far from balancing our exports with imports. Exports are at the rate of $10,000,000,000; imports, less than $5,000,000,000.

Foreign Loans and Investments

One trouble with our foreign trade is that too many nations have too little with which to trade. Which brings me to the subjects of investments and foreign loans —doubtless to your relief, because I thus come measurably close to the field you fellows are foregathered here to discuss. Foreign investments and foreign loans constitute the only ways in which to bridge the gap between $10,000,000,000 of exports and $5,000,000,000 of imports (including services).

First, foreign investments. The recently issued report of the Colmer Committee on the Postwar Foreign Economic Policy of the United States estimates that in the postwar period our private foreign investments, with proper encouragement, might amount to as much as $2,000,000,000 a year. This may be a sound and effective way to augment the supply of dollars available for payment of our exports. It is subject to the limitation that provision must be made for the remittance, in dollars, of the interest and dividends on the sums thus invested abroad. It is further subject to the qualification that the practice of foreign investment must be continuous, because its cessation would curtail the expansion of our exports and its reversal would diminish them.

Secondly, foreign loans. The fundamental fact about a foreign loan is that it is a deferred import. In other words, the stimulation of exports created through loans involves a corresponding restriction of exports or stimulation of imports when the loans are paid. This statement is subject to the qualification that a foreign loan may possibly be used for a purpose which will generate sufficient additional dollar exchange during its life to provide for its payment at maturity.

A considerable distortion in our balance of trade with any country can be financed by a loan without detriment — indeed, with mutual benefit—as long as the adverse balance is not so severe or so protracted that an ultimate balance becomes impossible. The loan permits our export trade to proceed at a merry clip, unrestrained by worry about where the dollars are coming from. The loan has transferred that worry to others. If the loan was arranged by our investment bankers through a public offering, the risk is on the investing public. If the loan was arranged through our government, the risk is now on our taxpayers. On loans to be arranged by the International Bank for Reconstruction and Development, our taxpayers will share the risk with those of the other subscribing nations. In any event, for our foreign traders export has served its purpose, which is to sell goods for a realized profit. But exports sold by our foreign traders and paid for by our investors and taxpayers will not result in benefit to the people of the United States until we as a nation have received from others, in products and services, the equivalent of the products and services which we have supplied to them. And that means that an international loan, like a single purchase, can be paid only with goods and services. The trade cycle, no matter how long and usefully it is postponed, can eventually be completed only by reversing the normal position of the United States from that of a net exporter of goods and services to that of a net importer of goods and services.

Essentially, our program for economic assistance to the United and Allied Nations consists of the delivery of some billions of our current productivity to friendly nations, in the expectation that they will shortly be able to send us yearly at least sufficient goods and services, of the sort that we can willingly and advantageously receive, to compensate us for the use of our capital, and in the further expectation that they will ultimately be able to increase their output to the point that we will receive in production from them the equivalent of what they presently receive from us.

Foreign loans should, then, be geared not simply to our ability to produce goods in excess of our own necessities but to the ability of the recipients to produce, ultimately, an equal volume of goods that we can usefully and willingly receive.

This principle is fortunately respected and observed by those who are responsible for the operation of our Export-Import Bank. It is usefully set out in the first report of the National Advisory Council, transmitted by the President to the Congress on March 1, 1946, entitled "A statement of the Foreign Loan Policy of the United States Government." Among other things, the statement emphasizes that postponement of the payment process, while useful, is possible only if a favorable atmosphere is provided for its foreign investment, pending repatriation. It is conceivable, the report states, that "in a world of peace, prosperity, and a liberal trade policy, there may well be a revival and continuation of American private investment on a large scale, including a reinvestment of the profits of industry, that will put the period of net repayment far in the future."

Evidence of the fact that both the release and the use of credit in accordance with sound principles is no easy matter is supplied by the fact that, while the President's Budget Review, in August estimated that our foreign credit program would require $4,168,000,000 for the fiscal year, the total actual outlay for the first quarter was but $567,000,000. Since July 1, repayments of Export-Import Bank credits have exceeded new loans from borrowed funds by $33,000,000. The United Kingdom had withdrawn but $600,000,000 of the approved $3,750,000,000 credit, which was considerably below the earlier estimate of needs during this period. *Business Action*, the weekly report of the Chamber of Commerce of the United States, of Sept. 16, predicts that "for the fiscal year 1948, the outlay in the international finance program, including the British credit and loans through the Export-Import Bank, does not seem likely to exceed $3,000,000,000 and may not run that high."

A Sound Program of Foreign Collaboration

For the fact that our program of foreign economic collaboration is going forward on sound and conservative lines, rather than in the grandiose fashion envisaged by some of our global do-gooders, our people owe a generous measure of thanks to the American Bankers Association. Those of you who heard Randolph Burgess summarize, at our September Convention, the important safeguards included upon the specific recommendation of our Association, by our Congress in the legislation authorizing our participation in the Bretton Woods institutions, can appreciate that it was a major achievement during his administration. The institutions were conceived in a great surge of sentiment for international cooperation, and the campaign in their behalf was turned up to an evangelical note. It took courage, persistence, and consciousness of right to face up to those pressures — not all of which were outside our Association. But it was done. The result is that the Bank for Reconstruction and Development, now being organized under the able leadership of Eugene Meyer, will operate upon principles, and under supervision, that will justify you trust officers in joining in the discussions, now beginning, as to the marketing of its obligations, and qualifying them for investment by institutions and trust funds.

Here ends my trespass on your time and patience. Need I point out the close relationship of what I have said to your responsibilities as trust officers? We made large foreign loans after World War I, through both government and private channels. We lent too much, and not carefully enough, and we stopped lending too suddenly. The accounts you administered felt the impact of those mistakes whether or not they contained foreign obligations. Our present policies are even more generous though probably more fully considered. Need I argue that you should familiarize yourselves with our program, give your aid to make it effective, and by ready with recommendations from time to time to keep it on the true course?

Christmas Funds in Mutual Savings

Christmas Club owners in the mutual savings banks of the nation are receiving this month a total of $124,557,464 comprising the accumulations of 1,761,377 depositors, according to the National Association of Mutual Savings Banks. This figure is $13 millions more than was saved in 1945 and represents an average distribution of $70.72 per account, as compared with an average of $69.25 for last year. The Savings Banks Association advices of Nov. 1 added:

"New York ranked first in its mutual savings bank Christmas Clubs with deposits of $54,926,206 and depositors numbering 713,623, an average of $76.97 per account. Massachusetts was second with $27,388,719 deposits and 466,718 depositors, an average of $58.68. Connecticut followed with $14,117,600 deposits and 197,944 depositors, an average of $71.32."

In commenting upon this splendid showing, A. George Gilman, President of the National Association of Mutual Savings Banks and President of the Malden (Mass.) Savings Bank, said, "The true spirit of thrift is reflected in the many thousands of small weekly deposits which go to make up the record totals which the savings banks of the nation will distribute to its Christmas Club depositors within the next few weeks. The accumulation of more than $124 millions through this medium of small savings is a tribute to the wisdom and foresight of our people and is an encouraging sign in these days of economic confusion and unrest. Undoubtedly a large portion of these accumulations will find their way into regular savings accounts and be retained for future use, and also into savings bonds during the forthcoming promotional campaign sponsored by the Federal Government. Such action on the part of Christmas Club savers will serve the dual purpose of providing future financial security and assisting the Treasury in its financing plans."

Mutual savings banks in Brooklyn will distribute $22,548,866 among 296,157 depositors. Manhattan ranked second with $12,378,498 and 137,777 depositors. Queens deposits aggregated $5,192,232 and 72,930 depositors, the Bronx $2,810,000 deposits and 37,718 depositors. Richmond reported $1,080,000 deposits and 16,550 depositors.

Many Trusts Cushioned Stock Break With Cash

(Continued from page 2458)
equivalents, 36% in bonds and preferreds of investment quality, and 54% in lower grade prior securities and equities. During the following half year, the management shifted funds from the investment section to its cash portion so as to be in a position to buy when the economic picture should clarify. Common stocks were decreased slightly percentagewise. This trust did not join the bandwagon in September after the post Labor Day break. In the report covering third quarter operations dated Oct. 21 the trustees state: "As long ago as December of 1945, and reported to you at that time, your trustees were concerned at the great advance which had taken place in common stock prices, and their belief that in their price rise, equities had anticipated much of future earnings which might be expected to be realized."

In similar manner, Nation Wide Securities, while it held a little greater percentage of its assets in the more risky end of its portfolio—65% on March 31—it reduced this to 57% in June and 51.6% in September. In June investments were shifted to higher grade securities, while in the third quarter, apparently as the outlook became more obscure, cash position was being built up for subsequent purchases. The George Putnam Fund had built up a healthy cash position in the first half of the year while at the same time keeping approximately an additional 25% of its portfolio in high grade securities. In the June 30 report the trustees note: "The Fund's investment policy places emphasis upon a well-balanced position. In general, it seems to us that under prevailing conditions we should continue to exercise a bias towards caution." In contrast to the two funds mentioned previously, however, a portion of the cash reserve was invested in the third quarter. Emphasizing that they hope and believe they are "hired as trustees and not as prophets," they see longer term bullish factors and while not trying to guess intermediate market movements they try to steer a "middle-of-the-road course." Eaton & Howard and Wellington Fund also invested a minor portion of their cash reserves built up over the previous period. Russell Berg, a relative newcomer to the field, is known to have built up its reserve before the September break.

Certain stock type open-end funds built up cash positions to respectable proportions. Most of this group were buyers on balance, using not only purchasing power realized from previous sales of securities, but also cash acquired from new shareholders. In only negligible cases was it necessary to draw down cash in order to meet an excess of repurchases over new sales of a trust's own securities. New England Fund did an outstanding job in maintaining its asset value, making no purchases in the third quarter except for a small block of 200 shares of Bethlehem Steel. Fidelity Fund built up its cash to the respectable amount of 1½ million dollars, 12% of asset value, as of Sept. 30. Fundamental Investors and Investors Management Fund, under joint sponsorship, built up cash to over 25% in June, then reduced this somewhat in making purchases in the last quarter. Substantial reserves were still maintained.

As can be appreciated, while buying in the third quarter, especially within the open-end group, was predominent, several trusts made few commitments and others used up only small portions of their reserves. The question in the minds of managers is how serious the current recession will be and to what extent it is necessary to protect oneself. Apparently, believing that the worst of the blitz was over, the Investment Company of America bought equities heavily. Having built up cash to 1½ millions in June, representing 21% of its portfolio, it reduced this to 3½% by Sept. 30. Incorporated Investors used up a big chunk of its cash in the second quarter. A last look at the open-end funds indicates a certain amount of confusion in the program of State Street which is generally considered a "smart operator." Having attained a cash position of 8 millions on March 31, it cut this by over one-half in the second quarter, then built back to 7 million during the summer months.

Active Policies of Closed-End Trusts

Lehman Corporation, among the closed-end trusts, reduced its cash balance of 17 million to 9 million in the second quarter largely in the payment of dividends realized on capital gains. It then increased its cash again to 14 million in the third quarter.

While Lehman sold 4½ millions on balance, the Tri-Continental Group bought in light volume during the third quarterly period. Their purchasing was fairly representative of the portfolio additions most favored by the majority of all trusts. It must be emphasized, however, that in the summary of management groups, the purchases of the Seligman trusts are treated as a single unit so that undue weight is not given to their supervision. Oils, building and chemical stocks along with drug equities made up the bulk of these purchases. National Bond and Share bought very lightly during the September quarter keeping the substantial cash portion of its portfolio well intact. With the higher grade investment portion of its fund varying between 9.8 and 13.7, it was in the best position of any of the larger closed-end companies to ride out any economic reversal. Blue Ridge, U. S. & Foreign Securities, and U. S. International Securities used substantial cash balances to pay off portions of their preferred issues either by call or through tender during the second and third periods.

A Small Trust Achievement

Before summarizing purchases made during the quarter, attention should be focused on a small mid-western company which more clearly envisaged the decline in security prices than did any of its bigger brothers. The Wisconsin Investment Company increased its cash three-fold under a concerted and well-directed policy beginning with the month of May. On Sept. 30 only 45.6% of its funds were invested in equities and equivalents. The comment of the company's president in the third quarterly report is worthy of note: "It has been the management's belief that economic and social conditions called for a high degree of liquidity even at the cost of losing revenue income. The sharp decline in stock prices which occurred in the last few weeks appears to have, so far, justified this policy. In the management's opinion, the current outlook still justifies the maintenance of liquidity."

Most Popular Issues

Among the stocks in the most favored oil group, Gulf Oil was bought by eight companies, seven of which added to purchases previously held. Next in demand was Standard of California in which three companies made new commitments and three others increased the number of shares already held. Six trusts also purchased Creole Petroleum while five bought Phillips and a like number Pure Oil. Standard of Indiana was taken into the portfolios of four funds, but whereas four others favored Jersey, two companies disposed of this latter issue. Other oils liked by three or more trusts and sold by none were Atlantic Refining, Cities Service, Continental Oil, Standard of Ohio and Texas Company. Selling was light but Barnsdall was liquidated by four managements, three cleaning out this issue entirely from their portfolios.

In the building and construction category Johns Manville was the popular issue, but in large part additions were due to conversion of the preferred. Five trusts had no such stimulus in purchasing American Radiator which was also sold by two companies. National Gypsum was added to the portfolios of three funds and, although National Lead was bought by four, it was cleaned out entirely by three companies in addition to being sold by two others. Masonite and Armstrong Cork found preference in small lots in three trusts each and Central Foundry was added to two more for the first time. Trane Co., U. S. Gypsum, Plywood and Weyerhaeuser Timber were also added during the period. Three funds took in Sherwin Williams, but this was almost counter-balanced by two sales. Scattered individual purchases appeared in several other issues. Otis Elevator was liquidated entirely by two managements while there was a small preponderance of selling in Flintkote.

Many trusts showed a decided interest in chemicals. American Cyanamid was easily the favorite being added to seven portfolios. While DuPont was next in popularity through choice of five managements, it was also sold by three. Three of the DuPont purchases were new commitments. Union Carbide was also well liked by four funds, but it was disposed of by two others. Koppers Company was added by three companies while other investments added were Eastman Kodak, Hooker Electrochemical, International Minerals and several individual issues. New shares of Monsanto received in the 3-for-1 split-up were partially liquidated by two managements and disposed of completely by a third. Abbot Laboratories was favored among the drug products, but most additions were due to a stock dividend. Merck and Co. was another favorite in this group.

The nibbling in the steels de-

Balance Between Cash and Investments of 47 Investment Companies

End of Quarterly Periods through September, 1946

	Net Cash & Gov'ts Thous. of Dollars —End of—			Net Cash & Governments Per Cent —End of—			Invest. Bonds & Preferred Stocks Per Cent† —End of—			Com. Stks. Plus Lower Grade Bonds & Pfds. Per Cent —End of—		
	March	June	Sept.	March	June	Sept.	March	June	Sept.	March	June	Sept.
Open-End Balanced Funds:												
American Business Shares	‡	1,585	2,278	‡	3.9	7.0	‡	9.5	8.5	‡	86.6	84.5
Axe-Houghton Fund	978	794	523	15.5	11.1	9.1	3.2	3.3	3.8	81.3	85.6	87.1
Axe-Houghton "B"	32	102	79	3.0	8.0	8.6	16.3	13.3	12.8	80.7	78.2	78.6
Commonwealth Investment	§	640	§	19.9	19.3	11.8	13.4	16.2	16.2	66.7	64.5	72.0
General Investors Trust	233	392	467	10.0	16.4	21.8	36.1	33.6	27.9	53.9	50.0	50.3
Eaton & Howard Balanced	3,824	3,698	3,202	17.3	14.9	13.7	20.8	20.9	19.0	61.9	64.2	67.3
Fully Administered Shs.	1,777	1,720	2,009	35.0	28.2	38.1	4.2	4.2	6.0	60.8	67.6	55.9
Nation Wide Securities	336	364	410	6.1	4.9	10.9	28.8	37.7	37.5	65.1	57.4	51.6
George Putnam Fund	3,650	3,679	2,350	20.0	18.5	13.0	25.3	24.3	27.0	54.7	57.2	60.0
Russell Berg Fund	‡	94	256	‡	13.3	36.0	‡	15.4	15.4	‡	71.3	48.6
Scudder Stevens & Clark	‡	1,851	‡	‡	7.4	‡	‡	26.2	‡	‡	66.4	‡
Wellington Fund	9,050	9,270	7,937	29.2	27.0	24.0	15.1	17.0	17.6	55.7	56.0	58.4
Open-End Stock Funds:												
Affiliated Fund	**603	843	2,725	**2.3	2.3	9.9	**None	None	None	**97.7	97.7	90.1
Broad Street Investing	134	152	157	1.4	1.5	1.9	None	None	None	98.6	98.5	98.1
Bullock Fund	238	208	450	4.6	3.5	9.3	1.2	None	None	94.2	96.5	90.7
Delaware Fund	234	206	119	16.6	14.5	11.5	None	2.4	6.9	83.4	83.1	81.6
Dividend Shares	3,077	2,832	2,997	14.2	9.3	10.8	0.4	0.4	None	85.4	90.3	89.2
Eaton & Howard Stock	284	196	83	16.9	11.3	5.5	None	None	None	83.1	88.7	94.5
Fidelity Fund	198	562	1,461	1.5	4.0	12.0	None	None	None	98.5	96.0	88.0
Fundamental Investors	5,126	6,681	4,877	23.2	27.3	23.4	None	None	None	76.8	72.7	76.6
General Capital Corp.	967	770	282	6.9	5.4	2.6	1.7	1.0	1.6	91.4	93.6	95.8
Incorporated Investors	4,676	1,844	1,910	5.1	2.0	2.7	None	None	None	94.6	98.0	97.3
Investment Co. of America	1,057	1,466	202	15.6	21.2	3.5	0.9	None	None	83.5	78.8	96.5
Investors Management Fd.	2,988	3,140	2,096	23.9	25.4	20.4	None	None	None	76.1	74.6	79.6
Knickerbocker Fund	614	269	186	9.0	3.3	2.7	None	None	None	91.0	96.7	97.3
Mass. Investors Trust	8,367	7,087	5,740	3.7	3.1	3.0	None	None	None	96.3	96.9	97.0
National Investors	372	390	454	1.9	1.8	2.5	None	None	None	98.1	98.2	97.5
New England Fund	1,051	1,239	1,141	31.8	37.2	38.9	7.3	7.3	9.7	60.9	55.5	51.4
Republic Investors	170	280	504	10.9	20.6	45.0	None	None	None	89.1	79.1	55.0
Selected American Shares	2,212	1,723	3,658	12.4	9.5	23.9	None	None	None	87.6	90.5	76.1
Sovereign Investors	79	150	209	12.3	24.4	40.6	3.4	None	None	84.3	75.6	59.4
State St. Investment Corp.	8,056	3,735	7,141	10.5	4.7	10.9	1.3	1.2	1.0	88.2	94.1	88.1
Closed-End Companies												
American European Secur.	203	*58	665	1.7	----	5.1	10.8	----	8.6	87.5	----	86.3
‡‡American General Corp.	3,915	3,002	2,825	35.8	27.0	28.7	None	0.1	0.1	64.2	82.9	71.2
Blue Ridge Corp.	9,414	10,037	3,752	15.7	16.8	8.9	2.9	2.1	1.8	81.4	81.1	89.3
Capital Administration	492	687	616	††5.4	††7.2	††7.8	5.4	3.6	4.4	89.2	89.2	87.8
General Amer. Investors	7,095	7,889	7,464	16.3	17.5	19.8	0.7	0.5	None	83.0	82.0	80.2
General Public Service	1,045	298	240	16.5	6.2	6.4	None	None	None	83.5	93.8	93.6
General Shareholders	1,671	1,434	1,395	††7.6	††7.6	††8.2	2.5	1.7	2.8	89.8	90.7	89.0
Lehman Corp.	16,464	9,242	13,973	††14.1	††8.1	††15.3	1.1	1.2	1.2	83.9	89.5	82.2
National Bond & Share	1,050	2,060	1,924	††11.7	††17.0	††18.0	13.7	9.8	10.4	74.6	73.2	71.6
Selected Industries	1,437	1,905	1,571	††4.8	††6.0	††6.5	8.8	10.3	7.7	86.4	83.7	85.8
§§Shawmut Association	678	534	381	9.2	7.1	6.0	1.7	0.5	None	89.1	92.4	94.0
Tri-Continental Corp.	539	1,089	766	††2.9	††4.1	††4.0	14.2	13.0	12.0	82.9	82.9	84.0
U. S. & Foreign Securities	3,974	655	1,047	8.9	1.6	3.0	None	None	None	91.1	98.4	97.0
U. S. & International Secur.	1,206	1,857	395	2.9	4.3	1.2	0.8	0.7	None	96.3	95.0	98.8
Wisconsin Investment Co.	371	668	1,084	16.2	28.7	54.4	0.5	None	None	83.3	71.3	45.6

*Deficit in net cash account. †Investment bonds and preferreds: Moody's AAA through Ba for bonds; Fitch's AAA through BB and approximate equivalents for preferreds. ‡No interim reports issued to stockholders on this date. §Percentage cash and securities published only on this date. **Reported April 30, 1946. ††Percent gross cash and governments as reported by company. ‡‡Portfolio exclusive of securities in subsidiary and associated companies. §§Portfolio exclusive of holdings in controlled banks.

veloped into a first class "bite" in the case of Youngstown Sheet & Tube. Six companies bought this issue, three of these making new commitments. Small lots were also purchased of National, Republic and Allegheny Ludlum. There were only two small transactions in Big Steel, one on each side of the market, very little of this sometime favorite being held in portfolios. Slightly more activity was indicated in Bethlehem, but it was of little significance. In textiles, American Viscose was added by six managers, three as new commitments. Industrial Rayon also appeared on the buy side, while new shares of Celanese were partially disposed of by four companies after the split-up. Twelve portfolios added International Paper largely due to conversion from the 5% preferred. Corn Products was liked among the foods as well as Armour and Co. and Standard Brands. Among the electrical equipments, advantage was taken of the current weakness in the stock of General Electric. Six companies favored this old time blue chip, two of which made entirely new additions. Philco, also was comparatively well bought. Opinion was divided on Westinghouse.

Unpopular Groups

Outstanding group unpopularity was not so easy to ascertain during the current period under review, but a noticeable amount of selling appeared in the utilities. Telephone went to the bottom of the list as four companies disposed of their entire holdings while another partially liquidated. North American was also sold by five companies while four disposed of Water Works and a like number lightened holdings in American Gas and Electric. Consolidated Edison was liquidated in part by two more managements. Favorites in this group were United Light and Railways and Tennessee Gas and Transmission Co., with American Light and Traction a weak preference.

The weight of transactions was also on the selling side in the retail group, although 21 companies added Montgomery Ward largely on the exercise of rights while shares in Allied Stores were acquired by four other managements on the exercise of warrants. Selling predominated in Sears and Woolworth, but not in outstanding volume. Marshall Field, Gimbel, May and Associated Dry Goods were also disposed of. There was also a slight preponderance of sales in the rails with Southern Pacific, Pennsylvania and Coast Line liquidated. Eight managements divided in opinion on the Southern, although Atchison and Great Northern were favored by the buyers.

Transactions were fairly well divided among the metals. While Anaconda was sold by three trusts, five bought Kennecott and three, Phelps Dodge. Aluminum of America was added to five portfolios and Lake Shore Mines to two more. Nickel, U. S. Smelting and Sunshine were sold. Also sold in fairly heavy volume was Lorillard among the tobaccos. Only issue to be slightly favored in this group was Reynolds. Among the amusement issues new shares of Paramount were purchased by eight trusts in addition to those received in exchange for the old issue. Twentieth-Century-Fox was liquidated in six portfolios and Loews in two more. Favorite office equipments were Burroughs and Remington, while Cash Register was disposed of. Shares of Pepsi-Cola were cleaned out by three managements and a fourth lightened its holdings. While among financial institutions, C. I. T. Financial was unpopular with three investment companies it is noteworthy that another three disposed of their entire holdings of National City Bank.

Changes in Common Stock Holdings of 35 Investment Management Groups

(June 30-September 30, 1946)

Transactions in which buyers exceed sellers—or sellers exceed buyers—by two or more management groups. Issues more heavily sold are in italics. **Numerals (1) (2) (3) (4) indicate number of managements making entirely new purchases of an issue, or completely eliminating the stock from their portfolios.**

Bought: No. of Trusts	Bought: No. of Shares		Sold: No. of Shares	Sold: No. of Trusts
		Auto and Auto Parts:		
5(3)	6,800	Libbey-Owens-Ford Glass	100	1
4(2)	4,300	Studebaker Corporation	None	None
		Aviation:		
2(1)	2,500	Eastern Air Lines	None	None
3(1)	2,300	United Air Lines	4,500	1(1)
3(1)	2,600	United Aircraft	None	None
1	*1,000*	*Lockheed Aircraft Corp.*	*7,300*	*3(2)*
		Beveridges:		
None	*None*	*Pepsi-Cola*	*10,600*	*4(3)*
None	*None*	*Schenley Distillers*	*2,800*	*2*
		Building Construction and Equipment:		
5	33,100	American Radiator	7,000	2(1)
3	900	Armstrong Cork	400	1
2(2)	22,000	Central Foundry	None	None
10(3)	9,550	Johns-Manville*	None	None
3	2,800	Masonite Corp.	None	None
3	4,800	National Gypsum	None	None
3	1,565	Trane Company	None	None
3	3,000	United States Gypsum	200	1
2(2)	5,100	United States Plywood Corp.	None	None
2	4,500	Weyerhaeuser Timber	None	None
None	*None*	*Flintkote Company*	*700*	*2*
None	*None*	*Otis Elevator*	*1,900*	*2(2)*
		Containers and Glass:		
3(2)	7,800	Corning Glass Works	None	None
2(1)	3,000	Owens Illinois Glass	None	None
		Chemicals:		
7(2)	10,300	American Cyanamid	2,500	2(1)
5(3)	950	Dupont	1,200	3(1)
2	1,800	Eastman Kodak	None	None
2(2)	4,300	Hooker Electrochemical Co.	None	None
2(1)	3,700	International Minerals & Chemicals	None	None
3	1,300	Koppers Company	None	None
4	3,100	Union Carbide & Carbon	2,700	2(1)
1(1)	*1,000*	*Monsanto Chemical†*	*2,800*	*3(1)*
		Drug Products:		
5(1)	8,400	Abbott Laboratories‡	5,650	3(2)
3(2)	4,300	Merck & Co.	None	None
		Electrical Equipment:		
6(2)	10,100	General Electric	3,000	1(1)
4(2)	1,840	Philco Corp	300	1
		Financial and Banking:		
3(1)	7,000	Marine Midland	None	None
1	*300*	*C. I. T. Financial Corp.*	*8,100*	*3(1)*
None	*None*	*National City Bank (N. Y.)*	*5,300*	*3(3)*
		Food Products:		
3(2)	10,000	Armour & Co. (Ill.)	None	None
3(2)	3,500	Corn Products Refining	3,700	1
2(1)	2,200	Liquid Carbonic	None	None
3	2,800	Standard Brands	None	None
None	*None*	*United Fruit*	*3,300*	*2(2)*
		Industrial Machinery and Equipment:		
2	2,500	Foster Wheeler	None	None
2(1)	2,300	Worthington Pump & Machinery	None	None
1	*100*	*Allis Chalmers*	*2,500*	*3(2)*
None	*None*	*American Chain & Cable*	*3,100*	*2(1)*
None	*None*	*Oliver Corporation*	*1,800*	*2*
		Metals and Mining:		
5(1)	5,300	Aluminum Co. of America	2,500	1(1)
5(1)	2,600	Kennecott Copper	3,200	2
2	1,700	Lake Shore Mines	None	None
3	12,100	Phelps Dodge Corp.	None	None
1	*200*	*Anaconda Copper*	*5,000*	*3(3)*
2(1)	*22,500*	*International Nickel*	*9,100*	*4(4)*
None	*None*	*Sunshine Mining*	*4,400*	*3(2)*
None	*None*	*U. S. Smelting & Refining*	*3,400*	*2(1)*
		Metal Fabricators:		
2(2)	3,600	Scoville Manufacturing	None	None
		Office Equipment:		
3	4,000	Burroughs Adding Machine	None	None
4(2)	3,500	Remington Rand	320	1(1)
None	*None*	*National Cash Register*	*6,100*	*3(1)*
		Paper Products:		
12(2)	23,850	International Paper*	15,200	3
5	12,600	Rayonier, Inc.	None	None
None	*None*	*Marathon Corporation*	*2,400*	*2(2)*
		Petroleum:		
3(1)	4,500	Atlantic Refining Co.	None	None
3(2)	13,000	Cities Service Co.	None	None
		Petroleum: (Continued)		
3(1)	4,000	Continental Oil	None	None
6	13,000	Creole Petroleum	2,000	1(1)
8(1)	14,800	Gulf Oil Company	100	1
2	1,000	Lion Oil Co.	None	None
2	6,000	Louisiana Land & Exploration	None	None
5	9,500	Phillips Petroleum	None	None
5(1)	5,100	Pure Oil Co.	None	None
2(1)	2,800	Skelly Oil Co.	None	None
6(3)	9,200	Standard Oil of California	800	1(1)
4(1)	4,200	Standard Oil of Indiana	None	None
4	2,900	Standard Oil of New Jersey	1,100	2(1)
3(1)	11,400	Standard Oil of Ohio	None	None
3(1)	2,800	Texas Company	None	None
2(1)	19,900	Texas Pacific Coal & Oil	None	None
None	*None*	*Amerada Petroleum Corp.*	*500*	*2*
None	*None*	*Barnsdall Oil Co.*	*6,500*	*4(3)*
None	*None*	*Socony Vacuum*	*17,500*	*2(1)*
None	*None*	*Transwestern Oil§*	*37,800*	*5(4)*
		Public Utilities:		
2	700	American Lt. & Traction	None	None
2(1)	9,000	Tennessee Gas & Transmission Co.	None	None
4(2)	19,500	United Light & Rlys. Co.	None	None
None	*None*	*American Gas & Electric*	*8,800*	*4(1)*
None	*None*	*American Tel. & Tel.*	*3,850*	*5(4)*
None	*None*	*American Water Works & Elec.*	*12,760*	*4(3)*
None	*None*	*Consolidated Edison of N. Y.*	*2,700*	*2*
None	*None*	*National Power & Light*	*12,300*	*2(2)*
1	*900*	*North American Co.*	*15,600*	*5(1)*
None	*None*	*Pennsylvania Power & Light*	*15,000*	*2(2)*
		Radio and Amusement:		
2(1)	3,500	Columbia Broadcasting "A"	None	None
8	25,600	Paramount Pictures††	5,600	2
None	*None*	*Brunswick-Balke-Collender*	*1,200*	*2*
1	*1,000*	*General Precision Equipment*	*2,300*	*3(2)*
None	*None*	*Loew's*	*9,700*	*2*
None	*None*	*Twentieth-Century-Fox*	*27,100*	*6(1)*
		Railroads:		
3(2)	1,700	Atchison, Topeka & Sante Fe	500	1(1)
3	3,500	Great Northern Preferred	1,000	1(1)
None	*None*	*Atlantic Coast Line*	*2,000*	*2(1)*
None	*None*	*Pennsylvania RR.*	*19,000*	*2*
3(2)	*4,500*	*Southern Pacific*	*15,200*	*5(2)*
		Railroad Equipment:		
2(1)	2,100	American Brake Shoe	None	None
None	*None*	*Baldwin Locomotive Works*	*2,400*	*2*
None	*None*	*Westinghouse Air Brake*	*900*	*2(1)*
		Retail Trade and Chain Stores:		
4(2)	9,700	Allied Stores**	400	1
3(1)	4,000	Bond Stores	1,000	1
21(3)	55,595	Montgomery Ward**	1,100	2
None	*None*	*Associated Dry Goods*	*7,500*	*2*
None	*None*	*Gimbel Brothers*	*4,000*	*2*
None	*None*	*May Department Stores*	*3,300*	*2(2)*
None	*None*	*Sears Roebuck*	*21,200*	*4(1)*
1	*500*	*F. W. Woolworth Co.*	*3,200*	*3(1)*
		Rubber and Tires:		
1	*500*	*Firestone Tire & Rubber*	*5,200*	*3*
		Steels:		
2	800	Allegheny Ludlum Steel	None	None
3	1,600	National Steel	None	None
2(1)	8,500	Republic Steel Corp.	None	None
2	2,100	Wheeling Steel	None	None
6(3)	8,400	Youngstown Sheet & Tube	None	None
		Textiles:		
6(3)	16,037	American Viscose	10,700	2(1)
2	2,600	Industrial Rayon	None	None
1	*1,250*	*Celanese Corp.†*	*27,850*	*4*
		Tobaccos:		
3(1)	1,500	R. J. Reynolds Tobacco	8,000	1(1)
None	*None*	*P. Lorillard Co.*	*59,700*	*3(1)*

*Includes shares received from conversion of preferred issue.
† On basis of new shares received from split-up.
‡ Includes stock received as dividend.
§ Exchanged for other security.
†† Shares acquired in addition to those received from split-up.
** Includes in great part stock received through exercise of warrants or rights.

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Note—This survey covers 49 trusts but purchases or sales of trusts sponsored by one management group are treated as a unit. For example, six trusts sponsored by J. & W. Seligman are considered as having the weight of one manager. Overseas Securities and First York Corporation included in addition to companies listed in companion tables.

The Gold Standard in a Free Gold Market

(Continued from first page)

ury for dollars for restricted purposes.

What would gold sell for if we had an unrestricted free market for gold? Would the price of gold rise above $35 an ounce or fall below the government fixed price? In a free market the price of gold would be determined like the price of any other commodity. If too many dollars were offered for gold, the gold price would rise and the correct gold value of our currency would be the free price of gold made by supply and demand. Such a free market would establish the real value of the dollar and evaluate the dollar in terms of the amount of inflation in our money and bank deposits.

What are the various currencies of the world worth in gold? What is the dollar worth in gold? What is the pound worth in gold? What is the mark or the franc or the lira worth in gold or dollars? No statistician on earth can arbitrarily fix these values. Then how can we arrive at accurate values and free markets for goods?

The first step, along with throwing off other restrictions, is a free market for gold to find out what the paper dollar and all other currencies are worth in relation to gold and to each other.

The crux of sound economic stability is free markets. A free market in gold—the real money of the world—could provide the basis for free markets for commodities and manufactured goods, and stable free trade guided by the law of supply and demand. Unless we are willing to go all the way and establish free markets on a sound economic basis we are wasting our time and substance and a disgusted and disillusioned world will drift further into government regimentation and nationalism.

The International Monetary Fund Must Face Realities

The idea that each member country will advise the Fund of the par value of its currency and that henceforward the currency will be maintained at that value, subject only to narrow fluctuations, is contrary to all past experiences in foreign exchange matters. Economic and financial conditions, fiscal management, foreign trade, confidence in the government, and a free exchange of currency for gold will govern the value of the currency in each country.

The Fund may be helpful in bringing about sound economic conditions and free markets in each member country. But any such international bureaucracy as described in "The Articles of Agreement of the International Monetary Fund" to regulate the exchange rates is doomed to failure unless managed with discretion and judgment governed by the values in a free gold market. Moreover, such regimentation and control of monies and trade quotas, both as stated and as implied in the agreements, will create nationalism and reduce international trade to the minimum.

In the "Commercial and Financial Chronicle" of Aug. 22, 1946, Dr. L. Albert Hahn presented a fine account of the present black markets in the foreign exchanges in Europe resulting from government bureaucracies set up to thwart the working of the law of supply and demand in a free exchange of gold for paper money. I quote from Dr. Hahn's article as follows:

"On the markets for bank notes, only small denominations — American bank notes not over $20—are dealt freely. Large denominations are salable, if at all, only at a strong discount, the reason being that their imports into the countries of origin are either forbidden or their payment into bank accounts controlled for illegal, especially internal black market transactions.

"The so-called black or internal payments that are traded replace the ordinary checks on or transfer orders to foreign banks. They are sold in Switzerland by small firms that specialize in these matters because the banks of standing do not trade in these markets. The counterpart in the foreign country is not as usual a bank, but a private individual or a small firm that pays out the purchased amount at the residence of the recipient. In this way, a traveller who needs money for living expenses in France can acquire the francs from somebody in France who needs Swiss francs in Switzerland without a single check or letter between banks passing the frontiers.

"In most countries of Europe, outside Switzerland, these transactions are clearly illegal. Swiss francs, for instance, can be acquired in France legally only for importation of specific goods by special license. The purchase in Switzerland of dollar payments from Swiss credits would be illegal from the standpoint of the United States as long as the frozen Swiss accounts are not deblocked.

"Some transactions in the United States dollar checks and transfers orders are, however, entirely legal also from the American standpoint. These are concerned with payments from Swiss accounts that have been licensed for some reason or other by the United States Treasury, but of which the dollars received are not taken over by the Swiss National Bank at the official rate of frs. 4.30 to the dollar. (At this rate the National Bank buys only dollars received in payment for exports and—in limited amounts—for certain other purposes, for instance support of charities.) All other dollars are called 'finance' dollars as distinct from 'Commercial' dollars. They are traded and quoted freely and the quotations are, as most prices for currencies and transfer orders, listed in newspapers and bulletins.

A Quotation List

"The following are the prices at which foreign paper money were quoted in Zurich on Aug. 3, 1946. The official exchange rate is added in the last column so that the discount of the free market rate in comparison with the official rate can be seen without difficulty.

	Demand	Offer	Official Rate
Dollar	3.32	3.47	4.30
Pound Sterling	10.32½	10.42½	17.34
French Francs	1.35	1.45	3.60
Belgian Francs	4.80	5.00	9.90
Dutch Florins	41.50	43.00	162.00
Swedish Kronor	105.00	110.00	17.40
Portuguese Esc.	13.00	13.75	----
Czech. Kr.	3.25	3.75	----

"The following gives the quotations for the so-called 'Internal payments.' The official rates are again added in the last column.[1]

	Internal Payment	Official Rate
Paris (100 ffr.)	1.45	3.60
Bruxelles (100 bfr.)	5.25	9.90
Italy (100 lire)	.80	1.91
England (1 pound)	10.50	17.34
U. S. A. (financial dollar)	3.40	4.30
Turey (1 L tq.)	1.35	3.30
Portugal (110 Esc.)	13.60	17.40
Sweden (100 kr.)	102.00	102.60
Holland (100 hfl.)	42.00	162.00
Argentina (100 pesos)	84.00	106.00
Turkey (I L tq)	1.35	3.30

"It is clear from the above that dollar bills and financial dollars are traded at a discount of about 20%.

"For gold coins the following prices are paid:[2]

	Napoleon	Eagle	Sover'gn
Switzerland (official)	30.50	[illegible]	38.45
Belgium	57.00	13.70	75.00
Italy	50.00	----	65.00
Portugal	----	13.70	40.00
Turkey	50.00	----	63.00
Egypt	----	----	62.00

"The quotations represent the prices that are paid for gold coins on the black markets in the various countries, calculated in Swiss francs at the black market rates for the latter. It can be seen immediately at what a tremendous premium, in comparison with the official rate in Switzerland, gold coins are traded all over the world.[3]

"The Napoleon—the golden 20-franc piece—for instance, is worth almost 100% more on the black market in Belgium than it is officially worth in Switzerland.

"The official price of gold in Switzerland is the price at which the Swiss franc is stabilized for the time being. The National Bank, however, sells gold or gold coins not to every bearer of her bills, but only—and this in very small quantities—to people who are known to her as reliable. The result of this semi-gold standard — where everybody can sell and not everybody can buy gold at the official rate—is the development of a black market for gold in Switzerland too. This market, known to the authorities, exists although trading above the official prices and even more the exportation of gold is strictly forbidden. The black market prices for gold and gold coins seem to be roughly 50% higher than the price corresponding to the gold standard of the Swiss franc.

"From all this it is obvious that on the scale of values gold ranks at the top, then follows the Swiss franc, then the United States dollar and the currencies of the dollar bloc, then the pound sterling and finally the truly weak currencies as those of Holland, Belgium and France.

Awkward Consequences

"The imagination is not sufficient to figure out the awkward situations that develop from what can be called euphemistically the arbitrage between white and black exchange rates. It is impossible to describe the multitude of abnormalities one hears of the longer one stays. A single story may suffice. The fact that it has been published in a well-known Swiss magazine shows to what degree these things are publicly known. It seems that a correspondent of 'Time' has heard of it in London. He met a man who travelled to Switzerland with the 75 pounds allowed for voyages to Switzerland to every British subject. He changed his pounds in Switzerland at the official rate of fr. 17.34, receiving approximately fr. 1300. From these he spent fr. 100 for all sorts of nice things. With the remaining 1200 Swiss francs he bought on the black market 120,000 French francs which were delivered to him when he came to Paris. Here he spent 5,000 French francs for black market dinners, etc. For the rest of 115 000 French francs he bought on the black market pounds at the rate of fr. 700 the pound, thus receiving about 160 pounds. This means that he returned to London after having spent quite a lot of money for all sorts of luxuries and travel with 85 pounds more than he had when he left.[4]

A Free Gold Market—The First Step Toward Freeing All Markets

Can more bureaucracy and control correct these inflated and tangled values of the currency and free trade to do its productive work? The answer is emphatically no. The road to prosperity and the full advantage of trade, both at home and abroad, is through free markets. All economic history and experience proves this statement to be true. A free gold market would quickly make gold the denominator of all currency values in relation to each other. Then exchange and trade commitments with other countries would be carried through with confidence. Fear of forward commitments and distrust of other people's monies would disappear. The money values would be known when commitments are made.

A Free Gold Market to Stabilize The Value of Paper Monies

Do we really know what any currency in the world is worth in gold? Both the United States and England have notified the International Monetary Fund that the currencies will be held at present pegged values for gold at $35 an ounce. These are the two key currencies of the commercial world. Other countries will designate the values of their currencies. But will such a designation on the part of any country or all member countries of the Fund really maintain the values of the currencies?

Both past experience and economic logic are against any such magic in the duration of government designated values for their paper money creations. It is quite possible that gold is worth $35 an ounce in American dollars or British pounds. It may be that gold is worth more or less than this designated value in these paper monies.

If we open a free market for gold, and the Central Banks of the United States and England maintain a market for gold at $35 an ounce, and the open competitive price for public buyers proves to be the same price, a great forward step will have been taken in currency and exchange stabilization which will electrify trade and industry throughout the world with confidence. On the other hand, if gold sells in the open competitive market for more or less than $35 an ounce, the central banks of both the United States and England will have unmistakable evidence of the true value of their currencies. This evidence will point the way toward adjusting currencies to their commercial values for stable exchange rates and create confidence in foreign trade obligations in foreign currencies.

Uncertainty of money values is the greatest barrier to future credit commitments in international trade. Since the United States Treasury suspended gold payments in 1933 and Congress raised the price of gold in 1934 to $35 an ounce, the world stock of gold at this price has been increased probably more than 200% over the world stock of gold for monetary purposes at the end of World War I.

The world monetary gold stock in 1920 was estimated at about $11,000,000,000. It is now estimated at between $30,000,000,000 and $35,000,000,000. The large increase is due to the 69% increase in the price of gold, the increase in gold production encouraged by this higher price, and the release of hoards attracted by the higher price.

In 1920 the United States had the world's largest stock of gold, about $4,000,000,000. Now we have $20,000,000,000 in gold and the rest of the world has proportionately more gold than ever before. In the meantime, paper currencies in circulation and bank deposits have increased in all countries from several hundred to many thousands percent.

What are these paper currencies worth in gold, and what are the dependable exchange rates between these currencies? At $35 an ounce for gold the present gold supply seems quite adequate to support more than three times the volume of money and credit at the end of World War I when gold was only $20.67 per ounce. But the expansion of money and credit in most countries has greatly exceeded the increase in the world's monetary gold. How can we find out the true value of each currency?

A free gold market where all holders of dollars, pounds, or any other currency can buy gold at the market price is the only way to discover the values of these currencies and establish a stable relationship for freer trade with confidence in the credit obligations of foreign countries. Fluctuating exchange rates, interest rates, and prices have been the traditional economic guides in international commercial relations with the price of gold pegged. If the price of gold was free to fluctuate in terms of any currency, the treasuries and central banks of all countries would be warned immediately of the impending danger when a currency got out of line with its gold value.

Establishing a Free Gold Market

A free market for gold has been maintained in London most of the time since the Bank Act of 1844. The Bank of England always stood ready to buy and sell gold at a stated price in pounds. When the price of gold rose above the bank's price, the public had the market and the bank was not offered any gold until the price of gold fell again to the bank's price.

This free market for gold and also for silver in London became a magnet for foreign money and foreign bank deposits, and London naturally became the world's money market. It was the one market where currencies could always be exchanged for gold at the market price. Other free markets for commodities clustered around the money markets and London and England gained great financial and trade advantages as a result of these free markets, which became stabilizing factors in trade and finance for the whole world.

The commercial value of these free markets to England and to the rest of the world cannot be measured. But we know that in the short period of 150 years a struggling population of seven or eight million people grew to be a comfortable nation of more than 40 million and became known as a nation of world traders and financiers. Could this progress have been attained with restricted and regulated markets? England's great progress was made under free trade, free markets and sound money. At the present time the English markets are restrained and regulated.

The money markets are not free. The pound is a managed currency. Investments are regulated and rationed. The Bank of England has been nationalized.

It is earnestly hoped by all who have observed the wealth-creating power of free trade that England will put her domestic affairs in order and return to her place as a leader in free markets, both for the good of England and the whole world. Meantime, while England is in the process of restoring sound conditions in her domestic economy, the United States has both the opportunity and the obligation to restore free markets and sound money condi-

1 These quotations are taken from the weekly bulletin of the well-known private Bank of Julius Baer & Co. in Zurich.

2 Again, according to the bulletins of Julius Baer & Co.

3 The gold premium is not only much higher than the premium for Swiss francs but also fluctuates from country to country in terms of Swiss francs too.

4 As the black market prices have sunk somewhat in the meantime, the above transactions, while still possible, are no longer quite as profitable as they were.

tions upon which the world can depend.

A free gold market in New York would be a help to England and all other countries as a measuring stick for stability in the necessary readjustments to be made in monies, money prices, costs and value relationships.

It is, therefore, suggested that legislation be enacted to enable the establishment of a world free gold market in New York as early as practicable. In a free gold market the International Monetary Fund would find the best guide to the values of the currencies of its members.

If currencies do not have the values which the respective governments think they have, steps can be taken to restore these currencies to the best possible competitive values by each country correcting its own currency and international economic conditions as rapidly as circumstances permit. This will take time and can not be done hastily.

Inflated currencies and prices infect the entire economy of a country and its international trade and financial relations. Because of the inflated and over-valued currencies in most countries, the temptation to hoard gold will undoubtedly linger until a free exchange of currencies for gold and gold for currencies is well established. For this reason it is necessary for each country and its currency authorities to bring the currency in line with gold values.

The time lag in bringing currency values to a par with gold values can be lessened by the United States, the largest holder of gold, opening a free gold market. Until such steps are taken to open a free gold market little progress can be made in freeing the exchanges, and international trade from regimentation and nationalistic controls.

The first step in this series of developments, namely the establishment of a free gold market, is necessarily the most important. Until this is done there is no point of reference around which any practical plans can be developed to relate the various currencies either to gold or to each other.

The passing of time merely aggravates, and does not relieve the strains and stresses now everywhere so manifest.

We Should Practice Dollar Diplomacy

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come convinced that any transition period is likely to be merely a period of transition from one transition period to another transition period. In helping to rebuild the economies of war-shattered countries, in helping backward countries to develop their latent productive capacities, we are helping to develop profitable future markets for American exports and profitable future sources for American imports. By our financial aid, we are also helping the world to free itself from the accumulation since 1930 of increased tariffs, of quotas and exchange controls, and of planned and unplanned instability of exchange rates. We are also using our financial aid to facilitate where it is already desired, and to persuade where there is reluctance or hesitation, the adoption of agreed procedures whereby bilateralistic matching of imports with exports, country by country, can be safely proscribed without serious menace that balance of payments disequilibrium will result therefrom. I know of no former period of history when international financial collaboration was as urgently needed and had as great potentialities of economic benefit to us, and to the world at large, as at this time.

Perhaps I should also mention that we expect also to get some interest payments on the foreign loans we are making and plan to make. But except as the interest rates our foreign debtors pay exceed what the same capital, if invested at home, would earn as interest, there is no national gain from foreign investment on interest account. There is no special economic virtue in foreign investment as compared to domestic investment—or *vice versa*—except as the need for capital is greater abroad than here, and the differences in need are not fully represented by the differences in interest rates asked or offered. The special economic case for American lending abroad now on an unprecedented peace-time scale is that there is unprecedented opportunity for fruitful employment of capital abroad for reconstruction and development, and unprecedented concentration of the disposable supply of capital here.

We do not need to stimulate exports from this country at this time, and capital export undoubtedly accentuates rather than moderates our present difficulties in coping with inflation. The fact that we are somewhat menaced by inflation, however, calls not for a cessation of capital export, but for sufficient anti-inflationary measures to counter both the other inflationary forces and the additional stimulus to inflation which comes from the capital export.

International lending can, in normal times, be made an aid to economic stabilization instead of a hindrance to it, as it has often proved in the past. But that it shall operate in this way requires deliberate planning properly designed to this end, and so far as I can determine not even a gesture in the direction of such planning has yet been made, with the possible exception of the International Monetary Fund.

The International Monetary Fund could, and should, be made to operate, within the limits of its resources, as a cycle-dampening agency. If it operated, in accord with what I interpret as the spirit and even the letter of its charter, strictly as an exchange-stabilization fund, such would be the natural result of its financial operations. But if newspaper reports have any basis, the managers of the Fund are impatient to begin credit operations. At this time price controls, rationing, black markets, import and export controls, and direct governmental trade operations are almost everywhere either substituting for or distorting the traditional role of free market prices as regulators of economic values. At this time every exchange rate in the world has a questionable and indeterminable relationship to the lasting values under free-exchange-market conditions of the currencies involved. At such a time there is little obvious value in stabilizing the existing more-or-less arbitrary exchange rates. At such a time there is no technique except patience and trial-and-error for ascertaining what levels of exchange rates would be deserving of stabilization. If the Monetary Fund authorities nevertheless embark upon active operations without waiting for less unsettled and less transitory conditions, the Fund will inevitably operate as a reconstruction agency, or as a relief agency, instead of as an exchange-stabilization agency. And when the time arrives when exchange stabilization proper will be feasible and urgent, the Fund will have a till empty of the currencies then in demand and will be choked with the currencies in over-supply in the foreign-exchange markets of the world.

The charter of the International Bank for Reconstruction and Development requires it to lend when suitable borrowers appeal for its aid, and there is nothing in its charter which indicates that it would be proper for it to make timing with respect to the cycle an important consideration in granting or withholding loans. The Bank will, in the course of its first year or two of operations, undoubtedly receive applications for loans which will be sufficient in aggregate amount to press hard on its actual capital resources. Financing going beyond its own subscribed capital through the flotation of securities is subject to the approval of the governments of the countries in which the securities are to be floated. If a world-depression should be threatening, increased operations by the Bank would be in order, but there would be no obligation on member countries to support such increase of activity by opening their money markets to the flotation of securities issued or guaranteed by the Bank. Despite the fact that this would mean that the Bank's operations would tend to accentuate rather than to moderate the cycle, I would recommend that the Bank proceed rapidly to the granting of appropriate loans. The need for reconstruction and development loans, which it is the function of the Bank to serve, may never in the future be again as urgent as it is at the present moment, and no part of the responsibility for coping with the cycle has been assigned to the Bank by its founders.

Advocates an "International Employment Stabilization Fund"

There is, however, a field for a third international financial agency with special responsibility for dealing with the problem of fluctuations in economic activity. I have elsewhere advocated the establishment of an International Employment Stabilization Fund, with this as its sole function, and with large resources whose availability for use by the Fund even at times of marked depression would be at least contractually assured. Such an agency would operate counter-cyclically by lending only when depression was threatening or prevailed and by imposing flexible repayment schedules which called for heavier repayments during prosperity than during depression.

If private international lending and private international borrowing are to have much prospect of reappearing in volume, there is need also for the formulation by international agreement of a code of proper behavior for private creditors and private debtors. The status of private creditors, and of government creditors as well, has been seriously undermined by the succession of events of the past two decades—defaults and repudiations, extinction of debts by war and by exchange depreciation, freezing of debts, confiscation of property, etc. Until something is done to rehabilitate the rights of the creditor, it will be a venturesome American investor, indeed, who will place sizable funds on other than a speculative basis and at speculative terms in the securities of any of a very long list of foreign countries. Direct investment by corporations, also, now faces legal and political hazards of a kind which did not need seriously to be taken into account before 1914. On the other hand, even countries which have made it a practice not to pay their foreign debts have come to regard foreign investment in their territory as opening the way to political or economic exploitation, and will be reluctant to admit foreign capital except on terms which protect them against these real or alleged hazards. In any case, it seems to me that anything like a restoration of the pre-1914 or pre-1930 international mobility of private capital will be a long, long time in coming, and will not be an important factor, governmental guarantees abstracted therefrom, in restoring order to international economic relations in the near future.

The small amount of uncommitted funds of the Export-Import Bank will prevent it from playing an important role in the international financial policy of the United States over the next few years unless Congress increases its loanable resources. But if Congress acts at all, it should change the fundamental rule which the Export-Import Bank is required to follow. In the long-run international economic program which the United States is pressing the United Nations to adopt, the central principle is the proscription of bilateralism, of the tying of imports to exports in two-country bargains. The Export-Import Bank, however, is in general permitted to make loans to foreign governments or individuals only if the proceeds are used in the purchase of American commodities or services. Congress, moreover, has imposed the additional requirement that exports financed by the Export-Import Bank must be shipped in American vessels. It is being widely, and properly, asked abroad why tying imports to exports is economically or morally more objectionable than tying loans to exports. At this moment, there is considerable resentment in Norway at the requirement attached to our $50,000,000 loan that Norway, which lives on its shipping earnings, must carry in American ships the American goods which it buys with the proceeds of this loan. Such practices were appropriately characterized by Adam Smith as introducing into statesmanship the underling acts of petty tradesmen. If followed by domestic business at home, they would be frowned on by our laws as constituting "full-line forcing." We have no need, at this time, to stimulate artificially the export of our commodities. In the light of the general principles of trade which our government is advocating with much moral fervor, we should either clean up the charter of the Export-Import Bank, or frankly avow that we believe in our principles only when they do not prevent us from doing what we like to do, or at least ask other governments to forgive us our transgressions on the ground that while it is the State Department which proposes, it is Congress which disposes.

There are other phases of our lending policy upon which I would have been glad to comment if time permitted, but I must preserve the remainder of my allotted time to what is at the moment of greater importance, namely, the political aspects of our lending policy.

The Soviet Charge of Dollar Diplomacy

Our government is being charged by Soviet statesmen with practicing "dollar diplomacy," meaning presumably the use of our financial resources as an instrument of our high foreign policy. In this sense, all of the great powers of modern times have at one time or another practiced financial diplomacy; some countries, notably pre-World War I France and Germany, practiced it systematically. The two chief forms which such diplomacy has taken in the past have been the opening or closing of access to the national money-market as a means of influencing the policy or behavior of particular would-be borrowers, and the promotion of loans and investments by nationals in outside areas of weak or doubtful sovereignty in order to provide a basis for subsequent political penetration.

There is an aura of disrepute about the practice of dollar-diplomacy in the past, especially when it takes the form of so-called "peaceful penetration" or "economic penetration." To the old-fashioned liberal, dollar-diplomacy has appeared to be inherently objectionable because it gives an adventitious advantage to the rich country over the poor, and because, in general, bargains not in *pari materia* tend to have an aspect of blackmail, of coercion, or of bribery about them. Few Americans feel proud of our record of dollar-diplomacy in Latin America prior to the Good-Neighbor Policy, and I recall my own sense of repugnance when I ran across the following in a letter of Woodrow Wilson to Col. House, written in July 21, 1917, or during World War I:

> "England and France have not the same views with regard to peace that we have by any means. When the war is over, we can force them to our way of thinking, because by that time they will, among other things, be financially in our hands."

To my way of thinking, one of the major virtues of the agencies set up under the Bretton Woods Agreements seemed to be that they established procedures and resources for denationalized lending, so that capital could flow from rich and powerful to poor and needy countries without subjecting the latter to any risk of political or economic servitude to the former. I was unenthusiastic, to say the least, about our use of Lend-Lease and of our special loans to England and France to obtain adherence by other countries to our principles of commercial policy, even though I regarded these principles as highly desirable for all countries. To charge ordinary interest on a loan and to tack on additional requirements in other unrelated fields smacks of double usury. I have made it clear in my references to the Export-Import Bank that in general tying-in provisions are repugnant to me. In brief, I have not been an advocate of dollar-diplomacy.

Recent developments in international relations, however, have led me to look at the question afresh, and I would now take a significantly modified position.

When national security is involved, the statesman must canvass every possible resource at his command to promote the safety of his country. If, without violation of any contractual obligations of his country, he can make its command over financial resources effectively serve the national purpose, if that national purpose is both a just and a major one, he would be morally delinquent if he failed to make use of it.

Tired With Soviet's Policies

I am not an expert on Soviet Russia. But I have reluctantly become convinced in recent months that she is as a matter of cold and calculated policy being deliberately provocative to the western democracies, and that in doing so she is serving consistent and intelligible objectives: strengthening national unity and morale at home; terrifying the countries which lie between the western democracies and her own mobile western frontiers; dividing public opinion within the western democracies themselves; obtaining as the result of her bluster and threats a succession of piecemeal concessions which strengthen her and weaken us. By all past experience, no country acts the way Russia is acting unless she is ruled by madmen, or is deliberately courting the risk of war, or both. Russia gives no sign that she is terrified at the prospect of atomic bomb warfare, and she gives every sign that she regards her strategic position, given her objectives, as strong rather than weak. As an ignorant layman, I do not know enough to justify me in assuming that she is seri-

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ously mistaken, and until I am informed to the contrary I must assume that our statesmen are in a similar situation.

These assumptions may well be mistaken ones, and I hope they are. But if on the basis of available knowledge they are at all plausible, then we must frankly face the fact that we are in a most critical stage of international relations, and must marshal all our resources to serve the security interests of ourselves and of western democracy in general. Our financial strength is a resource which if appropriately used can serve that purpose, and if inappropriately used can add to our jeopardy. Under prevailing circumstances, therefore, I urge the frank and deliberate resort to dollar-diplomacy.

Financial Diplomacy and National Strength

Let us examine carefully, however, how financial diplomacy can be made to contribute to the national strength, since some of the current ideas and stereotypes on this questions are fallacious or highly questionable. As between great powers, it is not the creditor-status but rather the possibility of refusing to be a creditor which is a potential source of politicial strength. A loan once granted yields no direct fruit beyond those specified in the bond—and often, as we know, not even much of that. Loans, once granted, rarely command gratitude. If the loan-contract was hammered out in hard bargaining, there is likely to be soreness rather than thankfulness on the part of the debtor once the loan-funds have been transferred, or even before. Once the loan is transferred, moreover, the power shifts from the creditor to the debtor, since the withholding of repayment can be made to exercise the same manner of influence as the withholding of loans. From the point-of-view of influence on foreign policy, therefore, past loans should be regarded as water-over-the-dam, and the potency of finance as an instrument of diplomacy—or of strategy—should be appraised in terms of our command over the granting of new loans.

Tenets for Immediate Future

I suggest, therefore, that if my appraisal of the international situation is not patently a mistaken one, certain corollaries for our foreign lending policy in the immediate future follow therefrom: First, we should withhold all financial assistance of any kind to which we are not already contractually bound from Soviet Russia, Poland, Yugoslavia, Czechoslovakia, and any other countries which from common objectives or from terror are following the Moscow Diktat. This not so much to coerce them, since they have no doubt taken this contingency into account in deciding upon their procedure, but to avoid equipping potential enemies with the means of hitting us more effectively. Second, we should extend financial aid to the countries threatened by the advance of the Russian glacier, if such aid has any chance of being effective in giving them the means and the will to resist such advance. Third, we should look to our alliances, and cement them with dollar-loans where expedient. Fourth, while we should not interfere with the obligation of the Monetary Fund and the International Bank to make their decisions uninfluenced by political considerations, we should keep national security considerations in mind in exercising our veto right over financial transactions by the Bank within our money-market.

I am thus recommending our resort at this time to dollar-diplomacy. But I recommend dollar-diplomacy only in the service of high national policy whose objectives are made as clean and decent as possible. Because the instrument itself had a bad record, and because there will be a tendency for honorable scruples about its use on the part of the American public to make resort to it weaken the public support of our foreign policy in general, it is additionally urgent that the instrument be purged of its past impurities. Let us stop using it, therefore, to force friendly countries in financial distress to buy their cotton from us at above world-market prices or to force them to carry their imports from us in our ships rather than in their own ships upon whose earnings they depend for their daily bread.

Anglo-Argentine Monetary And Trade Agreement

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the sum of five million pounds for payment for current transactions in accordance with A(2). At the end of this four years period, further discussions on the balance to take place.

(6) If in any year the balance of payments with sterling area were unfavorable to Argentina, Argentina may furthermore dispose freely, within the said area, of its sterling balances for an amount equivalent to the deficit.

(7) The gold at present set aside in the name of the Banco Central de la Republica Argentina at the Bank of England (509.907.683 fine ounces) to be released.

C. Forward Sterling.

The Argentine net sterling forward position as at the date of this agreement to be established and all forward purchases of sterling established as being within that position to become free (grp. undec.) for the current transaction as they mature. Pending maturity such net forward position to continue to enjoy existing gold guarantee. Forward sterling operations after the date of this agreement no longer to carry gold guarantee.

D. Paraguay.

On and after the date of this agreement, Paraguayan sterling purchased by Banco Central de la Republica Argentina in accordance with the terms of the tripartite agreement to enjoy facilities described in A(2).

II. Meat

The British Mission agree, as part of an integral agreement:

(i) *Quantity and Period* — To purchase exportable surplus from Argentina for four years from Oct. 1, 1946, after providing for a reserve for sale by the Argentine Government to other markets of not more than 17% in the first year and 22% in the second year; British Government to buy any balance which is not in fact sold by the Argentine Government to other markets.

(ii) *Allocations to Other Countries* — Argentine Government to agree to honor the arrangements which have been current during last year under which, if the British Government assigns quantities of meat from this sale to other countries, they will form the subject of separate arrangements through intermediary of Institute for Promotion of Exchange between the Argentine Government and other countries in respect of payment but will be subject as to price to terms of this agreement. The question of types and quantities to be shipped against such allocations to continue, as at present, to be a matter for settlement between the British Government and such other countries. It is understood if Argentine Government is unwilling to provide any quantity of meat so assigned to other countries, these quantities will be included in sale to British Government.

(iii) *Categories*—The meat covered by this agreement to include beef, veal, mutton, lamb, pig meat, and offals thereof, frozen and/or chilled and canned meats.

(iv) *Prices*—Prices as from Oct. 1, 1946, to exceed prices of first bulk contract* by at least 45%; definitive prices to be fixed taking into consideration results arrived at in special discussions to be held between representatives of British Government and technical sub-commission designated by Argentine commission.

(v) *Clause of Revision* — The prices agreed will remain in force until Sept. 30, 1948, and shall also apply to subsequent shipments unless, before the end of June, 1948, in respect of period commencing Oct. 1, 1948, and before the end of June, 1949, in respect of period commencing Oct. 1, 1949, either government shall ask for reconsideration on substantial grounds.

In arriving at revised prices, which must of course be mutally agreed, it is agreed that full consideration will be given to prices ruling in other producing countries, and that, besides the cost of production, any other relevant factors shall be taken into consideration, including the need to encourage production.

It is also agreed that categories of meat to be purchased and proportions to be reserved for other markets may be reviewed at same dates and in respect of the same periods.

(vi) *Single Payment*—In order to facilitate adjustment to present costs of production the British Government will make a single cash payment of $5 million in "free sterling" to the Argentine Government represented by Argentine Institute for Promotion of Exchange.

(vii) *Canned Meat* — Canned meats already bought and now in store to account of British Government and such further canned meats produced before the end of September, 1946, as may be due to be sold to British Government under the terms of arrangement that regulates the sale of meat up to Sept. 30, 1946, to be released for export by the Argentine Government as soon as ready for shipment.

III. Railways

A. An Argentine company to be formed with participation of either Argentine State and/or of Argentine private individuals, for the purpose of acquiring and operating assets, direct and indirect, of British-owned railway companies which are situated in Argentina as set out in a schedule to be agreed. The new company to accept responsibility for the rights and responsibilities of British companies, except that the new company would not assume any responsibility in relation to debentures issued by British companies.

B. The Argentine Government to agree to set up a technical advisory subcommittee to meet representatives of British railway companies before the end of October to agree to the amount of initial capital, the constitution of the new company, the transfer, the basis of operation generally and any further connected questions. It is the intention that transfer should be completed by Jan. 1, 1947, or as soon after as possible.

C. The Argentine Government to grant the new company exemption from all and any national and municipal taxes, present and future, and likewise will exempt new company from all and any Customs House duties, present and future, on materials and articles for construction and working which it imports into Argentina. But this exemption from Customs House duties will not apply to materials and articles normally produced or manufactured in Argentina at the time of import. The payment of dividends by the new company to British railway companies or to any holding company or organization formed by them for the purpose of receiving and distributing to be made with the same complete exemption from reduction for Argentine taxation as has hitherto applied to financial remittances of profits by British companies from Argentina to London.

D. The whole of the initial capital of the new company to be in shares denominated in Argentine pesos and ranking *pari passu* in all respects and to be allotted to British companies credited as fully paid as the purchase price for assets to be acquired. The Argentine Government to reserve the right on giving reasonable notice to acquire at any time at par part or all of the shares of the new company in the hands of any holder. The British railway companies to be entitled to buy and sell shares in new company on market in Argentina.

E. If at any time, during the course of two consecutive years, the net income of the new company shall not reach 4% per annum of issued capital, the Argentine Government will adopt measures necessary to permit new company to earn an annual net at 4% as a minimum. If in any year the net income exceeds 6% of the issued capital, the amount of such excess to be applied towards amortization or redemption of the new company's capital or for construction or extension to the railways. If net income available for distribution on initial capital does not amount to 80 million pesos in any year, the amount of such deficiency will be made good to holders of initial capital by Argentine Government. For the purpose of this paragraph it is understood that net income shall mean net income available for distribution after making provision for all outgoings, payments and contingent liabilities of whatever nature and an allowance for reserves required for renewals at rates to be agreed.

F. The Argentine Government to provide for new company, in such manner as it may consider most convenient, 500 million pesos in cash over period of the next five years, to be applied in modernization of the system. The new company to issue new shares at par against receipt of such sums. Such new shares to be of the same class as shares of initial capital except as regards receipt of any difference for which Argentine Government would be responsible under Paragraph E, when annual net profits do not amount to 80 million pesos.

G. No taxes, duties, fees or other charges to be payable by the new company or British railway companies which would ordinarily be due under national, provincial or municipal jurisdiction within the Argentine Republic in respect of formation or incorporation of new company or in respect of cessions, transfers notations and official publications, required to be made under this agreement.

H. Upon approval being obtained as mentioned in next paragraph and on transfer being duly completed, the transfer to be deemed to take effect as from July 1, 1946. All rights and obligations of the Argentine Government, the British company and new Argentine company under these heads of agreement to take effect as from that date.

I. This agreement is conditional on approval of shareholders of British company being obtained in accordance with English law and also on approval of Argentine Government in accordance with Argentine law.

IV. Negotiation of a Trade Treaty

It is agreed that discussions should be initiated immediately to prepare modifications to Anglo-Argentine trade treaty recently expired. Pending the conclusion of those discussions, the provisions of the said treaty to continue in force until Dec. 31, 1946.

*i.e., the contract made at the outbreak of war.

Public Works Costs Increase

Statements made on Oct. 27 by Maj. Gen. Philip B. Fleming, Public Works Administrator, revealed that the volume of projected public works would probably be expanded rather than curtailed in the months ahead and set a figure of $6,000,000,000 as approximating the various State and local government plans. General Fleming went on to say, according to a special dispatch from Washington to the New York "Times," that although a promising start has been made toward the original goal of $5,000,000,000 of public works, present inflated costs would result in that figure being considerably short of the desired result. The "Times" advices quoted Gen. Fleming as saying:

"It is indeed difficult at this time to fix a planning goal in terms of dollars, in view of the rising trend in the cost of materials and labor."

It was added:

"Plan preparations completed without Federal aid through June would provide State and local works costing an estimated $1,125,789,000. In New York State is concentrated 39% of these projects.

"Additional State and local plan preparations, made without Federal aid, and now in the design stage, amount to about $4,000,000,000.

Revised Fair Trade Booklet to Aid Business

John W. Anderson, President of the American Fair Trade Council, has announced a new edition of the Council's popular booklet, "The ABC's of Fair Trade" to aid sales executives in formulating their price policies, it was stated in AFTC advices, which continued:

Earlier editions of the 12-page booklet having been exhausted, the new edition is designed to be of help especially to manufacturers who are planning to protect their trade-marked products through the Fair Trade Laws. "Fair Trade," the booklet explains, "enables the manufacturer to avoid the quality-reducing pressure of unrestrained cut prices by legalized resale price maintenance contracts and thus permits him to maintain the quality standards on which he has built his business and to protect the trade marks which identify his products and his advertising."

Copies of the booklet are available without cost from American Fair Trade Council, 55 West 42nd Street, New York 18, N. Y.

Hasten European Reconstruction and Trade

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which the system of free enterprise will persist. Here we are inclined to take too much for granted, to assume that there is only one possible answer. This is hardly a safe course. The attack on our system is a vigorous one. To read between the lines of Mr. Molotov's recent speech (Oct. 29, 1946), he would like to argue us out of supporting in the world the system of free enterprise for which we stand. Judging from the remarks of our Russian friends, any system of enterprise that differs from that of the Soviet is imperialistic and fascist. Our loans to help in the work of reconstruction are apparently viewed by Mr. Molotov as "dollar diplomacy . . . for the purpose of securing due respect for dollar democracy."

We are unusually sensitive, probably over-sensitive, to the insinuation that our method of promoting economic reconstruction may, after all, be a cloak for some kind of economic imperialism. It is by the use of such words and charges that those who favor a different system try to put us on the defensive. Sometimes they succeed. Often, too, we seem to lack vigor in supporting the economic principles for which we stand, in the face of the lively propaganda of those who stand for a closed economy.

As an instrument to advance our conception of a free economic system, certainly our foreign trade is one of the most important.

Complete Transition Period in Foreign Trade

For a variety of reasons we may now be entering a new and crucial phase in our commercial relations with many parts of the world. We have to pass gradually from a foreign trade based by and large on gifts, grants or government loans to a foreign trade that in time will pay its own way. To make this transition is not easy; it is particularly difficult in the case of Europe. The President, when he recently asked Mr. Winthrop Aldrich to head up a committee of industrialists and bankers to study this problem, stressed the need for this transition to bring about "the return of our foreign commerce and investments to private channels as soon as possible."

During the war period our foreign trade with Europe was largely on the basis of lend-lease, long since terminated. UNRRA will end in the near future. The lending authority for the Export-Import Bank is largely committed and the sale of surplus army and other stocks which we left abroad will soon be at an end. It has been from such sources, in large part, that we have helped to maintain European economy. The International Bank and the International Fund may well make their weight felt in the not too distant future, but this is certainly some little time away. Also, the Bank and the Fund, while organized in great part to help in the work of reconstruction, will have certain tests of repayment capacity which will have to be met. Today, there are many parts of Europe, particularly the ex-enemy countries, which are not yet good credit risks and will not be for some time to come.

Certainly, between what the Bank and the Fund can do and the essential requirements of a devastated Europe, there is a very real gap and yet, if we do not succeed in filling this gap, we will not restore the economy of Europe to a basis where trade on an ordinary commercial basis will be an attractive proposition to men like you, who cannot indulge in trade on a philanthropic basis. And in this field of foreign trade no one has yet found a magic formula which will avoid the necessity for the inexorable balance sheet. By and large, a country's overall imports must be balanced by its total exports, its services, gold, tourist traffic and the like. We can cut a few corners and we can delay the inevitable day of accounting, but eventually it catches up with us.

The part of the world with which I am most familiar because of my recent work is at the same time the area which presents the most difficult problem, namely, the ex-enemy countries, Germany and its former satellites and Italy.

During the closing days of the war I was working from Switzerland with Allied headquarters in Italy to bring about the unconditional surrender of the German forces in North Italy. One of our primary objectives then was to try to prevent the Germans from doing in Italy as they had done in every other country, namely, destroy as they retreated. The major part of Italy's industry and power plants was located in the German-occupied northern provinces and the rich valley of the Po. We had information that seemed authentic that the Germans had mined and were preparing to blow up the power plants and important industrial installations as a prelude to making a last stand in the Alpine fortress. When the Germans came to us with surrender proposals, we told them that we would not consider them unless, as a preliminiary, we had their absolute assurance that they would countermand their orders for destruction and protect Italy's industrial plants against sabotage. They gave these promises and by and large they were kept.

The people of Italy are industrious and in approaching the task of reconstruction they have certain psychological advantages over the peoples of certain other countries of Europe who are among the victors. They know that they were defeated and that they are not entitled to share the benefits of victory. Therefore, they expect less from the outside world. They know that they will have to work their way back largely by their own energies. With some outside help they may be able to do it. At the outset it may be necessary to give this help in rather unorthodox ways. The primary problem is to get raw materials into the hands of persons willing to work. This need has led to the development of the so-called conversion credit to finance the delivery of the raw materials secured by pledge of the finished product. This and other pump-priming methods may be useful in the Italian situation to get the economic machine off dead center.

Problem of Germany

But it is chiefly to the even more perplexing problem in Germany and Austria that I wish to direct your attention.

European economy can never get on a sound basis if Germany remains in an industrial and economic vacuum. We have, I believe, now left behind us some of the prejudices which inclined our government at one time toward a policy for Germany which would, in effect turn it into a potato patch. In any event, now it seems to be generally agreed that this is an impractical solution. The Germany of today does not produce enough food to feed its 60-odd million people and we could not successfully turn it into an agricultural country if we would, nor could a peaceful Germany be created on any such basis.

Consequently, if Germany is not to stay on the dole indefinitely, a constructive economic program will have to be worked out and now is the time it should be started. And, here, let me make one point very clear. We should follow this policy not because we propose a soft peace with Germany, but because European recovery requires that Germany, though disarmed, be economically solvent, because, in particular, Germany's ravaged neighbors require it and because we can never de-Nazify, re-educate or reorient a hungry, idle, disillusioned people.

Our Government, as long as it continues its occupation of Germany, will bear the primary responsibility for the formulation and carrying out of this program. But it will also need the help of private American business and of Americans interested and skilled in foreign trade.

I realize that even apart from existing government restrictions, the development of trade with Germany today is not a proposition that is likely to be particularly appealing to an American business man. Germany has little possibility of paying for essential imports. Today she has only a trickle of exports. In fact, Germany today is like a bankrupt corporation into which some of its creditors are pouring millions without any plan of reorganization. At the same time other creditors are taking the machinery out of the plants.

There was an interesting debate on this subject in the House of Parliament this summer when, in true British fashion, they dotted the "i's" and crossed the "t's". In this debate it was brought out that the British were spending some £130,000,000 per annum in their German zone of occupation and got back from Germany in the form of exports and levies the equivalent of some £50,000,000, leaving an annual deficit for the British taxpayer to meet of some £80,000,000. In the course of the debate it was pointed out that Great Britain was "spending a little under two pounds per head of the population per annum on the direct support of the German people who fought against it with such ferocity and such cruelty and a little over five shillings per head of the population per annum on the support of the colonial empires and the colonial subjects of the crown who fought for us during the war."

A special Committee of Parliament which was sent to Germany to investigate this matter pointed out in its report that "it is probably without parallel in history that twelve months after the end of a war Great Britain should be paying £80,000,000 a year toward the upkeep of her principal adversary." These figures do not include the cost of the armed forces of occupation, which is a separate drain upon the taxpayer.

Our own situation with respect to Germany is very similar. We too have to pour out between $100 and $200 million per annum for food and raw materials, not including the costs of military occupation, to support our principal enemy without any hope of financial recovery on this investment. If we were sure that this would last only a year or two, we might be justified in reconciling ourselves to make the best of a bad bargain but as affairs are now going there is no reason to believe that the need will end at any determinable time in the future. Certainly it will not end unless we work out a plan whereby Germany can develop an ability to pay for its essential imports.

During the course of the war there were a certain number of people who advocated a breathing spell after the end of the war during which we might gain adequate wisdom to work out an ideal peace settlement. These advocates are rather quiet now or else possibly they came to the conclusion that the breathing spell has lasted long enough. However that may be, we cannot here go into all the political problems which prevent an overall settlement with Germany. Our Government is working for this but, at best, it will be slow business and if we hold up a plan for the economic reorganization of our zone of Germany until a final peace treaty is ratified, invaluable time, possibly even a unique and non-recurring opportunity, will be lost.

Further, if we convince our Russian allies that we propose to create a *de facto* state of peace in our zone of Germany and restore there the economics of peace, this may well help to change their views as to the desirability of a political peace. On the other hand, if they feel that by delaying a general peace with Germany, the present unsettled conditions will continue, it will only play into their hands. Obviously, failure by the Western powers to make the free economy system work in Germany is a strong argument for communism. Politics here depends largely on the state of the stomach. People inevitably turn to those who give them bread and work.

Of course, today we cannot alone assume authority to formulate an economic plan for all of Germany, but we can make a start in the American zone in Germany and in our sector of Austria and there is every reason to believe that in economic matters we can work in close harmony with the British and probably with the French, with the door open to as much economic cooperation with the Russians as they will permit.

At least we should show the world what American enterprise, inventive genius and skill can do in the areas for which we are responsible even though we recognize that the economy of Germany if it is to function properly will need a larger basis than the American zone alone. However, even on this point I think we often accept too easily general pronouncements that geographically large units are necessary for the proper functioning of an economic unit. No country has made a quicker recovery after the war than Belgium and no countries are today on a sounder economic basis than Switzerland and Sweden, though, of course, as neutrals they fall into a separate category.

Our Problem

Our problem is a very practical one. In order to maintain even a minimum living standard in the areas of Germany and Austria for which we have assumed the responsibility as the military occupying power, a substantial outlay of the taxpayers' money will be required. If these expenditures are made under a plan formulated by our Government in consultation and collaboration with private enterprise, we will get Germany off the dole more quickly than if these matters are handled solely by the Government as an incident to military occupation.

This may not be very attractive to American business but I have never seen American business men who refused to pull their weight in a situation of this kind. Of course, I am not suggesting that American business interests should themselves acquire German businesses but solely that they should help draw the plans and suggest what facilities we could make available toward realizing a program which would offer some prospect of rendering self-supporting that part of Germany for which we are responsible; in effect, to create conditions which would put an end, some day, to the need for relief and Government expenditures.

I would stress the point that we should not take advantage of our position as military occupants to acquire property interests. We would be the reorganizing committee rather than the stockholders of the bankrupt. Today we properly object to the attempts that are being made by Russia to take over German property in Austria and to acquire permanent economic interests in the various countries where she is in occupation. We should not follow such a course ourselves.

Let American Business Enter Germany

As a preliminary step it would seem to me that our government departments in Washington might well review and revise some of the red tape which largely cuts our business men off from Germany and Austria. The more or less absolute prohibition which existed for over a year against business men going to Germany has now been somewhat relaxed but the delays and uncertainties in securing permission are still a serious deterrent. At the same time it would be timely to make a realistic review of the Trading with the Enemy regulations, of the freezing regulations and the like. Today every wartime regulation, such as these, should be examined to see whether they have any real use, whether they aid or retard recovery. This review should not be entrusted to those who have a vested interest in the jobs created by the continued enforcement of these regulations.

It is true there is no peace and there are still a series of legal enemies in various categories ranging from enemies who are cobelligerents to enemies who are satellites and to enemies who are still just plain enemies. But with the maintenance of all these war and emergency restrictions we reach a strange and illogical conclusion. After all, the country, Russia, which is most interested in expanding its own political and economic system in this area is at the same time the country which seems to be blocking the conclusion of peace. Thereby it helps to tie us up in our own red tape and war regulations. This in turn operates to prevent American business on a free basis from competing with the government controlled economy of Russia.

It is high time to forget technicalities. Whatever features of the war-time regulations, of the Trading with the Enemy Act, of the freezing controls, are essential to our own protection should remain, not on the theory that there is a technical state of war or emergency, but because such controls are required for other reasons. If we cannot get a legal and signed peace, let us move as rapidly as possible to a state of peace which will help the flow of trade, treaty or no treaty.

Anyone who has been through this devastated area of Central Europe will come away impressed with the fact that, given a fair chance, the great majority of the people will welcome the type of free trade and free economy for which we stand. But we have to give them a reasonable chance to choose. We cannot abandon the field to a dynamic competitor.

Our Opportunities in World Commerce

(Continued from page 2464)

stability. Dependent upon the policies we adopt and the actions we take, we can exercise great influence for good or for harm.

We are all familiar with our abortive attempts after the last world war to expand our foreign trade and finance which ended in the collapse of 1929. We are all familiar with the disaster that followed for ourselves and for the world, contributing to the conditions that led to the second World War. We must not and will not make these same mistakes again.

U. S. Participation in World Economic Problems

Now let me analyze briefly what our government is doing to participate in world economic problems. We take pride in our generous participations in UNRRA which saved so many people from starvation and gave assistance to them to start rehabilitation of their lives from the devastations of war.

In looking forward to the second phase—the period of reconstruction to normal life, our government called the Bretton Woods Conference in the summer of 1944. From this Conference the International Fund and the International Bank have emerged to assist in stabilizing currencies and in financing those countries needing capital for their reconstruction and development. We have played a leading role in the creation of these institutions; we must continue to support an American policy which will give leadership in the successful operation of these institutions.

We have made proposals for an International Trade Organization with the objective of breaking down and keeping down as far as practicable, barriers to world trade.

Although we ourselves believe in the value of private trading we know that other nations have adopted state trading. Therefore, our proposals are designed to improve relations between countries with different concepts.

Discussions are now proceeding in London with the representatives of important governments to develop a charter for this organization.

It is planned that the preparatory commission for the organization will meet in the Spring. The delegates of eighteen nations then intend to work out multi-lateral trade agreements for the general reduction of tariffs.

You have seen in yesterday's newspapers the official announcement of the intention of our government to negotiate reciprocal tariff agreements at that time. The countries involved in these negotiations represent by far the largest part of the world market for our goods. The published list of commodities on which this government would consider negotiating concessions is substantial, including products in a majority of the paragraphs of the Tariff Act. But the size of this list should be no surprise. The war greatly restricted the original program of the United States to obtain reciprocal reductions of tariff barriers throughout the world. Moreover, these negotiations will be conducted with eighteen countries at once.

These unprecedented negotiations, which, with the exception of the recent agreement with Paraguay, are the first to take place under the Trade Agreements Law since its extension by Congress in 1945, have been forecast in the frequently announced objectives of the administration to obtain the reduction of barriers both to United States exports and to United States imports.

Must Remove Trade Barriers

This policy can only bear fruit if the tariff bargaining power of the United States is used as quickly as possible so as to prevent reestablishment of prohibitive and discriminatory impediments to trade in every country and, in an even more virulent form, the disastrous restrictions of the early 1930's.

I hope and am confident that you men of the National Foreign Trade Council will support our government in attaining these essential objectives. You can do much individually and collectively in backing these policies on the broad basis of national interest, and you can have great influence in assisting in obtaining the support of the people of the country as a whole.

We have developed a foreign political policy on a bi-partisan basis. Republican leaders have been consulted in the development of this policy. Senator Vandenberg has sat at the elbow of Mr. Byrnes and shared the responsibility at important international conferences. The country has given support to the policies that have developed. Thus, we can truly say they are American policies.

In the economic field there has been a large measure of bi-partisan support. But as these policies are still in the making it is essential that we ever keep before us the vital necessity of keeping our foreign economic policies out of domestic politics. I am encouraged to believe that this will result as Republican as well as Democratic leaders have endorsed the steps taken so far.

This is no time for narrow thinking. You all know the disastrous dislocations that have occurred the world over as a result of the war. Some of us have seen them at first-hand. The people of many countries are struggling to rebuild the very basis of sustaining life. All countries are facing serious difficulties in attempting to regain their pre-war standards. We, ourselves, are facing the problem of developing a stable as well as an expanding economy.

Domestic Prosperity Linked With World Prosperity

As I say, this is not the time for narrow thinking. This is a time for statesmanship in business as well as in government. We appreciate that individuals and individual enterprises in this country will prosper only as the country prospers as a whole, and I am sure you all agree that our prosperity at home can only be secured if there is a climate in the world that is favorable for the development of prosperity for all nations. In the developing of this climate our government is taking the lead. But it can only succeed if it has the support of the people of the country.

The strength of our country is based on private enterprise. Our government policies are directed toward giving opportunity to private business. Thus it is the obligation of all financial, industrial, and commercial businesses to do what each properly can to further world commerce.

The opportunities for private investment abroad, wisely made, are great, particularly when political conditions become more stable. I wish to suggest for your consideration when you are studying the question of investments in other countries that you attempt to interest nationals of those countries in the enterprise and to bring them in as partners. Enterprises owned and controlled by foreigners are never popular in any country. No matter how beneficial the operations may be to the people of that country there is always the inclination to consider them foreign exploitation whereas if a true partnership can be established with the local people they become part of the community life.

We have the knowledge and techniques as well as the equipment for the development of industrial production, and agricultural production as well which are needed in varying degrees by all countries. Although in the long run imports and services from other countries must balance our exports, the need of the other nations at the present time and for some time to come is so great that we must use every sound medium of finance in assisting them to buy from us for their reconstruction and development.

In addition to private financing and private investment we have the International Bank and our own Export and Import Bank. I name them in order of desirability but I do feel that, as conditions arise where useful foreign financing cannot be done in other ways, we should not hesitate to use the Export and Import Bank, preferably in cooperation with private financing.

As I have said, the requirements for American products are great. All the industrial nations are looking to us to obtain the most efficient equipment in many lines and to learn from us efficient methods and techniques. The scientific developments during the war give new impetus to industrial development.

Other countries that had not previously been able to develop their industries are determined to undertake industrial development. Again they look to us in no small measure. In backward areas where the populations have never known a decent life, American enterprise can play an important and useful role, through introduction of modern American equipment and production methods in agriculture and in the similar industries.

Experience has proved that our own trade on a direct or multilateral basis has greatly increased as other countries increase their industrialization.

No one believes in competition more than I do, and in many lines we will face the competition of other industrial nations for world trade. I feel, however, that we should take a broadminded and constructive attitude in our own plans recognizing the need of other countries to export.

Britain's Position

I have recently returned from Great Britain and therefore have some understanding of the problems that country faces and her vital need for foreign trade. To feed her people properly over half of her food must be imported. Four million of her thirteen million homes were damaged by air bombardment. Many were destroyed. The lack of home building during six years of war has gravely aggravated her housing problem. Imports of lumber and many building materials are essential for home construction.

British industry and mining require the importation of new equipment and machine tools from us to modernize her production methods. The importation of raw materials are essential for industry.

As a result of the war Britain has largely lost her foreign investments from which she used to receive substantial return to pay for her imports. She lost a large percentage of her shipping. Britain is thus faced with the necessity of restricting consumption of her people almost as drastically now as during the war. By restricting home consumption of her manufactured products she is increasing her exports to obtain the foreign exchange for essential imports.

Our loan will be of great aid to her in reconstructing her life. But recently Sir Stafford Cripps, President of the Board of Trade, gave some significant figures. Before the war Britain's share of world exports was 20% whereas Britain now needs exports amounting in figures to 35% of the pre-war world export trade to balance her foreign requirements. In other words she must export 75% more than before the war. It seems clear that for Britain to continue the volume of purchases she made from us in pre-war days—for Britain to return to her pre-war standard of life—world trade as a whole must increase.

This is but one example of why our policies should be directed to the expansion of world commerce rather than simply attempting to get a larger share of pre-war volume.

Of course this points the need for a courageous and far sighted foreign finance policy on our part to assist in developing production in other countries.

Another way is for us to give emphasis to those products and to those lines of export in which we are naturally supreme in price and quality.

After all, prosperity in other industrial nations will lead to greater ability on their part to buy from us through the operation of the principle of multilateral trade. Time is too short this morning to analyze this subject in detail, but only to put it forward as a thought for guidance in the development of our policies.

Future Imports

Now about imports. Historically our national energies have largely been directed to developing exports. In this connection I said in a recent speech: "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."

In fact our whole program of fostering world commerce depends upon the success we have in developing imports and our use of the services of other nations. I hope that this Council will make it one of its major projects to study what we can soundly do to foster expansion of imports, travels, etc.

The Department of Commerce will gladly work with you in this field. We should assist other nations to understand the untapped markets that exist in this country for products that are peculiar to them—products that contribute to the welfare and fuller life of our people.

It is vital to us that we have assured and adequate supplies from abroad of certain raw materials in increasing quantities as our economy expands and our natural resources diminish. We can use many products of other countries that are difficult for us to make ourselves. Nothing is more broadening than foreign travel in the education and in the development of an informed American people as citizens of the world.

The Department of Commerce has begun a program in these fields. But we can only be successful if we have the help of private enterprises in advice on how our efforts can best be directed. In turn, the Department can be of assistance to American private enterprises in expanding their activities.

The President has now removed practically all price controls. As he has said, production in many lines is more closely in balance with demand than a year ago, but there are still many shortages. I am sure you will agree that this is the time for businessmen to shape their policies to assist in preventing as far as practicable further inflationary price increases. This can be done by each corporation adopting real restraint in its price policies. It is also essential that each restrict its purchases of those commodities and products in short supply as much as possible and to postpone new construction to the fullest degree possible in order to assist in leaving material for home construction for our veterans and others without adequate housing. We should recognize too the necessity of maintaining import controls for the time at least in order that with our great ability to buy we do not inflate world prices unduly and prevent other nations from attaining their fair share. Export controls should be continued in order to protect our home needs. At the same time we must recognize that we must export certain products in order to assure the ability of other countries to meet our import requirements and to do our share in assisting other countries in their vital reconstructions.

In conclusion I want to emphasize the importance of the work of your Council and the activities of your members. World commerce can do much to assist in expanding American prosperity. World commerce is essential to the reconstruction and expansion of the economy of the world. But of over-riding importance, world commerce can further the cause of peace. Economic security for all peoples is an essential factor in the development of conditions that can make peace enduring.

America is dedicated to peace but our objective cannot be attained by diplomats alone no matter how successful they are in adjusting the political difficulties between nations. An expanding economy and economic security the world over are essential conditions to the avoidance of future conflicts.

You men of this Council have a grave but inspiring responsibility to make a major contribution to the cause of peace and prosperity in the world.

Exchange Heads to Attend Dinner in N. Y. C.

The annual meeting and dinner of the Association of Stock Exchange Firms, to be held at the Hotel Commodore, Monday, Nov. 18, will be attended by the Presidents of the San Francisco, Los Angeles, Boston and Chicago Stock Exchanges, together with other leaders of the financial industry.

James J. Caffrey, chairman of the Securities and Exchange Commission will be the chief speaker of the evening, discussing matters of current importance to the securities business.

Among the more than 1,000 persons invited are Charles S. Garland, Alex. Brown & Sons, Baltimore, President of the Investment Bankers Association of America, and Thomas Graham, Bankers Bond Co., Louisville, Ky., President of the National Security Traders Association.

Acceptances have been received from Ronald Kaehler, President of the San Francisco Stock Exchange; W. G. Paul, President of the Los Angeles Stock Exchange; Harry Besse, President of the Boston Stock Exchange; and Ralph Davis, Chairman of the board and James Day, President of the Chicago Stock Exchange.

Let's Slash the Federal Budget!

(Continued from page 2463)

couragement from President Truman's repeated promises that he will cut expenditures and balance the budget. At any rate the government ended the first quarter with a surplus and the taxpayers hope that it finishes the 1947 fiscal year in the black.

People are weary of deficits and fear for the future value of their money and savings. Continued expansion of the money supply frightens them still more.

As businessmen we know that the dollars taken in during a runaway inflation would shrink as fast as any others. In disposing of goods the businessman would have little chance to replace them. No one would want his money. The inflation history of Europe after World War I shows it is a gamble where you can't win. You sell yourself out of business.

1947 Budget at Peacetime Top

The biggest thing in this country today is government. Government is a thousand times bigger than any combination of so-called "big business." It is industry's greatest competitor for the citizen's dollar.

The government's decision to spend upwards of $40 billion of the people's money this year is a hard blow. We had fully expected spending to return to a peacetime level now that war has been over for more than a year.

The 1947 budget provides for more power developments, more subsidies, more public works, and a foreign policy built on giving economic help to Europe, Asia and way stations. There isn't anything you won't find in the latest state-of-the-union and combined four-ring revised budget. There are not only hundreds of departmental expenditures authorized by law. There is to be no retreat from fields invaded by the government during the war. Congress is asked for enabling legislation which will permit the government to extend its activities and spend even more. There doesn't seem to be any limit to our shelling out money.

Government must be compelled to make its income and its expenditures balance. The citizens must show in sufficient numbers that they think such a course is desirable and wise for the welfare of the country. Here is an issue which must be carried on year after year, until the end is attained. The necessity for aroused public opinion, demanding that the cost of government be reduced, continues.

We have now reached a point where a balanced budget is a national necessity. This objective can be attained only by reducing total government spending, since taxes are already at levels which stifle individual and business initiative. It can be done if Congress and the President insist upon large savings now. The people will support such action.

The estimate that Federal spending will exceed $41 billion this year has been accepted all too complacently by the taxpayers—the people who will have to pay this bill.

Budget in Peace Year Set at $20 Billion

Of late there has been a great deal of helpful budget planning. A number of outstanding, economy-minded taxpayer organizations, including the Tax Foundation and the Citizens National Committee, have proposed that government spending be restricted between levels ranging from $16 billion to $25 billion. The National Association of Manufacturers, through its Government Spending Committee, has developed a budget program which we recommend to you.

We contend that Congress should begin now to shoot for a $20 billion budget. We maintain that such a budget, which is about two and one-half times our yearly prewar expenditures, should be able to take care of necessary expenditures for veterans, national defense, debt interest, and all other necessary governmental costs, and leave at least two and one-half billion dollars for amortization of the national debt. Debt and interest, increased defense costs and veterans' benefits are the major new postwar items.

Before anyone suggests this budget is too low, I want to point out that $20 billion of Federal taxation plus $10 billion of local takes is $30 billion. The consensus about peacetime national income seems to put it around $150 billion. At this level, it would take 20% of our national income to produce this tax revenue. The $41.5 billion budget this year represents more money than was ever spent by the government in a peacetime year. In fact, in this first peacetime year, we are spending more than we spent in the period 1916-1920, which included all of World War I expenditures, also more than was spent from 1921 through 1931, inclusive. It is more than 25% of our national income and it imposes a tax levy of about $1,000 on the average American family. In a normal year we should operate on a $20 billion budget and cut this tax burden in half.

Aspects of $20 Billion Budget Goal

The NAM Board of Directors in its Bretton Woods meeting last month unanimously supported the Government Spending Committee's resolution calling for a $20 billion budget. The text of the resolution read: "We recommend that reduction of the Federal budget to a level not exceeding $20 billion (to include debt retirement) should immediately become the goal of Congress and the Administration."

In view of the increased spending for national defense, veterans' benefits, international commitments and other legislation already passed by Congress, the Government Spending Committee decided it was unrealistic to recommend that expenditures in the current year be restricted to $20 billion, although its members are convinced that a budget of $20 billion is sufficient to provide for necessary governmental costs in peacetime.

Debt an Obligation

There is one law of economic life which all Americans should learn by heart. Public debts are going to be repaid, one way or the other. We can repay them across the board, as debt should be paid, or can try to dodge them—and economics will collect double out of our hides and out of our pocketbooks.

History is full of examples of what happened to peoples who attempted to step out from under their national debt. At the end of the French Revolution a plan was undertaken to get rid of public debt, but in the end the French people lost their possessions and their liberty. Germany tried it unsuccessfully after World War I.

You will recall that when this nation adopted the Constitution, we took over the war debts of the Continental Congress and of the States. Then, as now, there were those who argued it would be a mistake to try to pay it. Alexander Hamilton demanded that the debt be paid because it was the right thing to do—because a nation which will do wrong in financial matters will do wrong in other fields. Hamilton's advice was followed and it soon demonstrated its soundness.

Shall our government tighten its belt and pay its debt the only way debt can ever be paid—by spending less than it receives?

Our national debt is at a critical point. The hard thing about the debt is not paying it off so much as getting started. After long study and consultation with many experts, the following formula was recommended by NAM for reduction of the Federal debt:

1. There should be an immediate beginning of retirement of the debt at a rate not less than $2½ billion a year until it is wiped out.

2. There should be an increase in principal payments in accordance with the long-term increase in national income.

3. As the debt is reduced each year the amount saved in interest charges should be added to the principal payment.

Under this formula the debt would be cut in half in less than 40 years and retired completely within 58 years. In the first 10 years, $27 billion, or about one-tenth of the present debt, would be retired. The amounts retired in each decade thereafter would be progressively larger as interest payments declined. This plan resembles the familiar one used to pay off a FHA mortgage.

Under the plan, interest charges on the debt would be approximately $49,000,000 less at the end of the first year than at present. At the end of five years the interest charges would be reduced by $204,000,000, and at the end of 10 years $485,000,000.

We recommend that the Treasury offer to institutional investors, other than commercial banks, a long-term obligation bearing interest at approximately 2½% annually, with purchases restricted to the amount of new money available for investment at the time of offering. We believe this recommendation would help the government to carry out a refinancing and refunding program that would place a larger portion of the debt in the hands of institutional and non-bank investors, where it belongs.

At various times during the past year the Government Spending Committee has weighed numerous proposals for reducing the debt. Among them was a plan providing for retirement of a minimum of $25 billion by 1956 and complete retirement 50 years from now. Still more proposals called for ridding us of debt in 75 to 100 years. The present plan was adopted because of its soundness, simplicity and public appeal.

Through use of the Treasury's cash balance, the debt total this year was whittled down to $262 billion from its all-time peak of $279 billion. We feel, however, that use of the cash balance which had been expanded to $26 billion by borrowing away beyond prospective needs in the last War Loan drive to retire debt was not the equivalent of achieving a balanced budget through reduced expenditures.

Putting the NAM Program Across

Government overspending, debt and heavy taxes are problems which affect the public interest and it is up to industry to solve them in the public interest. Only by solving them with the public first in mind can we restore our economy to the solvent system that it should be.

Through an alert public relations program we are constantly emphasizing the need for continuing economy, budget balance, reduction of the national debt and adjustment of tax rates.

The Government Spending Committee bends every effort to arouse public opinion and to strengthen its impact upon Congressional action. It cooperates closely with tax and economy groups, including the U. S. Chamber of Commerce and the Citizens National Committee. It is constantly studying procedures which tend to discourage excessive appropriations and the wasteful expenditure of public funds. It is studying means to strengthen the administrative management functions of the Bureau of the Budget, and methods of Modernizing accounting, budgeting and civil service practices.

The Government Spending Committee seeks to convince the people that they must bring pressure to bear against government extravagance if they ever expect to get further reduction in taxes.

Pruning Knife and the Payroll

President Truman in his review of the 1947 budget told the people: "It is good to move toward a balanced budget and a start on the retirement of debt at a time when demand for goods is strong and the business outlook is good. These conditions prevail today."

Is there a better time than now? The whole sprawling government structure invites it. The approximately 2,500,000 persons on the Federal payroll constitute a bureaucracy such as this country never before has seen.

Congress has given the government until June 30, 1947, to trim its payrolls to 1,611,000 persons, but little progress is being made toward this goal. There were 943,000 workers on the rolls in 1939, far more than were required at that time.

Every year government corporations drain billions from the Federal Treasury. Many have outlived the emergency for which they were set up and should be liquidated. Here is a prime example. In 1918, the government established the U. S. Spruce Corporation to acquire wood for World War I airplanes. Active operations ended with the war's end on Nov. 11, 1918. Yet for 28 years this corporation has been liquidating to the tune of $10,000 yearly. It pays no taxes on its stands of timber, its railroad or its sawmill. It is run by a retired Army colonel and other employees, including a government chauffeur to drive the colonel to his office in a government car. In this case, taxpayers have been paying for a liquidation extending over nearly three decides—a fact which is absolutely inexcusable.

Pattern for Solvency

I am convinced that businessmen are as one in the desire to restore financial integrity to the nation. Let us take these steps to regain the solvency that made our country strong:

1. *Reduce spending* and eliminate extravagances found in the 1947 budget. Let Washington finally admit that the war is over. Its end should be recognized and war controls, activities and agencies should be speedily liquidated.

2. *Balance the budget.* The budget for the current fiscal year should be balanced at a lower level.

3. *Start to retire the debt.* Retirement should continue at the minimum rate of $2½ billion a year until the debt disappears. With a period of prosperity ahead, a planned, orderly amortization would encourage business expansion and investment by affording a reasonable basis for judging the future.

4. *Reduce tax rates.* A policy of continuing taxes at near wartime levels cannot be justified after expenditures have been cut, the budget balanced and debt retirement begun.

To endure, government must maintain confidence in itself and in its credit. To balance the budget and halt the creation of new debt, spending must be greatly reduced. Only the people can achieve economy—by asking less of government and demanding that it confine itself solely to thrifty administration of the proper functions of government—nothing more, nothing less.

I am confident that all of us are as one in the desire to uphold the private enterprise system. It behooves those of us who can mould public opinion to tell the story of America under free enterprise in words so simple that advocates of state socialism cannot distort their meaning.

Too many businessmen will go all out for a common program any time—so long as it happens to be going their way. That is not enough. We must stop this detouring of purpose and get our plan of battle and our objectives joined. Above all, we must enlist the fullest strength of business leadership. There is no longer safety in business silence. No longer should we allow ourselves to be whipped with our mouths shut.

Times are changing. Don't ever underestimate the loyalty and common sense of the American people. They're thinking conservatively, as witnessed by the sobering slowdown on political experimenting with our economy, and they're turning to the right—Tuesday's election results showed this decisively.

Remember this. Of all the people in the world we alone have the pre-eminent chance to keep the torch of freedom and free enterprise burning until the rest of the world recovers its senses. Through their action on Tuesday the American people have placed a tremendous responsibility on industry. We must provide the constructive leadership expected of us. Forthright action is demanded and we must not temporize with the mandate of the people for sound, efficient and economical administration of our national affairs.

Benj. Bradley Joins Benton M. Lee & Co.

PHOENIX, ARIZ.—Benjamin R. Bradley, well-known in Chicago bond circles through his association during the past 16 years with H. C. Speer and Sons, has joined the staff of Benton M. Lee and Company, Security Building.

Also a former Chicagoan, Benton M. Lee, head of the Arizona investment firm, taught at the American University in Beirut, Syria, following his graduation from the University of Missouri. Later, he served as assistant director of the American Bureau of Economic Relations in Paris. Returning to the United States in 1926, Lee entered the Bond Department of the Harris Trust and Savings Bank in Chicago. He resigned, after several years with the bank, to form his own investment firm in Chicago under the name, Benton M. Lee and Company.

During the ten years that Lee cnducted his investment company in Chicago, he enjoyed close business relations with the Valley National Bank in Phoenix, where his brother, Eugene S. Lee is Vice-President in charge of the bank's investment department. When E. S. Lee took a leave of absence from the bank in 1942 to serve as Commander in the Navy, Benton Lee closed out his Chicago firm, and took his brother's place with the Arizona bank.

Continuously engaged in the investment securities business for the past 20 years, Mr. Lee served the Valley National Bank as Vice-President in charge of its Investment Department until his brother's release from the Navy. He resigned from the bank on Jan. 1 of this year to again establish his own investment firm in Phoenix.

Benton M. Lee and Company deals in general market securities, specializing in Arizona bank, utility and municipal issues.

Problems of Direct Investments Abroad

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U. S. and World Trade Revival

The form and degree of revival in world trade since the war's end has been largely dependent upon the United States as the source of capital for the rest of the world. Revival has taken place in other countries upon the advent of American resources. It has even spurted upon the mere hope of obtaining American aid. Many of these early ventures have been brought about by dire need and have been applied to dispel emergencies and to get the first flicker of activity restarted. Others have been undertaken to strengthen countries whose economies were still in motion but had sunk to a low ebb. Our resources have not been slow to go to the world's aid. The United States, through the Export-Import Bank, has authorized loans to other nations of three and a half billion dollars. The World Bank to which we are the major subscriber, is being geared up to help foreign countries develop their domestic resources and strengthen their economies. The Monetary Fund, to which we are the largest subscriber, plans to stabilize the exchanges of the world in order to lighten the periodic stress of fluctuating balances in trade. We have made direct loans to other countries since V-E Day in the amount of eight and a half billion dollars. I should not overlook UNRRA which has carried great quantities of necessities and reconstruction elements to countries affected by the war. To these efforts we again were the largest contributor by far. Much more is expected of us and undoubtedly we shall continue to extend our resources in many directions. Ours is not a selfish motive, unless it be that in helping others to improve their status we share in the general good to be derived. If we accept the fact that we are to help the world improve its lot, these efforts will be ineffective in the end, as they were once before after the first world war, unless we carry through to fulfillment the responsibility which has fallen to us. That responsibility is positive and vigorous leadership in the affairs of the world—political, social and economic—and it must be fulfilled in the broadest sense of the term. As the largest producer, the largest source of capital, and the biggest contributor to the global mechanism, we must set the pace and assume the responsibility of the majority stockholder in this corporation known as the World.

Leadership brings with it great responsibility, but the nation which possesses the greatest share of the world's wealth and which can do the most to meet the needs of other nations to take the road back to health and prosperity, cannot escape the generalship that must accompany the use of its resources, its knowledge and its guidance, if these are to be directed to the proper ends for the good of all. Nor is this for a given term of office. This is a permanent obligation.

Capital Is Cautious

Naturally, American capital, as it looks abroad at the present time, sees many opportunities to take care of the needs of other lands and, in so doing, bring great benefits to them and to itself, but while this great reserve of private capital is available, it is loath to venture forth in the face of so many threats that lurk on every side. Looking out from our shores into the political sphere, communism, socialism and nationalism vie with each other to impose their pattern on society. In the economic sphere trade restriction, discrimination and labor trouble spread like contagious disease. In the financial area, exchange uncertainties and excessive taxation cast a chill over our spirit of enterprise. All these forces appear dwarfed in the shadow of the great struggle between the Soviet and the Western Powers whose reverberations reach every corner of the globe. The isms of which I speak are not imaginary forces, they are right out in the clear with forceful and able leadership. Not only is the philosophy of our economy and our way of life threatened by the Soviets, but, if we can believe some of their spokesmen, their avowed objective is its destruction wherever they can accomplish it. Private capital in our country, therefore can be pardoned for looking at the world with misgivings.

A Flagging Domestic Spirit

Where then does our approach to these problems and this state of affairs begin. It can very well begin right here at home. Even here, private capital in the face of these aggressive forces might be personified as a tired and somewhat apologetic figure preferring to appease the forces which beset him and hoping that he can be rid of them before they have stripped him of his earnings. His once great fighting spirit seems to have flagged. Surely, if our country is to take over the leadership of this changing world, private capital has much to do. It must shake off this lethargy and rise to the opportunity and obligation confronting us. The dangers which beset capital have grown up over a period of years, but solutions to them must be found and some of the lost ground must be regained now. We are in the midst of a transition period. More than the fate of material capital is involved. There is a way of life at stake which has made this capital possible, consisting of such elements as liberty, free competition and thrift. During this period while treaties are still being negotiated, the lines must be laid down for the vigorous and constructive effort of the years ahead before the pattern which is now being shaped has solidified. If we let this opportunity pass and the needed directives are not forthcoming to improve the status of American private investment, the encroachment already in effect may become set in a permanent pattern. American private enterprise, therefore, is confronted with this choice; it may strike out and save its position all over the world, or sit by and witness its own funeral.

A first step has been taken in that the overall foreign policy of our country has of late grown more firm and vigorous. The makers of that policy tried all the different approaches, including appeasement, to obtain peace and harmony and fair dealing among nations. This firmness, based on the belief that the objectives of the United States in its relations with the rest of the world are ethical and fair, evolved because it was found indispensable. Already that firmness has been vindicated amply. Our statesmen had to learn what approach was needed in the postwar world, by close contact with reality, however, for when they went into the battle for peace, once the war was over, few of them had had any experience in foreign affairs as they take shape today. They are, therefore, in the process of evolving American foreign policy to face the present and the future. In making the effort bi-partisan they have already come a long way. The policy they develop will have to be more than what that term "foreign policy" has meant in the ordinary sense. It will have to maintain the leadersihip of the world, by the United States. American business should be behind the policy makers to the fullest.

American Business Should Contribute Leadership

And if this is the role our country is to play in world affairs, where then is the role of American business which is the standard bearer of private enterprise. The able and intelligent American businessman has a gigantic task for, like his country, he, too, has got to make his contribution to this leadership. He has for long abdicated his responsibility, insofar as the shaping of government policies is concerned. His former leadership has been snatched by more aggressive hands which have temporarily influenced the trend of our country's social and economic evolution. The labor leader, the liberal politician, the leftist propagandist have replaced the businessman and his influence on the trend of things here at home, as well as abroad. The businessman has refrained from positive speaking up, except in defense, and he has even come to be pictured by many as responsible in more or less degree for the ills of the world. Possibly he has hoped to guard better his holdings and conduct his business by tending to his own knitting and allowing the guiding of the overall trend to those who actively strive for the driver's seat. In seeking remedies for American capital abroad, let us begin at home and choose as the first step the reorientation of the mentality and the aims of the American businessman toward reassuming his rightful place in the social and political, as well as the economic life of our country. Let him act and speak, not just as business to business, but to government, and to labor, and to everyone, and to bring conviction that the private enterprise system assures a higher degree of welfare for the people, and all the people, than any of the isms which challenge it.

This involves not only going to the polls to vote, it involves running for office, it involves the acceptance of appointments in government posts where soundness and experience are required, and a corresponding degree of sacrifice that goes with them. It involves a willingness of employers to make this possible for their outstanding men by placing them in a position, either through groups or singly, where they can weather the strain financially and without obligation or allegiance whatever to the employer. Business has fared well in our country and, if it is not disposed to make this type of sacrifice, then our government policies will be dictated by men who do not speak the language of business. We have seen the effects of placing responsibility in the hands of the inexperienced. We can compare the results with those emanating from men in government who have a record of ability, experience and soundness. To obtain the latter, in the ordinary course, government salaries will have to be increased, but that process may be slow and the situation will not permit of long delay in fulfilling the need for men. If the United States is to assume the leading role in the world, its top flight businessmen cannot evade their share in the effort. That is the responsibility of business, unless it is going in for isolation, which could soon be followed by a new swing that would take up where the New Deal left off. In other words, as our country has begun to evolve its overall postwar foreign policy, private enterprise must begin to evolve its foreign policy, starting with the most important contribution it can make—"men in government." This applies to its domestic policies also.

I do not infer that only businessmen can best fill government posts. Not at all. The government needs able, qualified men from every walk of life. I do mean that businessmen must bear their proportionate share. During the years of the war emergency, they showed what they could contribute in the way of experience and ability, but once the war was ended they immediately went back to their private responsibilities. It is quite apparent that the national emergency is not over and such men must be available to take part in the urgent tasks ahead.

Government Collaboration Needed in Foreign Investment

As governments over the world are now in business and threaten to enlarge their position therein, it is necessary that our executives adopt a policy now, of active and forward looking collaboration with our government on the subject of foreign investments, present and future. If American capital is to deal effectively with foreign governments, it must attune its planning and its policy making to those of our government which in turn must reciprocate in the same spirit. Let us turn to the emigration of our capital. While it is ready to take a normal degree of risk, naturally it must have a reasonable assurance of the opportunity to produce without fear for its safety. The many who expect to export that capital, however, cannot hope to have a set of satisfactory conditions served up to them without going after them, and in turn offering a fair basis to the foreign countries. The "fair basis" comprises a type of operation that will help a country progress and a willingness to reinvest a reasonable proportion of earnings there, besides, of course, taking out a fair return. But business judgment and a readiness to cooperate must exist in our government as well, if the collaboration of other countries is to be obtained. With men of proven experience in our government, that should be entirely feasible. Our enterprise and our government must start to work together from the moment of negotiation.

Upon the term "fair basis" much depends. So much is expected of the American investment that goes abroad. Often too much—frequently more than of investments by nationals of other countries. Our foreign policy will be more concerned with the safety and stability of our foreign investments in the future than ever before. The proper respect for our capital abroad is just as important as respect for our political principles, and as much care and skill must be demonstrated in obtaining the one as the other. If reasonable and fair support is not given American capital, our country loses prestige in foreign lands just as quickly as when its political moves are ill advised. A source of high authority in our country once broadcast the view that American capital that ventures abroad should not receive any support from home—that it must run the risk of the places where it goes. This was a needless and shortsighted step and it caused unnecessary embarrassment to American investors and, in turn, to our government. If we are to be called upon for help by other nations, we have the right to expect cooperation, especially where private capital can render help and employment and both they and ourselves benefit.

Favors Private Foreign Loans

A psychology has taken form in some places that the function of United States capital should be only to make government loans to other governments—they to do all things within their borders. The American taxpayer who depends for his livelihood on the growth and expansion of American enterprise would not long suffer such a situation to continue if it were undertaken, for it would entail using American money to block our companies from doing business in other countries. Plain, honest business policies are as well understood abroad as here at home, and they do not countenance a failure to respect the sovereignty of other nations. This delicate phase is too often unobserved and can cause great misunderstanding. The mistake of the tactless man at this point is as bad or worse than outright unfair dealing and is rarely forgiven.

It has been my lot to live in foreign countries for a quarter of a century and I have seen much of what happens to American capital abroad when decisions involving its activities are left to men of purely domestic experience. Such decisions, made not only in government but in the home offices, are often unbelievably bad. Policies involving capital investments abroad must be closely checked with men who know the conditions of the countries where the capital is to go. Our government also must have the collaboration of such men who know conditions and the people in the countries where they work. They must be so well posted that the people in those countries know that we know exactly what conditions exist there. When both sides realize that all factors are known, a great many troubles that would otherwise become obstacles are just never born. American owners of capital abroad can no longer afford to remain in ignorance of the large trends as well as specific conditions. Further, they must take a positive attitude on the large trends for the general good, as well as their own, not only in their trade associations but with the government and with the public. A short time ago I saw an example of such a lack of information and understanding. A group of prominent business leaders had met to discuss one of the greatest international financial developments of our time. The ignorance displayed of the subject matter was appalling, and it was not surprising that the stand adopted by these men was but a pitiful and futile expression that they could take no stand. This is a luxury that can no longer be enjoyed if American capital is going to survice in other countries. An awareness of what goes on and its long-range effect cannot be overlooked or wrongly appraised.

No Fixed Solutions

In the exercise of foreign policy of the United States, and in particular as it concerns American capital abroad, there is no set of ready made solutions or remedies for the problems and emergencies that arise. Within a broad, fair, firm foreign policy that asks only fairness and liberty, the greatest safeguard that we can have is the experience, ability and soundness of our representatives.

It would be presumptuous for any man to profess to have the solutions to the multiple complications that will arise to plague our foreign investments. We have seen, and not long ago, how it became necessary for our government to alter its decision on granting financial aid abroad. We were reproached for resorting to what was termed dollar diplomacy. There will be many times when the use of this resource may be advisable to avoid threatening injustices. We may also want to use many other peaceful forms of bargaining. The Monetary Fund provides checks and balances but they may be long in becoming effective. Men and countries alike are fallible and do not all use the same yardsticks of ethics. We may find it necessary to invoke our veto in the World Bank on dollar loans, or restrict the sale of materials to countries who might use them against us, or, on the other hand, when a country is the victim of unavoidable setbacks we may feel it best to temporize on the fulfillment of its commitments to us. Again our country may want to extend aid simply to keep a friendly nation afloat, though we know it may never come back to us. And I have not mentioned reparations which in itself needs a high degree of business as well as political judgment.

Responsibility of Our Policy Makers

All these things, and in addition dealing with confiscation, quotas, countries who "talk right and act wrong," are clearly in the realm of our policy makers—and we want them to be of the type who mean what they say. They must have not only confidence that their views are correct, they must have the courage to see their course through. Their vision must be broad and this means they must know when to extend a helping hand as well as when to stand on a right. Every other nation uses its resources and position to trade to its best advantage. Our people cannot fail to utilize ours when the need occurs. Naturally, we must be as ready to make reasonable concessions as to ask for them. We are in a world of power politics and, as businessmen, we must be aware of that fact. Many well-wishers would have us think that such a reference is scandalous, and that by simply looking in the opposite direction we can dispel all threats to the safety of our country and our patrimony abroad. Ours are the weapons of peace—we do not approve or resort to domination of other countries by force, threats, secret police and enslavement. Yet we must live in a world with powers who do—and what's more, we've got to get along with them; the greater the need, therefore, to utilize diligently our bargaining points, and be ready to use all of them. This requires a high degree of intelligence and experience. There are no new phases to this approach, but it does mean we shall have to make better use of what we have than before.

There is a long list of "musts" in the current views on international trade, such as increasing our imports and placing a ratio of some kind between our foreign loans and imports; tariff reductions, making away with bilateral treaties, state trading, cartels, exchange controls, etc. As a statement of what the objectives of American investment abroad should be toward encouraging reduction in trade barriers and eliminating discriminatory practices, the aims of the International Trade Organization set a high standard. But all these things will remain mere conversational phrases unless they are implemented by good men and an alert, courageous, cooperative spirit in capital. Industry, commerce, banking must make such men available from their top ranks, and plan to get them where they can be effective. As our statesmen are evolving overall foreign policy, so must our industrial foreign policy progress apace to assure the stability of our foreign investments. In our efforts we can well take a lesson from that side of British foreign policy which for centuries has seen their government and their capital abroad work in close harmony for the general good. Rather than coercive methods, our need is to combine our private and government efforts to convince the governments and national capitalists in countries abroad that American investment will supplement their economy, not impinge upon it. This is a problem in human engineering and does not stop with the original investment; it has to be lived and exemplified every step of the way and cannot be allowed to die.

Free access to every country where our capital goes is indispensable, not only for government people but for businessmen as well. With the close cooperation that can come out of this, business and government alike can avoid many pitfalls. Our hope is to live and work in peace with our neighbors. Certainly friendly and fair treatment of capital is one of the surest means to help bring this about.

This is the approach which our country can make for the insurance of its foreign investments. I am sure that the benefits would not stop there as we would readily find that the repercussions at home would be equally substantial. Our way of life is very precious and it is worth exerting great efforts to retain, but the day is past when we can lean back in our chair in the presence of new inroads on private enterprise with the shrug "the government ought to do something." The future course of American busines abroad, and indeed of our whole foreign policy and of the very welfare of mankind, is squarely up to the businessman himself.

U. S. Gives Formal Notice of Plans To Negotiate Trade Agreements

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which public hearings will begin on objections by our citizens to the proposed concessions, and also for concessions that we should ask. These hearings, which it is thought will last from ten days to three weeks, are purely to get advice and information, the public testimony not being in any way binding on our negotiators. No products, excepting those on the announced list, may be the subject of negotiation.

The actual bargaining with the other countries will probably take place in England next Spring, after which there will be further negotiations in Geneva.

The Elimination of Imperial Preference

It is understood that a basic *sine qua non* of all these negotiations will be pressure on the Dominions, as well as on the U. K., for the abandonment of imperial preference.

USSR Has Declined

Of the 18 nations invited to negotiate, only Russia has declined. How serious her permanent abstention would or would not actually be is questionable, particularly when it is realized that she accounts for only 5% of the world's international trade. In any event Secretary Clayton has stated that he is still "hoping" for Russian cooperation.

The British and French Governments have announced their full agreement with all important points of the *Proposals*. The Economic and Social Council of the United Nations has voted to call an international conference on trade and employment, and has appointed a Preparatory Committee to prepare the agenda for that conference.

This Preparatory Committee is now holding its first meeting in London. It has accepted the United States *Suggested Charter* as a basis for study.

To be fully effective, general rules for international commercial and trade relations such as those laid down in the *Suggested Charter* must be supplemented by specific action to reduce, modify, or eliminate barriers to trade such as tariffs, quantitative restrictions, and discriminations. The trade-agreements negotiations which the Department has today announced are one of the principal means by which the nations now meeting in London (which are the same nations included in the proposed negotiations) will endeavor next spring to achieve this end.

Two-Thirds of World's Trade Accounted For

In the past years the United States and the other countries participating in these negotiations have accounted for about two-thirds of the world's trade. The other negotiating countries have accounted for about the same proportion of United States exports and imports. The list of products on which public hearings are to be held is therefore extensive and includes a large proportion of the important products in United States import trade, including among them some products of which Germany and Japan were formerly principal sources of United States imports, but of which the negotiating countries are likely to be the principal source under post-war conditions.

Important Escape Clause to Be Included

It is intended to include in the proposed trade agreement an adequate escape clause, along the lines of that appearing in our trade agreement with Mexico, under which a concession which, as a result of unforeseen circumstances, causes serious injury to domestic producers, can be modified or withdrawn.

The negotiations will be a two-way process. The United States will make requests for tariff and other concessions by the other countries in favor of a wide range of products covering a large proportion of our total export trade. Although no list of the export items on which concessions will be requested is to be published, the interdepartmental trade-agreements organization is preparing a very extensive list of such requests, and export interests are urged to let the trade-agreements organization know at the public hearings what concessions they feel should be requested of the other countries involved in the negotiations.

Information is also solicited about other trade barriers, such as quantitative restrictions or administrative regulations which have stood in the way of United States export trade with these countries, and as to any discriminations by these countries which have proved detrimental to United States exports.

The procedures hitherto followed under the Trade Agreements Act will continue to apply in the preparation for these negotiations. No tariff concession will be granted by the United States on any product not covered by the present or a supplementary public list. Inclusion of any product in the public list does not necessarily mean that a reduction or binding of duty will be granted. No decision to offer a tariff concession will be made until after the public hearings, and the final decision as to what concessions will be granted will, of course, depend on the outcome of the negotiations. Concessions may take the form of reductions in duty (customs duties and import excise taxes) or may simply bind existing duties or duty-free treatment or processing taxes.

Statement by the President of the United States on the Significance of the Negotiations.

The Acting Secretary of State has today formally announced the intention of this government to enter into concerted trade-agreement negotiations with 18 other principal and representative trading nations for the reciprocal reduction of trade barriers and substantial elimination of trade discriminations among the nations participating.

President Truman

It is important that the people of the United States realize the true significance of these negotiations, for us and for the world. They are not solely trade bargains. They are that but they are much more. They are central to the structure of international cooperation under the United Nations. They are necessary to achieve the objectives of the Atlantic Charter and of Article VII of our mutual-aid agreements. They are necessary to strengthen and support the foundations of the International Monetary Fund and the International Bank for Reconstruction and Development and to pave the way for the kind of economic world envisaged in the *Suggested Charter for an International Trade Organization.*

The substance of the *Suggested Charter* is now being discussed in London by a committee of nations designated by the Economic and Social Council to prepare for an International Conference on Trade and Employment and for the establishment of an International Trade Organization. The subsequent trade-agreement negotiations announced today will carry forward these general principles and objectives by concrete and specific action to clear the channels of trade, replacing trade warfare by trade cooperation to the common benefit of all countries. Their success or failure will largely determine whether the world will move towards a system of liberal international trade, free from arbitrary barriers, excessive tariffs, and discriminations, or will pay the heavy costs of narrow economic nationalism.

I am confident that the people of the United States will give these negotiations their full support and encouragement.

U. S. and Russian Disarmament Proposals Can Be Harmonized

(Continued from page 2473)

tone and in its zeal run the risk of shouting itself hoarse, at high-pitched notes, cannot enjoy a really firm sympathy of the broad sections of the people. At the same time there need not be any doubt, that the potentialities of the press are well nigh inexhaustible when the press is really filled with the sincere concern to promote peace among nations, their well-being, national independence and freedom.

I shall not conceal that speaking now of the press I have certain special considerations in mind. I should like to draw attention of the press to a problem, the urgency of which it is difficult to question. What is more there is reason to believe that the solution of this important problem of international cooperation can adequately be advanced by joint efforts of the United Nations.

As you know the Soviet Delegation has put forward a proposal for general reduction of armaments. It is also well known that in the General Assembly the Delegation of the United States of America has given its support to this proposal and at the same time presented its own further considerations regarding this problem. We have yet to discuss these questions in the United Nations Organization and we should not now anticipate this discussion. However, the American Delegation has already met the proposal of the Soviet Union. I want to declare that for its part the Soviet Delegation is also willing to meet the Delegation of the United States. We can already recognize that the proposals of the Soviet and American Delegations can be harmonized. We all should in all earnestness work for the accomplishment of this great task.

Not a single Delegation to the General Assembly has raised objections to the discussion of the question of general reduction of armaments. On the other hand, as you know, that while some delegations received this proposal with complete approval other delegations expressed their readiness to discuss this problem. I hope that now we shall be able to come to grips with this problem and to make a start towards the solution of the problem of general reduction of armaments in the course of the present session of the General Assembly in New York.

Given these promises the press will be able to do much in this direction. The press will make no mistake if it lays to heart this important and urgent problem. It is beyond dispute that general reduction of armaments including the prohibition of development and use of atomic energy for military purposes serves the interests of peace-loving people. Since the reduction of armaments and prohibition of the atomic bombs will have a general character, not a single country will be able to evade the taking of such measures. Neither will any country have a privileged position.

After routing of our common enemies who have been disarmed for many years to come we can now proceed to reduce armaments in our countries as well. This will put an end to the race of armaments that has now started. We must carry out general reduction of armaments according to a single plan and under the direct guidance of the United Nations.

Reduction of armaments will considerably reduce the number of men serving in the armies, navies and air forces. These steps will result in a considerable reduction of military budgets and in lightening the burden of taxation for the population and this will make living conditions easier for laboring people. General reduction of armaments will contribute to the consolidation of international peace and security, for which the peoples of both small and large countries are so longing. By giving the necessary support to the accomplishment of this objective the press will carry out one of its great tasks. The success achieved by the press in this noble undertaking will be of historic significance and will respond to the profoundest and innermost sentiments and aspirations of peoples for stable peace and progress.

Miller Trading Manager For Theron Conrad

SUNBURY, PA.—Theron D. Conrad & Company, 416 Market Street, announces that Joseph R. Miller has become associated with them in charge of their trading department.

Need We Have a Depression?

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fered as a cause or largely contributing cause, to the decline. Willys-Overland $4.50 convertible preferred syndicate broke 40 points to a price of 60; the significance of the approximate 30-point decline in Montgomery Ward and Electric Auto-Lite indicated that money was not forthcoming for these and other new issues.

The decline of 15% in Cincinnati Gas & Electric offering from 26 to 22 and the discount in Allis-Chalmers convertible preferred of 8% from 100 to 92 accentuated this stringency of investment capital.

Notwithstanding this apparent over-supply of new issues, The Pacific Telephone & Telegraph, H. J. Heinz and Scovill Mfg. Company underwritings, since September financing, has been successful and the Cincinnati Gas & Electric is now selling over the offering price. The success of the American Telegraph & Telephone financing of $350,000,000 convertible debentures at a rate of 2¾% (one of the largest pieces of underwriting) is assured. As for call loans to brokers, between Dec. 3, 1945 and Sept. 30, 1946 they declined from $1,074 million to $408 million, against the $8 billion to 1929 and $3 billion in 1937.

The facts warrant the conclusion that money did become tight (aggravated by 100% margin) in a sense, different than heretofore, where high interest rates, scarcity of funds and large security loans affected the absorption of securities. Nevertheless the quick recovery of sound underwritings and the liquidation of substantially all securities not properly margined, it would appear, has removed the question of "undigested securities" as a factor in the present appraisal and gives proof of the ample availability of investment funds.

2. Inventories and Industrial Products

Inventories even today at $18 billion for manufacturing and $12 billion for trade are not high in view of the advancing price of goods and the amount of unfinished goods awaiting the completion of other products and the rising dollar amount of sales in proportion to inventory. There is nothing alarming in that situation, at least the Cleveland Trust Company "Bulletin" so states. The index of physical value of industrial production according to that "Bulletin" states that preliminary estimates indicate that the index of industrial production has been advancing every month since May to 20% over the figure of that date. It should be noted that 1.80 is the latest count of manufacturers inventory to shipment vs. 2.31 before the war. Retail sales now run at 0.97 vs. 1.52 in 1939. The shadow of 1919-20 depression does not here threaten, for the tardiness generally of filling demand by production is real, at least in the more important lines of industry, and inventories are not excessive in view of this situation.

3. Important Liquidation

This decline was unexpected by the people who held large amounts of securities, which is indicated by the reports of the closed end investment trusts which indicate that most of them had less than 10% cash in the second and third quarter of this year. As a matter of fact, large interests do not and could not liquidate large amounts of securities in such a market. The American business outlook was sufficiently promising to cause leading Fire & Casualty Insurance companies to invest over $1,000,000,000 in common stocks during the first half of 1946. It is fair to assume that, in the main, liquidation of investment holdings on a large scale had no part in this decline.

4. Commodities

The decline in commodity price is a step towards normality and also a step in reducing the cost of living and the cost of production. Certainly $0.40 for cotton with rayon selling at $0.26 is not an economic necessity or blessing. As the farmers are in the strongest financial position in their history and have reduced their farm mortgages by almost $2 billion since the war began, no classes will be ruined by decline, unless they be too rapid and too steep.

This governmental support, promised for several years (provided war is not declared officially over in 1946) is fixed at a level of 90% of parity (cost of living) except for cotton which is 92.5%. Advance of commodities does not match the percentage increase which occurred during and after World War I; further, we now have a 60% dollar and a politically strong farm bloc. Therefore, any deflation should be much less severe than in 1919-21.

Except for farm products, the price picture today shows little comparison with 1919-21. Non-agricultural commodities had risen only about 45% by August, 1946 from the 1939 average, whereas the rise from 1914 to the 1920 high was 146%. The vulnerability to decline is today very different. From 1919-21 copper declined from about 22¢ to under 12¢ and stayed down. Despite the present much higher general price level, copper has been 14⅜¢, which is actually below the world price of 17½¢, with a tariff to prevent the impact of any later decline in the world price. Bessemer pig iron dropped from $43 in 1920 to $20 in 1921. Lead dropped 57% in 11 months in this earlier period, but today constitutes one of our greatest shortages. Crude oil declined nearly 60%, but today it trends upwards. In the earlier period many businesses were hard hit when raw materials were deflated, as so many were loaded up with high cost inventories often bought for speculation. The only costs seriously inflated today, other than for farm products, are wage costs and these are not readily reducible. The flood of over-priced redundant commodities and manufactured products of the postwar World War I period does not seem to presage a depression or be the cause of the present phase of equity devaluation.

5. Money, Interest Rates and Working Capital

Twenty-eight non-callable high grade preferred stocks with no prior debt, the average yield has risen from 3.57% at the year's high to 3.93% on recent quotations —only a 10% rise and still about 33% over the yield of high grade bonds, while a list of 67 excellent utility and industrial dividend paying stocks have risen from 3.76%, at their high of this year from dividends declared or paid during the past 12 months, to 5.29%, at recent prices—a rise of 40%. On a higher grade of stocks the present yields average 4.6%, a 25-33⅓% rise.

The gaps between bonds and equities in former periods of high prices were as follows:

In 1929 industrial common stocks yielded less than 3⅜% and bonds of investment quality 4½%. In 1937 the spread of bonds of investment quality over industrial common stocks was ¼ of 1% and ¾ of 1% over rails. Today, high grade industrial common stocks yield an average of 4½% and rails yield 5% to 6% as against bonds of high investment quality or 2¾% yield. Common stocks as investment oportunities are thus attractive against bonds carrying an unprecedentedly low yield.

National income may, this year, reach a peak of $165 billion. In 1939, a pre-war year, it was $70.8 billion, and in 1929 it was $83.3 billion. Our available cash resources with $176 billion (peak of Jan., 1946) of deposits and currency outside of banks which is over three times what it was in 1929 hardly shows anything but a plethora of money. (See No. 1 Undigested Securities). In addition, the people of this country held in time deposits, savings bonds, savings bank deposits viz $225 billion of liquid assets as against $65 billion in 1940.

Net working capital of the Industrial Corporations in the United States as of December 31 was $24.6 billion in 1939 and rose to $52.1 billion in 1945. The 82 Class I Railroad System as of December 31 had $571 million net working capital in 1939 and $2,126 million in 1945. Reduction in fixed long term indebtedness of all class I railroads over the last seven years has been approximately from $11 billion to $8 billion and fixed annual charges from $700 million to $475 million. These figures do not indicate increasing debt burdens or dearth of ample working capital, as bearing fundamentally on this decline.

6. Margins, Overspeculation and Thin Markets

The avalanche of necessitous and urgent selling gave all the evidences of a panic limited to a comparatively short period. The stock market as now constituted is a "New Deal" market in that a number of "hand-made" rules and regimentations covering traders, specialists, short-sellers and the abolition of all margins or credits has brought about a sharp contraction in the number of possible purchasers, particularly in a declining market. This creates a situation without parallel.

The discrimination against extending credit to purchasers of stocks is a vicious and short-sided restriction against industrial expansion by the much desired medium of risk capital, which entails no burden in depressions and should give corresponding rewards in prosperity. Companies with no debt can never go bankrupt. This is of primary consequence to labor.

In November, 1937, margin requirements were reduced to 40%, but on Feb. 5, 1945 they were back to 50%; on July 6, 1945 they were raised to 75%, and on Jan. 21, 1946 they were abolished. This rise from 50% to 75% "margin" was an unnecessary and unreasonable abuse of discretion; certainly the astute statistician of the Federal Reserve Board could not have figured that a rise from 50% to 75% was a 50% increase in margins, when it actually raised margins at one step from 100% to 300%!

General Electric declined 15.9% with a depreciation of 209 million in market appraisal of the entire issue in 0.8% of that entire issue which changed ownership. Similarly U. S. Steel declined 21% with a depreciation of 162 million in market appraisal of the entire issue in 3.2% of the entire issue which changed ownership. General Motors declined 18.6% with a depreciation in market appraisal of the entire issue of 529 million in 0.8% of the entire issue which changed ownership. These are outstanding evidences confirming the existence of the exceedingly thin markets, in 21 sessions.

It must also be remembered that adventuresome speculators and wealthy refugees from war-stricken Europe had, since 1939, piled up extensive profits in railroad bonds, utilities, and since 1942 had secured large profits in the market generally, which remained fairly immune from any fairly ~~sized~~ decline even after the end of the German War ~~and the~~ Japanese War; also, in the face of Government predictions that we would have eight million unemployed in the Spring of 1946. These may have become panic stricken over the fear that their profits would disappear and took immediate profits.

As the situation with regard to new issues grew more and more acute and as prices receded, the collateral securing loans became increasingly endangered, thus causing financial embarrassment on an ever-widening and enormous scale. This resulted in necessitous selling from all over the country that must have originated from speculators who had pledged their stocks with banks which became disturbed and sold the collateral. Therefore, while a correction was in order, nevertheless, the severity and depth of the decline could have been caused by these factors enumerated, and not by underlying factors that have still to become disclosed.

7. Bear Markets and "Imbalances"

Much has been said about bear markets but it should at the outset be stated that bear markets mean "liquidating" markets. In 1919 the liquidation at a time of high money rates involved the inflated commodity price structure; in 1929 it entailed the razing of an enormous debt structure of some $8 billion; in 1937 it called for reduction of swollen inventories. Nothing as flagrant as these three factors is now in sight and no depression, major or minor, has started on the very threshold of expansion such as is now under way in the durable goods industry. Certainly at present there appears no abatement in the demand for all forms of finished goods—on the contrary, in certain fields the durable goods unsatisfied demand is piling up.

The claim is made by the forecasters of a coming depression that certain imblances exist between important economic factors. It is the writer's conclusion that these imbalances do not flow from the forces already discussed. What are they, has their influence already been spent, or are they still before us beyond correction and thus make their visitation upon our economy onerous?

8. Labor

This is a direct product of the New Deal which makes labor a privileged class, and gives it the profitable function of a free economy, while it seeks to make the underprivileged class, viz. — producers—a profitless function of a regimented economy, for political purposes founded on the favor of 60,000,000 votes, a controlling power in the United States.

The rise in the standard of living was possible only by the success of the capitalistic class who provided work by production, with profit. The machinery per employee from these operations gave the laborer the ability to produce more per man-hour. The hordes of China and India starve through hand-labor and will continue to starve until capital will provide them with machinery to "capitalize" their labor.

Labor took over 70% of the 1945 national income, while corporate net income was 4.6% and stockholders was 2.88%. The following indicates the break up of the national income as set forth in billions. "Compensation to employees" comprises wages and salaries and substantially is made up of labor's share of the national income:

	Compensation to Employees	Divs. to Stockholders	Net Inc. of Corporations	Total National Income
1929	$55.1	$5.9	$8.1	$83.3
1937	48.3	4.8	3.9	71.5
1939	48.1	3.8	4.0	70.8
1945	114.5	4.6	7.4	16.0

The percentage of labor will be found constant as a minimum of 66% of National Income, in 1929 rising higher during the depression to 70% in 1945 and is estimated will be 72% in 1946.

A rather complicated computation indicates that the wage cost per unit of production rose 37% over 100% from 1940 to April, 1945 and from there to 164% in March, 1946. The Federal Reserve Board indicates (expressed in percentages with 1935-39 as 100) that physical volume of industrial production is 60% higher than in the last peace year, 1939, while factory payrolls have increased more than 140%. (However, this must be adjusted with the rise in prices, cost of living and relation of these two to the laborer's wage.)

The solution can come only from a realization by the party coming into control of both Houses that labor policies must be reversed. Class privileges of the wage earner and unions shall be removed and the rights of the employers restored. The right and liberty to bargain shall be given back and the right to create havoc in a free nation shall be abridged. The responsibility of the union and the wage earner shall be fixed and maintained as is that of the employer. The union and wage earners shall have to become conscious of the fundamental partnership between capital and labor.

9. Politics and Government

The overwhelming victory of the Republican Party evidences an over-due reaction to the right and a protest against the futile and confused policies and management of the New Deal. This does not seem to be the verdict of a privileged class, but rather a sweeping conviction from a large majority of all levels that socialistic and communistic theories shall no longer be the order of the day. Candidates representing such theories have been uniformly defeated. The country has given a mandate that should be interpreted against policies that foster privilege in any form, beauracracy and regimentation. It is possible that we shall see a veritable revolution in our governmental policies—a reversal of leftist concepts after fourteen years of experimentation to achieve an even economy which became prosperous only in a great war. It is logical that we should have such a reversal—England had it towards the left, we to the right. It has been in line with historical precedent that we should be conservative when England is radical and vice versa. That a great constructive political event offering extensive oportunities for economic betterment is at hand can hardly be questioned.

10. Choice Between Full Production and Depression

Accordingly, we have the choice between abundant prosperous production and—a depression that may test, eventually, the capitalistic form of our Government. The consequences of a great war have generated inflationary and basic forces too huge and powerful to be abated—they are still with us and must stay with us awaiting ample production. This spells prosperity not depression, for only the former can support our tremendous commitments unless we drastically reduce our debt—and from where will we get such billions? Our present budget (of which almost half are military commitments) is just about what our whole national income was in 1932.

Four hundred billion dollars extracted from our economy must necessarily be now absorbed on a higher priced scale of production and living. How can we support a $40 billion budget on an $80 billion pre-war national income? Labor alone takes 70%. Inflationary processes are normal after so great a war and if they could not operate and maintain production and prosperity on a high price level and high national income, the country could not remain solvent. In fact, this inflationary process has already, in purchasing power, reduced our debt by 40%.

The magnitude of these forces may be confirmed by the Federal Reserve Board's latest postwar economic study which computes gross national production at an annual rate of $185 billion during the second quarter of 1946 and that it would rise by June, 1948 to $225 billion. The Federal Reserve Index of industrial production would rise by mid-1948 to 208 as against 174 for July of this year, which is much higher than any prewar index, including 1929, which was 110. In 1937 it was 113 and in 1939 it was 100; the average of 1935 to 1939 was taken at 100. Net profits before income taxes of all corporations in the United States are estimated at $13.6 billion for 1946, $14.9 billion for 1947 and $7.7 billion for first half of 1948. In 1929, net profits before taxes was $9.25 billion; in 1937 it was $5.14 billion; in 1939 it was $5.27 billion, and in 1945 it was $20.8 billion, of which $13.38 billion was taxes. The working capital of all corporations more than doubled to over $52 billions between 1939 and 1945 (see supra No. 5).

Prices are figured in terms of dollars, but dollars can also be changed in value by our creation of huge amounts of money through the creation of Government bonds. In 1940, currency was $7.8 billion, or $60 per person. Today, currency has increased to $28.4 billion, or $200 per person. This runs through in startling amounts in deposits, saving deposits and Government Saving Bonds. Money has actually depreciated in its own right by the reduced cost of creating it and by the lack of value received in exchange, as well as by reason of the scarcity of goods.

To what extent and at what point, minor corrective movements may interfere, it is difficult to predict. The violent and sudden readjustment of almost 50 points may have gone far in discounting such variables. Today, at least, it may be said there is no overweaning optimism in the investor or speculator. Discussion is ripe over the approaching depression which will correct our economic imbalances.

Outside of the exports and balances herein mentioned the Export-Import Bank and the World Bank and the Monetary Fund were created. The former took over in part the Lend-Lease arrangements when they were discontinued. All in all, it should make the financing of extensive trading between us much easier. Further, the influence of the world abroad on our present economy is different than it has been for many years. Our exports this year, running at a rate of better than $10 billion and imports at less than $5 billion, leaving an export surplus of $5.5 billion. The outer world has $17 to $18 billion in gold and some $12 billion in balances held abroad to say nothing of $10 billion of unused American credit. A $10 billion rate of export has always meant prosperity as it thus maintains a ready market for surplus products and prevents over-production.

Conclusions

1. The huge plethora of money (three times over any previous period) is frozen in our economy for many years, only a stringent deflationary policy of debt payment can reverse it; certainly the maintenance of our low interest rate confirms the present policy. Such a rate is/or should be the measurement stick determining the relationship between demand and supply of money.

2. A forty cent dollar is a permanent part of our present economic structure and is necessary to lessen the burden of what othewise would have been an overwhelming debt burden which in service charges (at an unprecedented low rate of interest), is still larger than many annual prewar budgets.

3. The demand and need for goods and products of all kinds is huge and insatiable here and abroad.

4. The ability to pay for them flows from a National Income double the peace time high for all time in 1929, deposits, savings and money tripling all peace time periods, and employment which is close to the highest at the highest rate in our history. Production and employment is the best assurance of continuing demand and payment and in its turn again of production and employment.

5. Our foreign situation is and will improve—economically and politically. War is impossible because the winner loses. Russia knows that its bellicosity is only home decoration.

6. America for the first time is ushering in a period of "Reactionary Liberalism." The country cannot survive another sanguinary political, economic mess. It has suffered too much and will not stand for political demagoguery which seems to get better but always turns for the worse.

7. The gap between yields on bonds and common stocks is larger than is justified in favor of the latter, and thus offers attractive present yields for the long term in high grade common stocks.

8. The genius of American industrial productivity is high and unassailable.

9. Any depression can be caused only by the boom of the privileged classes, ("made in U.S.A.") the laborer and the farmer. The latter's products are too high because the Government is too generous to them at the expense of those not so favored. Nature's bounty may moderate both. The laborer is not getting too much if he would but give enough and not ask for more.

10. That is the score which counts heavily against depressions unless common sense goes out of the window and selfishness and political quackery comes in.

11. The basic fundamentals thus consist of powerful forces all on the constructive side, subject to impairment by human weaknesses of judgment and mismanagement. We won the war. Can't we win the peace or do we want Mr. Depression? We can have him if we do.

Britain's Faith in United Nations

(Continued from page 2473)

the two great wars for the people, politicians and statesmen to think they had only to say they did not want war and they wanted peace, for peace to prevail without any effort or assertive watchfulness on their part. The second stage, which I think we are only just breaking into now, is the universal comprehension that words are not enough, and that personal efforts and vigil by the citizens are as necessary in foreign affairs as is home questions. I am encouraged by the belief that this new awakening is taking place, as well as the acceptance by the individual of personal responsibility and effort on his part to ensure that international obligations are fulfilled.

It is impossible to exaggerate the importance and responsibility of the press and radio in giving the people the truth, the whole truth and nothing but the truth on these issues of war and peace. Attempts at sensationalism and tendenciousness in connection with foreign affairs do untold harm. Statesmen bear a heavy load of responsibility, but they would be the last to underestimate all that the press and radio can do to make or mar their actions. On the other hand, they are fully alive to the possibility of good in these great instruments.

The causes of war are various, and I will not go into them all now. but I think there will be agreement among all of us that this last great war arose from an aggressive intent to expand and finally dominate the world on the part of the Nazis as a superior race, and this was coupled, unfortunately, with a lack of unity of purpose and a good deal of misunderstanding among the peace-loving nations.

The second world war would, I believe, have been averted had not this second factor of feebleness among the peace-loving powers encouraged the Nazis to think that they could attack Poland and defeat her without a major war. The object of this attack was to make ready further conquests at a later stage. All the evidence goes to show that this was the intention.

Therefore one of the most welcome signs is the human consciousness throughout the world that the causes of the failure of the League of Nations must not be allowed to prevail again and that each of us must take our proper share in preserving the peace and resisting aggression wherever it shows its ugly head.

The United Nations is being developed in three spheres:

1. Combination for political and security purposes;
2. The principle of trusteeship for certain nonself-governing territories;
3. Specialized agencies to deal with the vast social, economic, humanitarian and cultural problems which are the concern of all countries and affect every human being.

But it will need time to create the right atmosphere of confidence so that the different political conceptions which exist in the world today can work together in harmony.

The great thing, however, is to be clear as to the objective. One cannot forget that on the social and economic levels great progress was made by the League of Nations. Fruitful activities, such as the world health service, system of drug controls, careful study of the causes of economic depression and a far-reaching system to improve conditions of labor were created by the League.

These have been taken over by the United Nations and made more universal. Economic maladjustments and defective social conditions have often led to misunderstandings and war, and I therefore view this development in the United Nations of the League's social and economic functions and the continued work of the International Labor Office as one of the most encouraging things that have emerged from the war.

In matters affecting directly the daily life of the individual, such as food, health, education, labor conditions, the spread of information by the press and radio, the restoration of war destruction—in all these matters the United Nations is producing results, and the patient effort of experts from many lands combining their ideals with their experience will be reflected in time in countless homes.

It is, however, in the realm of security that doubts and difficulties arise and perplex mankind. It is in this field that dominant nationalism plays such a tremendous part. Every government and state feels bound to take adequate precautions against the possible threat from some neighbor state. The question of armaments really amounts to this: can statesmen charged with the making and preserving of peace act by the adoption of wise policies, so as to turn the energies and ingenuities of scientists and engineers from weapons of war to the products of peace? In other words, they must develop a policy that will make the need for weapons of war unnecessary. The magnet of destructiveness must cease to pull and constructive effort must be the universal attraction. Only good foreign relations can make this possible.

We are all friends and we must arrange our collective defense to prevent any resurgence of the spirit of aggression so that the peoples of the earth can go about their daily tasks and sleep in their beds in peace and security.

The British Government strove for disarmament before this last great war, led by that great labor leader, Arthur Henderson, and their unilateral action nearly brought disaster. But if it now can be secured universally, then my government will not fall behind in the work of disarmament. Nobody can accuse the present British Government of wishing to consume the energies of the people in making destructive weapons when they might be devoting their time and attention to peaceful production and raising the standard of life. If, therefore, I have not up till now been eloquent on the subject of disarmament, my silence must not be misconstrued. It is because I wish this time to see a practical and useful scheme worked out. Disarmament, like democracy, is a word that fires the imagination and provokes enthusiasm. But we must be sure, in using it, that we are doing more than merely using words and that in proposing disarmament we are also putting forward something constructive to maintain order and security among the nations.

In this case we are, of course, immediately up against the question of sovereignty. Governments feel that they can take no risks with the security of their citizens. The key is whether a great organization such as the United Nations can be relied on by peoples and governments for this security.

The United Nations, if it is to accomplish its purpose, must in fact be able to protect from aggression and war every person in every state more effectively than he can be protected by the government of the country to which he belongs. If the United Nations is eventually to supersede the separate states in giving security, it must establish confidence—a confidence that will in fact be effective in the event of trouble. To create hope in the peoples' hearts and then fail them at a critical moment creates a state of despair.

In considering the development of the United Nations organization, we of course have to take into account the things that influence countries: religion, language, climate, political ideology, and, by no means least important, the curriculum taught to every scholar. All these separate factors mould the minds of the particular nations, and I mention them to make it clear that if we should imagine that we can build in a moment this organization we will only spread impatience and disappointment. The progress of the original 13 American states from confederation to federation was not the work of a moment. The example of what the United States has accomplished is a lesson to all of us and in particular, I believe, it should teach us the qualities of patience and perseverance.

We must try to create a state of affairs, a right approach and understanding, so that in a few years the constitution of the United Nations will be respected and venerated like the constitution of an individual country. The United Nations does, after all, belong to everybody: it is not something separate and aloof from either human beings or governments upon whom responsibility can be devolved.

The United Nations must be both the faith and the instrument of the people. My experience is that what the public demands from us is to deliver the goods. This applies particularly to an entity such as the United Nations. One achievement after another that is a success builds up a new faith.

I sometimes ponder and let my mind consider man's great achievements over the forces of nature. Think what he has done. He has lassoed the stars, bridged the mighty ocean, plumbed the depths, annihilated space, discovered almost all the secrets of nature, turning them to account for good or ill. This mind of man, possessing such a conquering power over the forces of nature—that same mind ought to be able to organize, distribute and control the forces that have bound us so they are turned to the tasks of peace and construction rather than to the inhuman brutality of war.

Oxford Radio Stock Offering Next Week

Floyd D. Cerf Co., Inc., Chicago, expects to publicly offer on Nov. 20 an issue of 60,000 shares of Oxford Radio Corp. common stock (par $1). The price to the public will be $5 per share.

Oxford Radio Corp. is one of the largest manufacturers of loud speakers in this country. This company is engaged in the manufacture of many types and sizes of quality loud speakers for radios, intercommunicating and public address systems, and sound reproducing equipment. The company does not manufacture radios.

On April 1, 1946, Oxford Radio Corp. purchased the Oxford-Tartak Radio business; manufacturers of loud speakers and associated acoustical equipment since 1933. Oxford has established an enviable reputation as scientific manufacturers of products of outstanding quality. The company's present backlog is over $2,500,000 and the management has practically completed its program of additional tooling and the installation of additional machinery and equipment which will be adequate to increase production levels to $300,000 per month.

Additional plans for expansion beyond this volume of production are being formulated by the management to take care of the constantly increasing demands being made upon the company for their products.

The company has over 80 customers in the radio, intercommunication, sound recording and reproducing industries. Sales to the 10 largest customers for the five-month period ending Aug. 31, 1946, constituted 61% of the company's total sales. Among the company's nationally-known customers are Radio Corp. of America (RCA), Stewart-Warner Corp., Zenith Radio Corp., Sylvania Electric Products, Inc., Sonora Radio & Television Corp., and Dictaphone Corp.

The corporation has recently begun to merchandise a complete line of replacement loud speakers to the jobbing trade for radio service shops.

The company expects to acquire tools, dies and fixtures together with certain inventories for the purpose of engaging in the manufacture and sales of ballasts (under patent license) for instant lighting of fluorescent lamps for which there is an enormous unfilled and rapidly increasing demand.

World Trade and America's Future

(Continued from page 2465)

and machinery of production, which mean work for the idle, food and clothing for the destitute, and hope for the despairing. It is true that we have deficiencies here at home, and some would deny aid to others until our own needs are fully supplied; but as we meet here today as Americans and foreign traders, we know that there is no valid reason for America to fail to meet this challenge.

Production, and More Production!

Production, production, and more production is the imperative of the present, and who is better equipped to produce than we? If it is a matter of productive capacity, we have it—as much as the rest of the world combined; if the requirement is capital—we have that too—the accumulated product of generations of hard-working, thrifty inventors, builders and traders; if it's industrial "know-how"—the world concedes our preeminence; if it's a question of raw material resources—no nation has been so richly endowed. Can it be a question of able and willing hands? The skill and productivity of the American workman cannot be equaled. All these elements of production: resources, productive capacity, capital, labor supply and industrial "know-how" combined to achieve, in war time, a productive record never approached in the history of man; and there is nothing now to hold us back but our own stubbornness—the stubbornness of labor leaders and industrialists who have made bad decisions, and will not concede their errors; of politicians, who have passed ill-considered legislation, and will not reverse their positions; of bureaucrats, who have imposed stifling restrictions on industry and commerce and, for too long, have refused to admit the evidence of their blundering. By coordinated effort and mutual sacrifice, labor, management and government, under the compulsion of war, pulled our productive machine to the top of the hill. Now, with a broad, level plateau of prosperity before us, we no longer work together but tug and haul away at cross purposes, while our machine slides into reverse. This unhappy state of affairs, gentlemen, is the antithesis of our American tradition. To think, to speak, to act—first, as representative of labor, of management, of this or that ideology, and, second, as members of a great democracy, where each can achieve in proportion to his ability and enterprise, is foreign to our instincts and our American heritage—and it is not good for us. We must get back on the right track.

So great is the vitality of our private enterprise economy that, in spite of bickerings, slow-downs, stoppages, controls and restrictions, our exports this year, including UNRRA and Lend-Lease, may total $10 billions. This would break all peacetime records and, if our production snarls are unraveled, we should do better in 1947 and 1948. Exports of this magnitude, with imports only half as large, obviously pose a serious payment problem. Including what we are giving away, we appear to be headed for an excess of exports of $4 or $5 billions per year, offset to only a minor extent by expenditures abroad for tourist and other services. The remaining gap will be filled either by denuding our customers of their limited resources of gold and foreign exchange or by providing them, through loans or gifts, with additional purchasing power. The first has obvious limitations and the second is an emergency stopgap requiring the utmost discretion in its application. Since continuance of this unbalanced situation will mean that we must pay for, as well as produce goods which are consumed by others, we should make every effort to correct it by increasing our imports of useful goods and services.

The Question of Imports

I am happy to note that our imports this year are currently running only slightly below the figures for the highest previous peacetime year, a result which is partly due to the rise in the general price level; but we can—and we must—raise our imports much higher if our exports are to be in line with the world's need and our capacity to fill it. Our government, under the Reciprocal Trade Agreements Act, has helped to stimulate imports through tariff reductions, and it has proposed an International Trade Organization whose members would join in a united effort to eliminate the handicaps to world trade which have caused so much economic and political unrest. Our State Department has recently made public the draft of a suggested charter for this International Trade Organization, which has been submitted to the 18 nations represented at the London Trade Conference. Although, in my opinion, the proposed charter has some weak points, which I shall refer to later, it is gratifying to know that our country has assumed the obligations and responsibilities of world leadership in this tremendously important work.

Trade Barriers and Our Export Surplus

The progressive reduction of trade barriers, however desirable, is a slow process and will not cure our export surplus. The elimination of all our tariffs tomorrow would not bring our foreign trade into balance. The devising of ways to increase our imports of the raw materials, foodstuffs and finished goods which we can obtain to advantage from other lands is a project worthy of the best efforts of our statesmen, our businessmen and, most of all, our foreign traders. There is no merit or common sense in the old idea that we should restrict foreign purchases, but push our surpluses aggressively in world markets. This task of building up our import volume is a highly patriotic one, for which we need to apologize to no one.

While our imports are limited by the inability of foreign suppliers to produce a surplus of the type of goods we need, we are pumping great quantities of capital into the streams of foreign industry and commerce, in the form of American machines, American techniques and American dollars. This unprecedented outpouring of our wealth is tangible evidence of our faith in the integrity of our friends and of our enduring hope for a prosperous and peaceful world; but it will be justified only as it is effective in reviving and quickening the industrial heartbeat of the recipients, making possible a new and richer flow to us through the arteries of world trade and commerce, of goods and services to benefit our economy and enrich our lives. The fact that a sustained period of prosperity in this country is essential to an expanding world economy has become a truism, but I would be remiss if I did not reemphasize the primary importance of putting our own economic house in order and maintaining a high standard of living for all our people, if we are to make effective use of the surplus materials and products of other lands, the only coin in which they can settle their accounts with us.

Never in modern times has the economic destiny of the people of the world so rested within the hands of one nation; never has the burden of world leadership been so heavy; and never has a nation had so strong a moral basis for the assumption of world leadership as has our own at this moment. Though half the world's wealth and productive capacity are ours, we need apologize to no one for the manner of its attainment. We come to the postwar conference tables with clean hands. We have no spoils of conquest, and we desire nothing from others but their cooperation in building a peaceful and prosperous world order. Our wealth is not the product of the hopeless toil of subject peoples, but is the fruit of the unremitting labors of our farmers, industrial leaders, factory workers and traders working under a free, competitive economy. I know that I speak not only for foreign traders, but for all Americans, when I say that we seek only the opportunity to continue to work, to produce, to share our knowledge and our production with others, in exchange for the good things they have to offer us, that we may all be the richer for it.

An Idealistic Vision

The cynical may regard our American plan for world peace through world cooperation and world trade as an idealistic vision—and so it is. America was founded by visionary idealists and, through all our history, idealists have been our most honored leaders. We need not fear ideas and ideals, so long as they are combined with a practical sense of values and the principles of elementary justice. The proposed charter for an International Trade Organization is an idealistic document and, to that extent, is in the American tradition. This charter, the official plan of our government for the achievement of international cooperation in the economic field, embodies a code of international trade principles which merit our careful study. Many of these principles, long recognized by American foreign traders, were set forth in cogent fashion in the idealistic, but entirely practical, final declaration of last year's convention. The charter calls for the multilateral reduction of trade restrictions, preferences and discriminations, wherever possible, of export and import quotas, embargoes, export subsidies, exchange controls and international cartels; and the establishment of an International Trade Organization in which all nations may join to discuss and negotiate their foreign trade problems. The idealism is all there, but there are significant omissions of a practical nature which, to businessmen and experienced foreign traders, detract from the effectiveness of the document.

Foreign Investments

I have said that the major problem facing American foreign traders in this transition period is the matter of supplying dollars to a world eager for American goods; and I have said that the best way to furnish these dollars is by increasing our imports of useful goods and services. However, it may be years before the normal supply of dollars in the world's markets will be equal to the demand. Our professional economists and politicians, as well as our foreign traders, have been concerned about this problem, and have suggested a substantial increase in our foreign loans and investments to remedy this dollar deficiency and help restore production and trade throughout the world. Tens of billions of the taxpayers' dollars have gone into foreign loans and credits, and into international agencies to provide additional loans and credits. Government officials, many times, have voiced the opinion that private enterprise should bear a greater part of this burden. Yet, the charter as drafted lends no encouragement to the international movement of investment capital, apart from the statement that the proposed Trade Organization would make recommendations for international agreements on the treatment of foreign nationals and enterprises. There is, however, an urgent need for an international code of ethics and fair practice, clearly defining the rights and obligations of investors and recipients and affording protection to both. American businessmen are being urged, on all sides, to increase their foreign investments, and to assist backward nations to achieve higher standards of living through industrialization; but they would be untrue to their trust if they were to invest blindly in nonproductive projects, or in areas where the international movement of capital and earnings is unduly restricted.

Countries most in need of foreign capital sometimes afford it the least assurance of fair treatment and production against the hazards of discrimination and outright confiscation. American industrialists and investors are not lacking in enterprise and, in times past, have invested billions of American dollars abroad, in some cases to their subsequent regret. The controls, restrictions and discriminations which have hampered and destroyed many of their investments have not entirely destroyed their enterprise and idealism; but their idealism now is of the practical, down-to-earth variety. The businessman can stay in business only by making profits; and he feels that the government, no less than himself, can ill afford to invest billions abroad without some assurance of obtaining an ultimate return in a form which is recognizable to the average American citizen—the man who pays the bills. America has a big heart—much bigger than its pocketbook. We Americans are willing to shoulder our share, and more, of the gigantic task involved in the world's economic reconstruction. We are proud of our free, private enterprise system that has made so great a contribution possible. The preservation of this system must be our main concern. Therefore we cannot approve of loans to nations which deliberately misunderstand our motives, or would employ them to bolster their closed economic systems or to futher narrow nationalistic policies which would destroy the value of our foreign investments and contract our foreign trade.

Fellow Americans and foreign traders: we have come to this 33rd National Foreign Trade Convention from all sections of this great land of ours because we are interested in foreign trade and believe in its future. We believe that a free and unobstructed flow of goods and capital among nations is necessary to the realization of the American ideal of an expanding world economy leading to a peaceful and prosperous world. This is America's vision, gentlemen, and only America can supply the physical and moral leadership to make it a reality; but there must be a new unity of purpose inspiring labor, management and government to a cohesive effort toward removal of the internal impediments to our own recovery.

This domestic problem concerns each of us, as American citizens; but in the specialized field of foreign trade we have a responsibility which is peculiarly our own. For many years this convention has served American foreign traders as a forum for the discussion of their problems, as a crucible of foreign trade opinion and as a sounding board for the enunciation of the principles and policies in which we believe. Never was there a greater need for national unity in support of an intelligent, purposive and coherent foreign trade policy. I hope that out of our meetings, discussion groups and working committees there will evolve a unified foreign trade policy which can be crystalized in the final resolutions of this convention to meet this real need. Such a statement of foreign trade policy by the voice of American foreign trade will be a major contribution to that informed public opinion which is the fountainhead of all liberty and freedom and the lifestream which nourishes this great Democracy.

Planning a Quick Visit to Europe?

(Continued from page 2462)

fact is that the volume of such immigrant transportation demand definitely makes more difficult travel abroad by American businessmen.

The American shipping strikes and the TWA pilots' strike have caused hardship to thousands of would-be or actual travellers. The fact that TWA planes were grounded by the strike has thrown an extra burden on overworked competing airlines, among which the American companies have been gradually transporting the stranded TWA passengers. An illustration of the extremes to which the exigencies of air travel in this disturbed postwar period can reduce the traveller is the case of four TWA travellers whom the writer met in Ireland at the Rineanna Airport on the Shannon River.

That airport — now a crossroads of the world, with batches of travellers from all continents dropping in out of the sky every few minutes and marching in familiar routine to the always-open dining room, where steak dinners are served around the clock — is 16 miles by road from the nearest town, Limerick. The hotel accommodations of Limerick are not only limited but, by American standards, fourth rate.

When air passengers are stranded in Ireland, there is no place to sleep at Rineanna, not even a cot to lie on. Some of the airlines allow their stranded and standby passengers to sit in the Rineanna waiting room day and night. So one sees, and hears, weary travellers sleeping in the armchairs and the four inadequate settees, while all the lights and sometimes the radio as well are on and while the groups of other arriving and departing through passengers troop by for their routine feedings.

It may be that in theory air travel is for the impatient, but actually it would be more accurate to say that today it is for the patient. The four TWA passengers mentioned above had been in Ireland three weeks, thanks to the pilots' strike. Some of their fellows ran out of money. This particular group had been billeted by the TWA some 33 miles away. At 1 a.m. on Nov. 7 they had been advised by phone that transportation had been obtained for them on the Air France, if they would come out to the airport at once. This they did, getting out of bed and arriving about an hour later, only to be told that the captain of the French plane in question had become impatient and flown off to America with four other passengers who had been standing by.

The night I met these four they were again at the Rineanna airport, having been meanwhile transferred to a hotel in Limerick. They were told this time that there seemed to be a very good chance to get off on one of four planes leaving that night for America. While I was at Rineanna I saw this foursome disappointed in three of the four cases. How they made out eventually, I did not remain behind to ascertain. But I do know that they were told they could go on the plane on which I went, provided they went without more baggage than a single light handbag apiece. After these passengers had rearranged their baggage with this in view, they were told that unfortunately they could not go after all on the plane contemplated, an American Overseas Airline plane.

Doubtless the American Overseas Airlines did all possible to accommodate these stranded TWA pasengers; yet such experiences, for which the traveller is not always equipped to understand the technical reasons, call for great patience. The remarkable fact is the patience which most trans-Atlantic air travellers exhibit. One man I met in the hotel in Limerick had come there eleven days before. He showed me a telegram from the airline on which he had a ticket, suggesting that he come at once to Rineanna and standby for early departure. The man had left his stopping place and come to a miserable hotel in Limerick — glad enough to get any room there — eleven days before I saw him. He is no doubt still in his unheated, chilly room there, composing limericks in his spare time.

The patience of air travellers verges on docility, sometimes. People get to viewing their being knocked around as a matter of course, I noted. Because it takes longer to put in a phone call from Limerick to the airport than to go out there the 16 miles, and because the airline clerk had stated on the phone that my reservation, made four months before, was no assurance that I would get on the plane, I took my baggage out to the airport at 7 p.m. and decided to wait for the plane, the Flagship Frankfurt, then due to depart from Rineanna about 4 a.m. the next day, Nov. 9. The plane actually took off at 3:10 a.m. Inside the cabin at the takeoff the lights were dimmed; so, since I had been up more than 20 hours, I decided to try at once to sleep in the reclining seat which has replaced the Pullman-type berths of last year.

But no sooner were we up in the air than all the lights in the cabin were turned on full and the passengers informed by the stewardess and purser that American customs forms must be filled out at once. We were still over Ireland and the customs counter at LaGuardia Field was 16 hours and three minutes away.

When I inquired the reason for the urgency, the purser replied that he had to turn in the forms at Gander next morning. To my suggestion that I turn in the declaration next morning, before Gander, for the reason that I was now extremely tired and would not sign any declaration that I would draw up under those conditions, his reply was: "You will fill it out now. I'll be back in a short while for it." My rejoinder to this was that I would not fill it out then, that I would fill it out before Gander, but not immediately.

Three times the purser woke me to demand the form, and when I still insisted that I would not make it out at once, he said: "If I had known that in Shannon, you would never have got on this plane. If you don't do as I say, you'll not get off this plane at LaGuardia, but will be brought back to Europe." At 4:50 a.m. the lights in the cabin finally were put out.

Next morning, after sunrise, I made out the declaration and turned it over to the purser. It was 9:48 a.m., Shannon time, and we did not arrive in Gander until three hours later.

If there is a moral to this tale of needless mistreatment of human plane cargo it may be that bureaucratic stupidities are not limited to government organizations.

Trans-Atlantic air travel is a wonderful experience. The airlines do a marvelous job with insufficient equipment. Doubtless with the strato-liners of the near future the marvels will be much more thrilling than even now. But under present conditions, travel by air across the Atlantic is not exactly as the illustrated calendars and travel folders describe it.

B. G. Cantor Offers Espey Mfg. Stock

B. G. Cantor & Co. are offering 59,500 shares ($1 par value) common stock of the Espey Manufacturing Co., Inc. at $5 per share. The company was incorporated in New York on July 9, 1928. The company owns all the issued and outstanding stock of the Espey Sales Corp., which sells a portion of the company's products as a distributing company; all of the issued and outstanding stock of the Philharmonic Radio Corp., and 50% of the issued and outstanding stock of the New York Cabinet Corp. which is engaged in the manufacture of radio cabinets exclusively for the Espey Manufacturing Co., Inc.

The company manufactures radio sets, phonographs, and radio-phonograph combinations comprising approximately seven models ranging from table model radios to radio-phonograph combinations. The company has already completed production plans to manufacture console radio-phonograph combinations which will retail at approximately $200 per set.

All sets are sold to wholly owned subsidiaries at the same prices as charged to non-affiliated distributors.

The major portion of the company's subsidiaries sales are made to leading department stores and to leading radio retail outlets. Sets are sold primarily under private brand names, with approximately 20% of the company's total sales being made for sets selling under the "Espey" name.

Predicated upon current six months earnings and upon the outlook for the remainder of the year, which would indicate approximate earnings for 12 months ending Dec. 31, 1946 of 94c per share of outstanding common stock, it is the intention of the directors to shortly place the common stock on a 10c per share quarterly dividend paying basis.

Sutro Adds to Staff

SAN FRANCISCO, CALIF. — Sutro & Co., 407 Montgomery Street, members of the New York and San Francisco Stock Exchanges, have added Herbert M. Hauser to their staff.

Butler With Buckley Bros.

(Special to THE FINANCIAL CHRONICLE)

LONG BEACH, CALIF.—Virgil J. Butler has been added to the staff of Buckley Brothers, Farmers & Merchants Bank Building.

Revel Miller Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—Jacob D. Patterson has become connected with Revel Miller & Co., 650 South Spring Street.

U. S. Foreign Policy Stands

(Continued from page 2472)

The open forums of the United Nations are not only a test of statesmanship; they are also a test of the press and of public opinion generally. World statesmanship cannot long ignore informed world opinion.

The peoples of this world want peace, but they are not always conscious of the conflicting national claims and aspirations which in the past have led to war. The United Nations provides an open forum for statesmen to speak not only to their own people but to the peoples of all countries.

If statesmen find that demagogic appeals to passion and prejudice, which divide people, turn world public opinion against them, they will quickly stop such appeals.

On the other hand, if statesmen find that appeals to reason, tolerance and good faith, which unite people, are effective, they will not be indifferent to such appeals.

We are witnessing here only the opening performances of the United Nations. Its future performances, its future work, will depend upon the response of the peoples of the world, and not merely upon the response of their governments.

The response of the peoples of the world will be influenced not merely by what is said in the meetings, but much more by how it is reported and interpreted by the press and radio throughout the world.

That is your responsibility. You cannot shirk it any more than I can shirk my responsibility. The people's peace must be guided by a Press that is free and alert, but also responsible.

Of course, the work of the United Nations is affected not only by what is said in the meetings, but by what happens outside of the meetings. I have heard speculation as to the effect of our recent elections upon the work of the United Nations. In view of what happened after the last war, it is natural that this question should be raised by the representatives of other governments.

But as one who knew America after the last war and who knows America now, I tell you that this time there will be no weakening in America's active participation in the United Nations and no weakening of America's determination to assist in the maintenance of peace throughout the world.

Representatives of other governments and representatives of the press of other countries would make a grave mistake if they reported that the recent election in the United States indicated any desire on the part of the American people for a change in the foreign policy of the United States.

The American people voted for a change in the control of the Congress. They did not vote for a change in foreign policy. Our foreign policy is not a Democratic or Republican policy. It is an American policy.

No responsible Republican leader attacked the American foreign policy which President Truman and I have been following with the active cooperation of Republican as well as Democratic Congressional leaders.

You must recall that the Charter of the United Nations was supported in the Senate by both political parties and was adopted with only two dissenting votes. Regardless of which political party is in power, the Charter will live on in the minds and in the hearts of the American people.

Our policy of active participation in the United Nations and in world affairs is not the policy of a party—it is the policy of the American people. The American people are determined to cooperate and do their part to keep this world free from fear and needless want.

The American people want peace. They know that in this interdependent world there must be peace for all or there will be peace for none.

On this Armistice night as we pay tribute to the dead of two wars, I want to read to you a letter from a mother of a boy who died in the cause of freedom.

It comes from a town in Minnesota having only a few thousand inhabitants. It was written by a Mrs. Schnelle to Cardinal Spellman, who sent it to me because I was mentioned in the letter.

With their permission, I read it:

"Olivia, Minnesota.

"August 8, 1946.

"Archbishop Francis J. Spellman,

"New York City.

"Dear Archbishop Spellman:

"Here before me is your beautiful poem. 'Our Sleeping Soldiers.' You might have been standing close to my boy's grave. He lies there, that boy of mine. He was young — eighteen — a senior in High School. But in December 1942 he said to me, 'Mom, this is my fight. I got to go. I'm no better than the boy from England or China.'

"His father and I let him enlist. He wanted to be a Marine. He had a crooked finger caused by an accident. Time after time he hitch-hiked to Minneapolis trying to enlist. No, that crooked finger kept him out. But they couldn't keep him out. He got into the Marine Corps. He later by the same persistent method got to be a Marine Raider.

"When he left, and that was our last goodbye, he said: 'Funny, I'm going off to war and I don't know of an enemy.' A buddy who got back and came to see us said, 'You know, one thing about Gordon was he held no bitterness to his enemy. He said, "They think they're fighting for their country like I'm fighting for mine."'

"That was the kind of boy he was. Laughter came easy to him. He fought hard—Bougainville, the Bikinis, Guam and lastly, Okinawa on Sugar Loaf Hill. He was part of the 4th Marine Regiment, 6th Marine Division. Yes, that was one of the boys in your poem. That gallant lad.

"It was a staggering blow to me. Seemed like time and time again that I must get him back, that he must be there yet. Especially so when the troop trains started bringing them back. You see, the main division of the Milwaukee Railroad goes by our yard. Especially so, when the 6th Division came home. In my mind I knew he was dead. But it was the heart that was calling him back, reaching out across the water.

"I often wondered what Heaven looked like with those tired, weary boys coming in. I figured they would look at each other, some friend, and say, 'You here.' But I think of what they died for. I think of the work left to be done. Now it's up to us—their work is over.

"I pray, how I pray, for God to guide Secretary Byrnes in his work. I pray for the little people. They have taken too much—wondered too long. Soon their hearts will be crushed with burdens they can't bear. I pray for a just Peace Treaty to come soon. I pray that all might be fed and clothed. I can't see hungry people even if they were enemies. Hunger doesn't make good people—it breeds hate. I've been repairing clothes. Now, I'm making quilts that I can send over there wherever it may be needed. There's Gordon's bedding. I've already sent much.

"We have seven children—yet I can't give him up—he is one of us. We have been a poor family. I've seen times when it was hard to even make baking powder biscuits, so short were we. But we were a happy family and laughter came easy to us all—laughter and sympathy, for we knew what it was to go without.

"Lloyd, our next boy, who is eighteen, is now taking his basic training as a Marine at San Diego.

"And now, Archbishop Spellman, I'm asking a favor of you. That beautiful poem of yours was sent to me torn out of the 'Good Housekeeping Magazine.' It was torn and wrinkled. I want to frame it and hang it up. Would you send me a copy of that poem, with your signature on it.

"It goes deep with me. You went over there. You gave comfort. But you didn't forget those who had given their all.

"You cared, you wrote that beautiful poem to them—and to us. Thanks for that poem, and here is one that shall never let them down. I shall see that boy, yes, all those boys, plunging on in mud up to their hips. Boys with their eyes on the battle, but with their hearts back home. Boys that Mothers' hearts cry out for long after the battles are over. Boys that sleep under white crosses. God love them.

"And God bless you. You, who have done so much for humanity. If I could have that poem I'll be very grateful. But if it is impossible, I thank you again and again for writing it—and for caring.

"Yours truly,

"MRS. STANLEY SCHNELLE.

"My boy's address was:

"Pfc. Gordon Schnelle,

"Co. 1, 3rd Bn., 4th Marines,

"Care the 6th Marine Division."

I have read this letter because I think it appropriate that a mother's plea should be heard by the Foreign Ministers' Council and by the Delegation to the United Nations.

To the representatives of other countries I say that the greatness of this nation lies not in the skyscrapers or other evidences of wealth visible in this wonderful city of New York. The greatness of America lies in the humble homes of America and particularly with the mothers who preside over these homes.

It rests with such mothers as the writer of this letter. She indicates she does not possess material wealth. But you and I know she is rich in the nobility of her soul. She prays for our enemies and is anxious to help them.

She prays not only for her own boy, but for all boys that God may like them. She prays for peace.

In doing so, she voices the views of all mothers.

May God guide us to grant her prayers.

Clyde H. Keith With Carter H. Corbrey Co.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL. — Clyde H. Keith has become associated with Carter H. Corbrey & Co., 135 South La Salle Street. Mr. Keith was formerly with Shillinglaw, Bolger & Co. and its predecessor firms for many years.

Leo J. Brucker Now With Loewi & Co. in Fond du Lac

(Special to THE FINANCIAL CHRONICLE)

FOND du LAC, WIS. — Leo J. Brucker has become associated with Loewi & Co., 225 East Mason Street, Milwaukee. Mr. Brucker was formerly with Carl M. Hennig and C. M. Murray Co. for many years.

Kidd With A. H. Bennett

KANSAS CITY, MO. — Clifford M. Kidd has become associated with A. H. Bennett & Co., 1004 Baltimore Avenue.

Outlook for Tax Revision

(Continued from first page)

income are assumed. On the basis of the latest estimates of tax yield for the fiscal year 1947, and under the assumptions just mentioned, the revenue outlook for the fiscal year 1948 would be somewhat as follows:

TABLE 1

Projected Revenue Prospects for the Fiscal Year 1948

Revenue Source	Amount (Millions)
Direct taxes on individuals (income, estate, and gift)	18,367
Direct taxes on corporations (assuming no excess-profits tax)	8,262
Excise taxes (after termination of war excise-tax rates)	5,812
Customs	463
Total taxes	$32,904
Miscellaneous receipts (excluding sales of surplus property)	1,000
Total receipts	$33,904

Table I omits all of the social-security taxes, which are transferred to trust accounts for specific purposes. The deductions for non-recurring receipts, such as surplus-property sales and the termination of excess-profits-tax collections, are approximate only. Assuming their reasonable accuracy, the regular and ordinary Federal revenue system may be expected to produce $34 billion, possibly somewhat more, at present rates and national income.

The total expenditures as now estimated for the fiscal year 1947 are to be $41.5 billion. This total includes some items that will not recur in 1948, and others that will be less in that year than in 1947. These non-recurring and diminishing items are:

	Billion
Terminal-leave pay to veterans	$2.4
International finance	3.0
Tax refunds	1.9
Gross total	$7.3

There will be some expense involved for international finance and for tax refunds in 1948, but the amounts should be less than in 1947. If we assume that the first may require as much as $1.5 billion, and the second $1 billion, the available net reduction below the 1947 expenditure total would be $4.8 billion, leaving total expenditures of $36.7 billion, or a deficit in 1948 of $2.0 billion or more, assuming that the spending in 1948 equals that now anticipated for 1947 in all categories other than those just mentioned.

There is no present prospect that the spending in 1948 will not equal that contemplated in 1947 if we simply let nature takes its course as charted by the 1947 budget estimates. Fortunately, however, we do not have to leave the matter entirely to nature or to fate. In this instance, we can still contribute to the shaping of our destiny. The figure of speech is apropos, for one tool employed in shaping things is the axe. An axe could have been used to advantage on the 1947 budget, and it must be used on the 1948 budget if we are to have any tax reduction at all.

Anyone who would be a modern woodsman in the fiscal forest must be prepared to be somewhat specific as to where he would do the chopping. The ultimate wielder of the axe here is the Congress; and, as we have so often seen, its edge is readily blunted by the resistance of pressure groups and the vested interests in spending. However, as a basis for discussion and as a means of focusing the contention that expenditure reductions can and should be made, I am willing to set up some figures to be shot at. This is done in Table 2.

TABLE 2

Suggested Postwar Federal Budget Range

(Billions)

Class of Expenditure	Range of Expenditures
National defense	
Army	$ 3.5 to $ 4.5
Navy	4.0 to 5.0
Sub-total, national defense	$ 7.5 to $ 9.5
Veterans' pensions and benefits	3.0 to 4.0
Social-security payments (grants to states, etc.)	.6 to .7
Public works (including grants to states)	.8 to 1.0
Soil conservation	.3 to .5
Interest on the public debt	5.0 to 5.0
General government (civil departments)	1.0 to 1.2
International finance	1.0 to 1.5
Total expenditures for current purposes	$19.2 to $23.4
Annual appropriation for debt reduction	5.0 to 5.0
Total to be financed by taxation and other current revenue receipts	$24.2 to $28.4

Time does not permit me to argue at length in justification of the foregoing figures. As to the interest cost, there can be no argument. And as to the foreign loans, it is to be hoped that we shall presently see an end to this policy. The chief controversy is likely to involve proposals to reduce expenditures for national defense and for veterans.

National Defense

The average cost per man in the regular army for the years 1930-1939 was $1,959, and for the naval personnel in the same period the average was $3,468 per man. The expenditures contemplated for 1947 are at the rate of $6,500 per man in the army and more than $10,000 per man in the navy. Granted that present day defense costs more than was spent in the 1930's because of higher pay, more elaborate equipment, better living quarters, etc., the burden of proof is on the defense departments to show that we must now spend more than three times as much per man as was spent before World War II. Much of the capital equipment for the present establishment was bought and paid for during the war itself—including vessels, barracks for soldiers, trucks, tanks, guns, and supplies of every description. Even if we were to double the average prewar cost per man in the army, we could support an army of 900,000-odd for my minimum figure of $3.5 billion. The present army program calls for a total personnel of 1,070,000 by June 30, 1947. And if we doubled the prewar cost per man in the navy, we could support a naval personnel of almost 600,000 for my minimum cost figure, as against the 437,000 that is contemplated as the total naval personnel by June 30, 1947.

I have suggested on other occasions that there could be, with profit, a larger expenditure on defense research and development than the $700 million that is proposed for 1947. As the pattern of the most effective future defense is made clear by this research, we can then, and only then, plan wisely the direction and the amount of necessary future defense spending. In the meantime we shall not be sabotaging our defense, but rather conserving our resources, by spending less on methods and procedures that may be obsolete in another year.

Veterans' Pensions and Benefits

The total that we are committed to spend for the veterans in 1947, including the terminal-leave pay, is $8.6 billion. This total for veterans equals the highest aggregate of Federal spending for all purposes in any prewar peacetime year except 1940, when the total was $8.8 billion. We are presently committed to pay certain adjustment benefits and educational expenses. In the August budget statement the President said that tighter standards in the administration of these payments were needed and were to be applied. In any event, the obligations of these sorts should presently expire. My minimum figure for the veterans would cover pensions and hospital care, and my higher figure would allow $1.0 billion or more for the remnant of the payments to the able-bodied. Our first job here is the care of the sick, the disabled, and their dependents. The more freely we spend on the able veterans, the less we are likely to provide for those who have the first, and the best claim, for public support.

At any rate, here we have the two elements in the fiscal situation. With no reduction of the Federal spending, the present taxing machinery can scarcely produce enough to keep the government out of the red. If we could persuade the Congress and the country to accept my minimum budget figures, we could have a tax cut of $10 billion and still be making a substantial payment on our huge public debt. Or, if we must settle for my higher range of expenditures, we could have something like a $6 billion tax reduction and maintain an impressive payment on the debt. Therefore, whether we get no tax reduction at all or a small one, or a large one, is obviously to be determined by the level of the spending.

Only an extreme optimist would say that a budget below $25 billions is within the realm of early, practical possibility. In proposing such a figure, my purpose is to show that all essential Federal commitments and obligations could be met within it. There is no intention to offer a prediction. It has been rumored that an effort may be made, in the next Congress, to hold the total to $30 billion. Actually, it will be necessary to do better than this if the pre-election promises of some foremost members of Congress for a 20% tax cut across the board are to be fulfilled. In fact, at my higher total of $28.4 billion, it would be possible to apply such a cut clear across the board, to income and excise taxes alike. It is more likely, however, that the principal concern in such tax reduction as may be made in execution of the campaign pledges, assuming that the givers of these pledges are to be in position to deliver on them, will be with the individual income tax. It may be of interest, therefore, to have a look at what may be possible in this direction. For this purpose, suppose we take, as examples, expenditure totals of $25 billion and $30 billion.

There are many variations in the manner of distributing the tax reduction that could be made if the budget were lowered to either of these levels. I shall give you only a few examples:

It would require a first-bracket rate of 17% to obtain $14.1 billion from the individual income tax. It seems clear that in order to provide even as much as three percentage points relief for individuals, no reduction can be made in the corporation tax rate, and only the automatic cutbacks from the war excise-tax rates could be allowed in this area.

Suppose, however that we were required to provide only $25 billion of revenue. Again, there are many ways of allocating the further tax reduction of $5 billion, of which I select only one as an illustration.

Here, it would be possible to levy a corporation income-tax rate of 30%, to reduce excises by another $800 million, and to lower the first-bracket rate of the individual income tax to 14%.

You will note that only when the budget declines to the level of $25 billion or thereabouts does the prospect for a reduction of the excise taxes become materially brighter. I have assumed, as noted already, that the war rates of excise will be automatically suspended by July 1, 1947, or so early in the fiscal year 1948 as to

TABLE 3

		Billion
(1) Expenditures		$30
Revenues:		
Miscellaneous	$1.0	
Customs	.5	
Estate and gift taxes	.6	
Excises	5.8	
Corporation income tax	8.0	
Sub-total	$15.9	
Balance from individual income tax	14.1	
Total		$30

TABLE 4

(2) Expenditures		$25
Revenues:		
Miscellaneous	$1.0	
Customs	.5	
Estate and gift taxes	.6	
Excises	5.0	
Corporation income tax	6.5	
Sub-total	$13.6	
Balance from individual income tax	11.4	
Total revenue		$25

be of little consequence for the year's yield. To be sure, even at the $30 billion level, there would be a choice between reducing the excises and the individual income taxes. My guess is that the latter would be the first choice.

The Committee on Postwar Tax Policy recommended that the Federal government relinquish its taxes on gasoline and lubricating oils.* This would be one step toward the elimination of overlapping taxation which the Federal government could take, and it should have a high place when the budget is reduced to a level that warrants excise-tax reduction.

The members of this audience need no persuasion as to the advantages which such a budget, and the tax reductions that would be possible under it, would afford for our economic vigor and well being. The great problem is to carry to the people generally a clearer perception of how they would be affected, as taxpayers and as workers, and thus to make them want badly enough the gains that could be realized from a moderate budget to cause them to issue the necessary instructions to their representatives in Congress. We have a tremendous, but not impossible task of popular education before us. It is the kind of fight that we can throw ourselves into with the greater vigor because we know that we are striving to create those conditions under which earnings and income will be greater, and under which, at the same time, the share of income which really counts for the individual, viz., the "take-home pay," will be increased.

A principle that has had general acceptance in the theory of popular, democratic control of the public finances is that the people are able to exert control by weighing the advantages and benefits of the public services against the burden of the taxes required to pay for them. Perhaps, in some vague and indefinite manner, this balancing process occurs, although there can never be a precise adjustment. In the exhibits which I have here drawn up there is, I believe, the kind of material which the taxpayers and voters could understand and use in formulating an opinion as to benefits vs. burdens. For example, the withholding tax is computed at the first-bracket rate, which is the normal tax and the surtax combined. With a budget of $35 billion, the withholding must continue at the present rate of 20%, or $20 out of each $100 of taxable income. If the budget were $30 billion, the withholding could be at the rate of $17 out of each $100; and, under a budget of $25 billion, only $14 would need to be withheld from each $100 of taxable income.

The fundamental question to be put to the people is: Do you want to keep on paying as much as $20 out of each $100, or would you like to have this "tax take" reduced to $14 per $100. The people generally lack knowledge of budgetary details, and they are not likely to appreciate, without help, the extent to which the scope and cost of the public services can be reduced without impairment of essential functions. A large part of the educational task must consist, therefore, of continuous, temperate, convincing challenge and criticism of budgetary details and the transmission of the results to the people in terms that they can understand. As an illustration, it could be pointed out that a Federal subsidy for agriculture, or highways, or any other purpose, amounting to $1.2 billion would mean an additional $2.00 of withholding tax on each $100 of taxable income. I believe that we could get a reasonably prompt and correct decision from the people if the choice between benefit and burden were brought home to them in some such way as this. In any event, suitable, simple ways of enabling those who must foot the bill to appraise the situation in terms that are real to them must be devised and used. Unless this is done, the translation of popular desire for tax relief is likely to be slow, uncertain, and ineffective.

Unfortunately, the American taxpayers are not through with taxes when they have satisfied the demands of the Federal government, although our discussion to this point rather implied that such is the case. We must not overlook the needs of the states and their local subdivisions, which probably stand now at some $9 billion, and are certain to rise rather than decline hereafter. Hence, to the $34 billion that we would be paying under present rates to the Federal government must be added the state and local bill of another $9 billion, more or less. Even if the Federal "take" were to be reduced to $25 billion, the state and local exactions would still suffice to keep the total tax burden up to or near the $35-billion mark.

We are sometimes inclined to neglect or ignore these local taxes, inasmuch as they do bulk so much less by comparison with the Federal burden. I am sure that the Federal authorities frequently ignore the needs and the legitimate claims of the states. The trend of Federal encroachment upon state revenues is turned into a vicious circle when the Federal government proceeds to make large grants to the states, on the ground that the latter do

*A Tax Program for a Solvent America, pps. 153, 154.

not have sufficient sources of revenue to provide adequately for their own services. The highest cost money that the states and cities get is that part of their own money which comes back to them via Washington, in a neat wrapping and labeled "with the compliments of your Uncle Sam."

My estimates and tabulations have also omitted the social-security taxes, for the reason that these receipts are transferred into trust accounts. This transfer deceives no one as to the burden that is involved. We are only at the threshold of these burdens, thanks to the repeated action of Congress in freezing the OASI rate and in refusing, thus far, to enact any of the schemes proposed by Messrs. Wagner and Murray of the Senate for broadening the spending and lifting the rates. There is no subject of public spending, not even excepting the national defense, that is as wide open as welfare. So far as my observation goes, there is no subject about which the taxpayers seem as indifferent as they are to this one. This is a fatal conjuncture of forces and events. There should be a dispassionate appraisal of the proper and legitimate claims upon government for welfare purposes. To the extent that such a reasonable approach should reveal an obligation to spend more than is now being spent, then there must follow a re-appraisal of some of the other things that are asked of government. High priority for welfare should mean a lower ranking of some other services, and the possible elimination of some, in order to meet this claim without imposing an inordinate burden of taxes upon the citizens.

The large Federal tax collections of the present time are frequently defended as the only proper and sound policy under the conditions that now exist. The argument is that the high taxes operate as a curb on inflationary tendencies. Presumably, the thought is that, as more of each person's income is taken in taxes, there will be less left in his hands to be used in bidding prices up or in paying fancy prices for goods.

The logic of this line of thought is in large degree unsound. The purchasing power taken from the taxpayers is promptly spent by the government. Hence, there is no diminution of the overall amount of available purchasing power as a result of the taxing and spending. In fact, the operation of steeply progressive income-tax rates, coupled with ordinary government spending, removes purchasing power from those who are not planning to spend any large part of it on consumption goods and pays it out to persons who will. On the contrary, the larger incomes, if taxed less heavily, would flow in greater proportion into investment, a form of spending which would add to the nation's productive equipment and promote the increase of supplies of goods.

A large budget makes possible the retention of a large number of persons in government service. Because these persons are not, through their work, adding to the general supply of consumable goods, their diversion from private employment tends to intensify the shortages and the pressure on the price system. The same can be said for the retention of more men in the defense establishment than the prudent requirements of the national defense would justify.

The foregoing observations assume that government spends on current operations as much as it collects from the people. If, however, much less than the total collected were devoted to current operations and the remainder were used to retire debt held in the banking system, there would be a reduction of the amount of bank credit outstanding. Both bank assets and bank-deposit liabilities would decline as a result of the debt payment. The result would be an improvement of member-bank reserve balances in the Federal Reserve banks. As excess reserves appeared, the banks would face the problem of expanding or standing pat on the volume of private loans. Evidently, if they chose to replace government loans with private loans, there would be an expansion of bank credit which would be quite as inflationary in its effects as if the borrowing were done by the government.

SUMMARY

In summary, I would emphasize again that the battle of the budget is our most serious fiscal engagement. In this battle, we have not won any of the skirmishes that normally precede a major conflict. Reduction of the spending from $100 billion in 1945 to $41.5 billion in 1947 looks impressive, and by many standards it is impressive. But this was only the easy part of the way, about as easy as debt repayment when we use money obtained from previous loans. From here on the going will get progressively tougher. Every billion that is lopped off the total from now on will cost tears and sweat, if not blood; but it will mean almost $2.00 more out of every $100 of taxable income for the citizen to spend rather than the government.

Here, I believe, is the very essence of economic freedom—that we be free to use our own judgment as to how the fruit of our labor shall be used. The higher the taxes are, the less of one's income is disposable according to the wish and preference of him who earns it, and the greater is the proportion that is disposed of by some official agency. We all accept the obligation to support government within certain limits, but we resent giving too much of the fruits of our effort over to others to be spent according to their ideas. Why not put it to the people this way: Do you enjoy letting the government spend the money you work for, or would you like to spend more of it yourself? If you want to do more of the spending, then insist that government spend less.

Early Pact Between UFE & NYSE Expected

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for the union not to exhaust every avenue by which a satisfactory agreement may be reached. After all, the discussions on wages can be said barely to have started. The union was probably a little precipitate in breaking off negotiations to call for a vote.

This vote among the Exchange members of the union was originally scheduled to have taken place on Tuesday but inability to get a polling place forced the delay until tomorrow. The report of the vote which was to have been given to the Exchange this afternoon will now not be given until Monday afternoon when the negotiations will be resumed. Thus, by a sort of understanding (the Exchange has agreed to a resumption of negotiations on Monday), the contractual relationship between the union and the Exchange has already been extended three days beyond the legal limit.

The contract actually expired on October 15 but was automatically extended a month to give both parties the chance to come to some kind of an agreement.

The Exchange thinks that its offer of increases ranging from $3 to $5 a week would lift Exchange salaries to a point which would not compare unfavorably with wages paid in the industry generally or for similar work in other fields. The union feels that the $43 a week average pay of its members is inadequate to meet rising living costs and is likewise disproportionately lower than the $73 average pay the union claims the Exchange pays its administrative employees on the "sixth floor."

One of the union's chief complaints, however, is with overtime pay and it is said that the union would overlook a lot if somehow it could get a satisfactory concession from the Exchange covering this one point. The union claims its members take a licking financially—on the average hourly pay rate—everytime they have to work overtime, according to the present method of computing overtime pay. The union also wants "adequate" union security and "proper" grievance machinery.

The dispute over the no-strike clause which gave such trouble in the early stages of the negotiations has been more or less settled on the basis of a provision giving either party the right of contract cancellation on a 30-day notice and so does not figure prominently in the negotiations even in the particularly delicate stage in which it now finds itself.

The union is also going ahead with its plans to affiliate with some large national body. The executive committee this week recommended to its membership affiliation with the A. F. of L. The question will be decided at a convention the union will conduct at Schwartz's for an indefinite period, probably three days, after working hours, starting next Thursday. Many of the union's members at the Exchange, it is known, would like to see the union affiliate with the United Mine Workers. The union leaders themselves likewise recognize that affiliation with the CIO would tend to remove jurisdictional disputes from the Wall Street scene.

The strike which was called by the United Office and Professional Workers, CIO, against the Merchants Bank of New York on Wednesday of last week was announced as settled on Friday. Employees at the bank were granted salary increases ranging from $36 to $80 a month and minimum pay was raised from $23 to $32 a week. The CIO union has applied to the State Labor Board for an election at People's Industrial Bank which will probably be held on Monday.

Legal Responsibility Urged for Unions

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the current scarcity of new cars of all makes."

He emphasized all workers should become more active in union affairs.

"Too many union decisions," he pointed out, "have been made by aggressive minorities. If the majority plays an active part in determining the future course of any union, I'm convinced their decisions will be to the best interests of all—for that's the way democracy always has worked."

He said a Packard Local 190 UAW-CIO work stoppage, unauthorized by the international union, had resulted in a loss of six days of car production since Oct. 1945, but that 98½ additional work days had been lost as a result of strikes and other difficulties in scattered plants of Packard's 600 suppliers.

"People are prone to blame Detroit for their inability to get a new car," he pointed out, "but they overlook the fact that the automobile industry is dependent upon suppliers in 1,375 cities in 44 States for parts and materials, and everyone is dependent upon someone else clear back to the raw material stage."

"It all boils down to this: Automobile production will increase only in proportion to the improvement of conditions generally throughout the United States."

He said Packard had originally scheduled 20,311 Clippers for delivery in New York by Nov. 1, but had been able to ship only 4,390.

Observations

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free-working international financial organization, under whatever particular technique of operation, is, as in the past, sure to break down in the absence of debtor nations' chronic inability to secure the dollars for repaying us for our exported goods. If foreigners should again find themselves unable to export to us, within a few years the United States, as was the recurrent case since World War I, will again have to devise a new way of giving away our goods, to enable foreigners to make "payments" by giving them the required dollar "chips" through international "loans," gold transactions, etc.

State Department proponents and others express confidence that there will be no legislative trouble because the new agreements neither individually nor collectively require direct Congressional approval. The provisions of the Reciprocal Trade Agreements Acts, expiring in 1948, delegated to the President the power to reduce tariffs by 50% of the 1944 rates, or 75% of those that existed in 1930.

While the Trade Agreements statute in its entirety is on the books until 1948, a dissenting Congress can cause plenty of trouble. For it must be realized that the Congress can introduce and pass decisively crippling amendments to the existing statutes. Or it could completely repeal the law, although it is doubtful whether a veto of this action could be overridden. Or, acting circuitously, the Congress can reduce or altogether refuse needed appropriations to the negotiating committee. Surely the new "vicious watchdog of the Federal purse," New York's veteran Congressman Taber, will pull none of his punches in this vulnerable sphere. And our future agreement to join the International Trade Organization, relevant and vital though technically apart from these prior agreements, is subject to Congressional ratification.

The Congress can cause further vital obstruction by failing to provide further badly-needed funds for the Export-Import Bank, and also by holding up direct implementing credits to foreign countries.

Although Under-Secretary Clayton and others profess complete absence of worry over domestic opposition, on the grounds that reciprocal trade concessions are merely further manifestations of non-partisan "American policy," approved in the past by Republicans Dewey and Willkie, in the same way as Secretary Byrnes' political sphere principles are, there is surely considerable doubt about such unanimity in this economic sphere.

It also must be remembered that in the case of the Bretton Woods agreements, ratification was voted for by 8 Republican Senators and opposed by 28. For the loan to England, the 61 assenting Republican Congressmen were outnumbered by 122 of their party in opposition. And of the greatest relevant importance now, extension of the reciprocal trade agreements was opposed by 25 Republican Senators against only 9 assenting. And already Senator Wherry, scheduled to be the majority whip, holds that the State Department's reciprocal tariff program "ought to have a lot of research before any further reductions are made. . . . I come from the cattle country, and I am pretty strong for the protection of American labor and American markets." And union labor through its own spokesmen may have "plenty to say" that is vital to American policy.

Then, too, as a threat to expanded multilateral trade, there has been a very wide swing over to advocacy of Dollar Diplomacy, even by economists. This latter shift is reflected in the instance of Professor Jacob Viner, former Treasury Adviser, who at last week's session of the Academy of Political Science stated that Russia's recent provocations against the Western democracies have made him change his long-continued position over to decisively favoring the granting as well as withholding of our foreign loans, on *political* rather than *economic* criteria.

Despite this week's eloquent plea of Fiorello LaGuardia, Director General of UNRRA, to the UN's General Assembly, that there be no "Food Diplomacy" practiced like Dollar Diplomacy, it is quite apparent that it is unthinkable that even in the distribution of relief, power politics will be eliminated. With UNRRA help of $429 million already given to Yugoslavia, $189 million to Ukraine and $61 million to Beyelorussia, and with the Russian satellites thanking us by calling our charity "a capitalistic plot," it is surely unthinkable that the American Congress will hand out more blank checks for feeding the would on a philanthropic basis, without taking into strong account the political considerations.

And it must be remembered that at home the sympathetic ear for imports is going to be lessened when we return to times of full production and a normal buyers', rather than a sellers' market; and also that abroad Britain's present great degree of domestic "austerity," resulting in her presently large and growing export balances, is not going to be maintained forever.

* * * *

New Trade Policy Domestically Deflationary

The new plans of the American State Department and of the International Trade Organization in envisaging lowered tariffs, will, if successful, pave the way for the *real* payment for America's exports, and the reimbursement of her future loans abroad. But, in curtailing or wholly eliminating the subsidy elements of such lending, which have been controlling in the past, will largely eliminate the inflationary effect derived from the former process of giving the national product away, as well as from the holding of competing imports off the domestic market. Thus the multilateral concessions should have a *deflationary* effect.

American Fair Trade Council Annual Meeting On November 26

Announcing the American Fair Trade Council's annual "Fair Trade Forum" for Tuesday, Nov. 26, in the Wedgwood Room of the Waldorf-Astoria Hotel at New York, Council President, John W. Anderson, characterized a marked increase in inquiries by sales executives as evidence of the broadening interest in Fair Trade by manufacturers of all types of trade-marked products. Spread of Fair Trade especially in the hardware, automotive, houseware and electrical equipment fields, was said by Mr. Anderson to be additionally indicative. Chief purpose of the meeting is to give both present and prospective Fair Traders an opportunity to exchange views on the adaptability of Fair Trade to specific merchandising programs and products. This clinical treatment, it is believed, will prove popular because each situation will be analyzed by an expert.

Implementing Increased Imports

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Unable to get sufficient dollars through exports and having exhausted their credit and their available gold supply, many countries were forced in the '30's to take extreme measures to control their own imports in the interests of their exchange position and fast diminishing gold bank reserves. They turned to the use of various devices, such as quotas, exchange allocations, etc., because tariffs were not a sufficiently effective control to bring into equilibrium their international balance sheets.

Our Tariff Policy

We, in this country, have criticized quota systems and exchange allocations as being destructive of trade, and of course they are. But our own high tariff policy in the '20's and early '30's, which was exactly the reverse of what the circumstances of our post-war position in the world called for, was even more to be condemned. It was based on national stupidity and inability to appraise our world position, rather than on the necessity which impelled so many countries drastically to control their international balance sheets, a necessity which our policy did much to bring about. The Trade Agreements Act of 1934 reversed this policy, but has not gone far enough to repair the damage. It must be vigorously pursued. The economic warfare which our tariff policy represented and the counter measures it induced retarded the recovery of the world after World War I and fostered the conditions which were a contributing factor to World War II. The step from economic warfare to the warfare of explosives is a short one, and unless we learn that economic peace and economic cooperation in the world are essential, World War III will be around the corner.

Future Attitude Toward Imports

Are we, then, after a second disastrous war, to follow the path we pursued after World War I, despite the evidences of its folly; or are we to appraise our position carefully and with courage and determination win the peace as we have won the war? Again, I repeat, our attitude toward imports will be fundamental in the determination of our whole post-war international economic policy.

Imports are certainly desirable in themselves, unless they come in the form of the dumping of particular articles and the breaking of particular markets, but we have anti-dumping legislation to prevent that. If production is good in itself and the volume of production is the measure of our prosperity, then imports are good as a method by which we augment our production. If X quantity of production represents a satisfactory standard of living, then X plus imports must represent a higher and better standard of living.

I assume we have rejected the doctrine of scarcity. If we really have, we can have no objection, conceivably, to the enjoyment of the greater abundance which the production of other countries makes available to us. I am speaking now not only of the raw materials necessary to industry which we do not produce in adequate amounts, but I am speaking also of competitive raw material imports and manufactured goods. They are all consumables and enter into the vast pool of goods which is the basis of our standard of living. Historically speaking, it is relatively a new idea that exports are the only desirable thing in connection with trade. Originally, traders went out to get things wanted by the peoples of their countries and sought to find out what they could bring to those countries in payment. We have so stressed in our development of industry the importance of markets, that we have let the sales manager point of view dominate our thinking. We need to stress what economists call "consumer economies."

Our imports are the readily expandable item in our balance of payments. In other words, they are in a true sense the measure of our export volume. Tourist travel and immigrant remittances which, on occasion, have run almost as high as $700,000,000 each, although not in the same year, cannot be counted on to provide the expansion in the supply of dollar exchange necessary to give our export trade the volume our war-expanded industrial equipment requires, and which the pressing circumstances of reconstruction abroad demands; nor can gold imports, nor the non-repayable credit extensions in which we indulged during the '20s.

Commodity imports can expand *pari passu* with the expansion of our exports without disturbances to our economy, because the import item is the purchasing price of the export item. Depression of business and prices will not result from expanding the exchange of commodities domestically or internationally. In fact, we have always had the largest volume of imports at the time of our greatest prosperity. Our all-time high of imports was $4,500,000,000 in the boom year of 1929. The continuance of imports when a depression is threatened will be a stabilizing factor by insuring the continued outflow of exports and consequently the continued production of the export industries; and let me remind you that today the export industries of the United States are the great bulk of American industries.

Our Import Policy Key to Greater World Trade

It is particularly important at this time that total world trade be expanded, and, I repeat, our import policy is the key to that problem, not only because of the necessity for world industrial and agricultural recovery through international trade, but also because of the necessity for getting some order into the world currency situation. Currencies wobble and invite controls and ultimately depreciate when international trade volume is light or maladjusted. Other factors in the internal economy of the country can and do affect currencies, but if trade volume is on the increase, the difficulties within the country which lead to bad fiscal policy tend to be alleviated. An increasing volume of world trade is a solvent for many evils and a condition for sound international financial recovery. The International Monetary Fund will be able to accomplish little in the way of currency stabilization if there is not steadily increasing trade throughout the world.

Our import policy is also a key to our foreign investments. The world is in dire need of our capital. Recovery largely depends on us. Unless we continue to give money away in the peace period as we have been doing during the war period, foreign investments can only be made in appreciable volume on the basis of prospective dollar exchange available to foreign countries in excess of that required for current international transactions.

Before World War I, Great Britain was investing abroad about a billion dollars a year. Up to the beginning of World War I she was the great world banker. Obviously, she could not have made available to countries abroad pounds to the extent of a billion dollars a year if there was not a surplus of pound sterling exchange over current requirements of that amount. It is notable, also, that Great Britain's investments abroad have been, in both wars, an important reserve which strengthened her financial and hence her war resources. We are really the only country in the world at this vital time of world reconstruction which has capital in volume to export. The burden and responsibility of world banker which Great Britain carried in the 19th Century is ours for the 20th Century. International capital flow is as vital to world stability and peace as international commodity flow. We met our capital export responsibilities during the war, we must again meet them during the peace.

Our Government is committed to the policy of taking every step within its power to implement increased imports. There are a number of things which it is doing. The Department of Commerce has set up an Import Advisory Committee which is beginning to function. It is doubtful if the staff in the Department of Commerce is anything like adequate to the work of this important activity. Historically, the Department of Commerce has made great efforts to find markets for the exporters. If it would give equal or more attention to the stimulation of imports, the exports would, to a large degree, take care of themselves.

The demand for American products of all kinds is such that sales work on behalf of American production abroad is secondary to the availability of dollars to pay for the American production for which the world hungers. This is particularly true since the close of World War II. Lend-Lease did much to popularize and advertise American-made products, which were sent to the far corners of the world, to many remote places where they were hitherto unknown. Everywhere these United States manufactures were found good and desires created for more. The American motion picture is also proving a powerful salesman of our goods abroad. Hence, some of our genius for salesmanship should be put into reverse and applied toward finding new uses and markets for the surpluses of countries who buy our exports.

Foreign Representatives to Stimulate Imports

The instruction of American representatives abroad in concrete ways of stimulating imports into the United States is essential and should be developed and pursued vigorously. Large American firms with integrated research organizations should give time and energy, as some are doing, to find new raw materials from abroad that can be utilized in our great national industrial machine and new uses for products already coming in which would increase their inflow. A study recently made by the Tariff Commission reflects the possibilities in this regard for it shows the changes in the volume and character of imports during recent years. Steamship companies in foreign service have long pioneered in the development of imports. Their incentive has stemmed from business necessity, to keep their ships profitably engaged homebound as well as outbound, but their influence has nevertheless been considerable in helping to balance our foreign commerce. Encouragement of sales promotion campaigns of foreign interests, either government or private, should be given by national trade organizations and local chambers of commerce.

It is well known that our administrative provisions affecting imports are full of "tariff protection." The National Council of Importers has submitted to the Tariff Commission a bill of particulars in this regard which should be worked on energetically by that organization and changes in administrative provisions recommended to Congress. We should be very sure, also, that so-called sanitary provisions are not instruments of commercial policy. If your Government agencies, national and local, and your Congress are imbued with the idea that imports are iniquitous, and any means by which they are stopped or impeded is a move in the right direction, then we will continue to have trade killed by a multitude of indirect measures. But finally and most important, we must systematically reduce our tariffs.

In a period of re-stocking, commodity scarcity and high prices,—a period which will continue for several years—tariff reductions can have no serious adverse effect on our economy. In fact, the reverse would be the case. Reconversion to a peace economy and price equilibrium here and abroad would be hastened.

While it probably would be in our national interest to institute unilateral lowering of our tariffs as I have urged with regard to administrative protectionism, our established policy is to bargain our own tariff lowering for the general reduction of barriers everywhere. This policy we have followed in the Trade Agreements Program.

End of Economic Warfare

Economic warfare in all forms must be stopped. The order to cease firing in the economic field must be as emphatic as in the military. We shifted the form of warfare after World War I. We did not stop it. We must now stop international conflict of every kind or the outlook for the world is dark. Points of conflict to be avoided include both import restrictions and export subsidies; export prohibitions such as the recent action of Argentina on hides, Australia on stud (pure bred) Merino sheep; international cartels which maintain monopolistic control over markets; and government selling monopolies which prevent or restrict the sale of competing foreign goods.

The International Conference on Trade and Employment, called by the United Nations Economic and Social Council, to be held next summer, will be an acid test of world intentions. The Conference will write the new trade rules for international commerce. A Preparatory Committee is now having its first meeting in London discussing the principles and rules to be embodied in the Suggested Charter for an International Trade Organization. Its second meeting will take place next spring, to continue its work on the agenda for the Conference.

About the time of this second meeting of the Preparatory Committee, the United States will call a meeting for the negotiation of reciprocal trade agreements. It is expected that 18 countries will be involved in these negotiations. The success of the negotiations and the adoption of the Charter next summer will blaze a new trail in international commercial collaboration.

You are familiar with the State Department pamphlet which outlines suggestions for the Charter for an International Trade Organization. This pamphlet, which is the basis for the discussions of the Preparatory Committee, envisions the establishment of an International Trade Organization having the following objectives as well as the responsibility for their attainment: international agreements on regulations, restrictions and discriminations affecting international trade: on restrictive business practices: on inter-governmental commodity arrangements: and on achievement and maintenance of high and stable levels of employment and economic activity.

Our contribution to the success of this program will be to stimulate public, business and Congressional attitudes sympathetic to its attainment. This will not be easy. It is a challenge to our patriotism and far-sighted appreciation of our national interest.

The Foreign Economic Policy Of the United States

(Continued from page 2471)

proposals as a basis for international discussion.

Subsequently, the French Government made a similar announcement.

Plans for International Trade Organization

Since Oct. 15, representatives of our government have been meeting in London with spokesmen from 17 other countries as members of a preparatory committee of the United Nations Conference on Trade and Employment to discuss plans for a broad international agreement on the conditions of trade and a suggested charter of an International Trade Organization. This conference was called by the Economic and Social Council of the United Nations.

Next spring, we shall meet again with the same countries to negotiate specific reductions in tariffs, the elimination of discriminations in international trade and to reach more definite agreement on the charter.

Then, next summer or autumn, we expect that there will be a world conference under United Nations auspices to which most of the countries of the world will be invited for the purpose of discussing, and we hope accepting, the draft charter of an international trade organization worked out by the Preparatory Committee.

Out of this process should come agreement on reciprocal reductions of trade barriers and elimination of discriminatory practices; a code of foreign trade policy dealing with governmental trade barriers, restrictive practices by private business and intergovernmental commodity agreements; and a constitution for an international trade organization.

Our objective is always an expansion in world economy through an increase in the production, distribution and consumption of goods.

Our method — international agreement.

Formerly, nations acted unilaterally in matters affecting their international trade; in doing so, they usually hurt their neighbors, the neighbors retaliated, and, in the end, everybody was hurt and everybody was mad. Hereafter, we expect that actions affecting other countries will only be taken after consultation, through the machinery of the proposed International Trade Organization.

I do not need to argue before this audience the merits of measures designed to increase the exchange of goods and services between nations. The purpose of our attack on excessive barriers to such exchange is to bring about a rising standard of living for our people and for all peoples.

Although this alone cannot guarantee peace, the realization of higher living standards everywhere will create a climate conducive to the preservation of peace in the world.

We know from experience that the kind of economic warfare waged by most nations in the inter-war period sows the seeds of discord and renders improbable any effective international agreement on the essential elements of peace.

Now, the principal criticism we hear of our program is this: that we are following the course pursued after the first World War in the stimulation of exports through foreign lending, and in the end that the results will be the same: an unhealthy expansion in production followed by a collapse when the lending stops; inability to collect the sums loaned abroad, getting ourselves called "Uncle Shylock," and, in the end, making enemies and not friends.

Our First World War Experience

Well, I am afraid this does describe what happened after the first World War, but it tells only part of the story. In that war, we ran debts against our allies for the billions of dollars of munitions and supplies which we furnished them and which they shot away at our common enemies. This time we knew better. We have not asked our allies to return in kind or in money things consumed or destroyed in our common defense. We knew they could never be returned.

Following the first World War, it is true that much American capital was loaned and invested abroad. It is also true that while this was going on Congress piled one high tariff on top of another, making it extremely difficult for foreigners to repay.

In spite of this, while there have been some extremely bad spots, our investors abroad have not fared badly on the whole.

A study by the Department of Commerce shows that on an aggregate investment abroad of approximately $13 billion, U. S. investors received during the 21-year period, 1920-1940, approximately $12 billion in interest and dividends. At the end of 1940 their foreign investments were still estimated to be worth nearly $10 billion. Put another way, American investors got practically 3% per annum on their money invested abroad for 21 years plus the return of 30% of their capital, with the remaining 70% estimated to be worth 100 cents on the dollar.

Investors in American railway bonds and American real estate bonds, for example, did not fare so well.

This time we know better than to raise tariffs. On the contrary, we propose to make reciprocal, selective reductions in tariffs and to clear away other impediments to the international exchange of goods in order that our debtors may have an opportunity to repay us, may continue to buy our surpluses, and in order that our standard of living and theirs may be raised, not lowered.

But, the critics are saying "That is all very well. Your policy will be very popular while the proceeds of your loans are being spent with resultant increase in exports, in production and employment, but just wait until the borrowers start paying back by the shipment of goods into the United States in competition with our own production, then you will see what will happen; production here will drop, unemployment will set in, and the depression will be on."

This view fails to take account of important changes in our domestic economy in the past decade.

We Need Imports

With a substantial increase in population, accompanied by a 50% expansion in domestic economy, we need more of foreign goods of all kinds. Much larger imports of raw material are required to feed our greatly expanded facilities for the manufacture of producer and capital goods. Our productive facilities in the consumer goods field have shown comparatively little increase in the past decade; hence, our need to import larger quantities of such goods to satisfy the demands of a prosperous and growing population.

It will require less than a billion dollars a year for 25 years to completely amortize all the foreign credits made available by our government since the end of the war, incuding our contributions to the International Bank and the International Monetary Fund. After a few years, this sum should be provided by the annual expenditures of American tourists alone.

Many people still look upon the United States as nearly self-sufficient. As a matter of fact, this was never true by any modern standard and it is much less true today than ever before.

We Require Copper, Lead and Zinc

Due to the serious depletion of our natural resources during the war, we must now import many metals and minerals which before the war we even sometimes exported, such as copper, lead and zinc. Today, we must annually import $150,000,000 to $200,000,000 worth of copper alone, whereas before the war we sometimes exported copper.

Indeed, we are today net importers of practically all the important metals and minerals except two — coal and oil. Who knows how long we can go without importing oil?

In the past, the emphasis in our foreign trade has been on exports; within the near future it will probably be on imports. This is true because of our shift from debtor to creditor; because of the depletion in our natural resources and because of the wants of a growing and prosperous population.

No nation in modern times can long expect to enjoy a rising standard of living without increased foreign trade.

Because of our dependence upon imports of strategic metals and minerals, what happens to American owned reserves of such materials abroad is a matter of national concern. We ask no special privileges. American enterprises in the foreign field require only equitable treatment and the right of the free flow of their products to market.

The rights of all legitimate enterprises established by U. S. nationals abroad are of concern to the government. They are dealt with in treaties of friendship, commerce and navigation similar to the treaty which we signed with China last week. We are actively at work on a major program for negotiating treaties of this character with many governments. The program is designed to modernize and extend the coverage of existing treaties, some of which are more than a century old. These instruments determine the basic treaty rights of American nationals, corporations, goods and vessels in foreign countries. In most respects they are completely mutual, assuring the other country the same rights as are obtained by the United States. They complement the provisions of the draft charter of the International Trade Organization with respect to trade barriers.

Now, these plans and programs which we have been discussing this evening would have little meaning in these times if they did not tie right into the problem of world peace. Not all wars have had their origins in economic causes, but most of them have. This is recognized in the organization of the United Nations where the Economic and Social Council is a principal organ along with the Security Council.

Our program for expansion of world economy and the promotion of economic peace among nations which will always be associated with the beloved name of Cordell Hull has become a national program endorsed by leaders of both parties, supported by labor, agriculture and industry, and opposed only by special interests seeking the preservation of a high protectionist policy. The National Foreign Trade Council has always been in the forefront of the supporters of this program.

Our objective can be finally achieved only through the constant watchfulness and support of the American people. An abandonment of the program is unthinkable because it would be a step backward with serious consequences for the peace of the world.

There are only two economic roads open to us. One leads backward to the tragic mistakes all of us made following the first World War. The other leads forward to prosperity and peace.

Which road shall we take?

The answer depends on you and me and 140,000,000 other Americans.

Advocates of Permissive Incorporation on NYSE Organize to Force Vote on Question

(Continued from page 2460)

The advocates of incorporation are a little more conciliatory in their tone than they have been, however. They would be willing, for instance, to see the amendments as now formulated themselves amended to include some changes at least in the general plan which the opposition might wish to see there. If there is one thing the advocates want more even than incorporation itself at this moment it is the chance to discuss points of disagreement with anyone who will argue the question with them. There is so much that is necessarily intangible in what the opposition sees as undesirable in permissive incorporation that it is doubtful whether much headway is possible in this direction.

Discussion can be a wholesome influence, however, and talking the question over in the open might have certain salutary results. In any event, the proponents can't be sure that such results as conceivably may be obtained this way will be entirely in their favor. They think, however, that discussion will clear up points of doubt or of misunderstanding and so consequently, remove obstacles standing in their way. No one will argue over the necessity of having as much light on the question as possible. It has been the opposition, in fact, which has been the most vocal in recent months and so has tended to throw the most light on the matter.

An aggressive last-minute campaign to get the Board of Governors to refer the question of incorporation to the membership of the Exchange for a vote has been launched with much publicity by a committee headed by Amyas Ames of Kidder, Peabody & Co. who in his own person has been sort of spearheading the movement in favor of permissive incorporation. There are some out-of-city members on the Committee—as, for instance, a few in Boston, Chicago and elsewhere in the country—but the New York members gather for weekly noon luncheon sessions, constituting themselves into something of the nature of "minute men" to rush into whatever quarter may be disclosed as weak for their cause and, otherwise, to promote their general plans. The committee is very sure that as a result of its activities the general atmosphere surrounding the question of incorporation will be considerably altered by the time the Board meets again to consider the subject.

The opposition is not afraid to have a vote taken on the matter as it is convinced it has the majority on its side. But it thinks a vote would succeed in stopping the agitation for only a short time. The proponents of incorporation would only rise again another year to demand another vote and thus it would be year after year without end. Taking a vote now, consequently, would be a rather futile gesture, the opposition feels.

The opposition plans no counter-campaign, either. The pamphleteering activities of the proponents, says the opposition, are "New Deal-ish" in character and reveal the essential weakness of the arguments that are being advanced in favor of permissive incorporation. There is, in fact, something of the PAC in the pamphlets the Ames' group has put out in the rather generous use that is made of cartoons and simplified text, opponents contend. The opposition thinks no reply is necessary, for instance, to the claims made in one of them that permissive incorporation would increase the value of a Stock Exchange seat. The price of seats has been higher without the aid of incorporation, they point out. Agitation for permissive incorporation goes back 35 years and a flurry of activity on the part of those promoting the idea during the coming month isn't going to change the hard and stubborn fact the industry doesn't want permissive incorporation, the opposition thinks.

The proponents are insistent in claiming that the tax laws discourage new capital from entering the business as now constituted and that permissive incorporation would change all that. Through the legal and tax counsel of Sullivan & Cromwell, the proponents are trying hard to build up a strong case. The opposition, however, doesn't see how the proponents can be so confident that any tax advantage at all exists in incorporation.

Besides Mr. Ames, members of the committee favoring passage of permissive incorporation are Harold L. Bache of Bache & Co., New York; Lyon Carter of Estabrook & Co., Boston; Paul H. Davis of Paul H. Davis & Co., Chicago; Gayer G. Dominick of Dominick & Dominick, New York; Herbert I. Dunn of Schwabacher & Co., San Francisco; Edmund du Pont of Francis I. du Pont & Co., New York; J. Clifford Folger of Folger, Nolan & Co., Washington, D. C.; Robert J. Hamershlag of Hamershlag, Borg & Co., New York; Charles B. Harding of Smith, Barney & Co., New York; Edward H. Hilliard of J. J. B. Hilliard & Son, Louisville; Warner W. Kent, Ingalls & Snyder, New York; Mead A. Lewis, Dick & Merle-Smith, New York; A. Hawley Peterson of Roberts & Co., New York; Edgar Scott of Montgomery, Scott & Co., Philadelphia; Winthrop H. Smith of Merrill Lynch, Pierce, Fenner & Beane, New York; Thomas F. Staley of Reynolds & Co., New York; Henry Watts, Jr., of Mitchel, Whitner & Watts, New York, and Henry G. Riter 3rd of Riter & Co., New York. Efforts are being made to enlarge the committee.

Excerpts from the current literature being distributed by the committee are given below. The "Chronicle" welcomes the committee and all other members of the New York Stock Exchange and the partners with whom they are affiliated to make use of its columns for a general discussion of the question. Communications should be sent to the Editor, The Commercial and Financial Chronicle, 25 Park Place, New York 8, N. Y. The names of those submitting comments will be withheld on request.

Excerpts From The Committee's Literature

"Despite the fact that on Mar. 16, 1942 Stock Exchange commissions were increased by approximately 25%, seats are bringing only 36% of their market value of ten years ago. Volume of transactions is practically the same as in 1936 and the Dow-Jones averages are higher today. The Exchange needs more active member firms, more listings, more volume and increased opportunities to serve the public.

"By the very nature of the business, only men of substantial means can afford to enter the securities business as members of the Exchange. As persons of wealth, their individual income taxes are high. Partnership taxation—being the tax on the partners at the individual income tax rates—presents a serious obstacle to many men of integrity and high character who would otherwise welcome the opportunity to become members. Thus as old members retire, they are not being replaced by new blood.

"There is, today, a ready-made market for seats which is not being utilized. Among the more than 1,000 incorporated security firms reporting to the SEC, many would be eligible for Stock Exchange membership under the strict regulations provided for in the permissive incorporation amendments if they are adopted. A number of such firms would join if they could do so without having to forego the advantages of the corporate form.

"There are very real capital risks involved in the securities and brokerage business. Despite four straight good years, many firms have found it impossible to bolster their capital or reserve positions. Reserves are extremely important, for instance, to specialist firms or others which must maintain orderly markets under all conditions. Many firms sooner or later may have to raise capital to replace that now in the business. To such firms the option of incorporation may be extremely important. In the long run, it is no less important to the membership as a whole.

"Partnership taxation has taken earnings of the past four years which, under corporate tax laws, might properly have been left in the business, if needed. It is unrealistic to expect a sufficient reduction in personal income tax rates for the higher brackets to enable a partnership substantially to add to working capital or build up reserves out of earnings. Congress has recognized the importance of permitting corporations to maintain a strong financial position. Under corporate tax laws there is no penalty if corporations add to earned surplus and accumulated reserves for the purpose of meeting reasonable needs of the business.

"Individually and collectively, we believe that the amendments, if passed, will: 1. Enable the Exchange to serve the public better. 2. Increase the volume of business. 3. Augment the number of listings. 4. Make for financially stronger firms. 5. Permit continuity of capital and management. 6. Increase the value of seats."

Lewis Strauss With Atomic Energy Comm.

Lewis L. Strauss has terminated his membership in the firm of Kuhn, Loeb & Co., 52 William Street, New York City, to enter the service of the U. S. Government as a member of the Atomic Energy Commission.

Tomorrow's Markets Walter Whyte Says—

By WALTER WHYTE

Current backing and filling meaningless. Market seems to be marking time until something happens. Suggest you do the same.

The election is over and the New Deal is out. This didn't come as a surprise to anybody. And if I went out on a limb in predicting it, I wasn't taking too much of a chance.

Where I fell down was to expect an immediate upsurge to last a couple of days followed by a decline. But the decline, came first and resulted in all sorts of second guessing and hindsight remarks which were interesting but scarcely illuminating.

I have studied the action of the market for the past few days until my eyes almost popped out. I looked at the volume, the ranges, the groups and finally the individual issues. After looking at the whole business, I'll confess that I don't know any more than I did the last week. Of course the obvious conclusion is that, because I can't see anything, there is nothing to see. This is always a satisfactory attitude for the individual to take. Naturally it has its drawbacks. Somebody else may see something that I don't see. But being what the people in show business call a ham, I refuse to recognize such a possibility — until somebody hits me over the head with it.

The biggest piece of news is the removal of all price controls. But if it was excellent newspaper grist, it is hardly red-hot market ammunition. No sooner the Republicans took over, it was a foregone conclusion that controls would go out of the window. But already statisticians are using up slide rules to estimate what various companies will make the next quarter now that the "cops" have been fired.

It is interesting to note that General Motors has raised the price of cars and trucks a hundred dollars. Products of other companies will also go up in price which should make for higher grosses, assuming of course that the ultimate buyer has the dough with which to buy all these new gadgets. At this point is where the old law of supply and demand comes in, at least that is what I've read. But theory and practise have nothing but a nodding acquaintance. Unfortunately this practise usually comes to a rude halt. There comes a time when there aren't enough people with money around to buy. So then the price comes down.

Meanwhile the company which discovers that demand has fallen off, stops or curtails production and closes plants. So buying power is cut still more. The result is academic. I hear tell that there is enough pent-up demand to prevent that sort of thing, to last us well into 1950 or is it 1960? I remember hearing the same kind of things before. I also remember what happened.

So far as the market is concerned it is marking time trying to make something out of all the cross-currents. From its action, it has not decided what the result is likely to be. That being the case I suggest that holders of stocks also take a stand-pat position until clarification appears.

This doesn't mean that action can be postponed indefinitely. It means that stocks are to be held until they either show a nice profit, or be sold if they violate previously determined levels—the stops. Here is the situation up to date: Dresser Industries bought at 17 is now about 18½. Stop remains at 15. Gulf, Mobile and Ohio bought at 12, stop at 10. Current price about 13½. International Paper bought at 43, keep stop at 38, current price about 46. Boeing is the only stock in the list to turn sour. It was bought at 23 with a stop at 21. It broke that a number of times in the past week. True the break was only a fraction, but I prefer not to split hairs. So you should be out of it. If there is any further change, additions or subtractions, I'll give them to you next week.

More next Thursday.

—Walter Whyte

[The views expressed in this article do not necessarily at any time coincide with those of the Chronicle. They are presented as those of the author only.]

So'western IBA Group Announces New Officers

KANSAS CITY, MO.—At the annual meeting of the Southwestern Group of the Investment

Harry Beecroft J. M. McKim

Bankers Association of America held on Oct. 31 the following officers and members of the executive committee were elected for the coming year:

Chairman: Harold C. Evans, Commerce Trust Company, Kansas City, Mo.

Vice-Chairman: Harry Beecroft, Beecroft, Cole & Co., Topeka, Kans.

Secretary and treasurer: James M. McKim, City National Bank & Trust Co., Kansas City, Mo.

Executive Committee for the three-year term: Russell Siefert, Stern Bros. & Co., Kansas City, Mo.; Wayne J. Estes, Estes, Snyder & Co., Inc., Topeka, Kans.; and C. B. Page, R. J. Edwards, Inc., Oklahoma City, Okla.

Halsey, Stuart & Co. Offers C. & O. Eq. Trusts

The Chesapeake & Ohio Ry. on Nov. 7 awarded, subject to Interstate Commerce Commission approval, an issue of $1,500,000 of serial equipment trust certificates of 1946 to Halsey, Stuart & Co. Inc., and others on their bid of 100.071 for 1¾% obligations. The bid represents a net interest cost basis to the company of approximately 1.736%. The certificates were reoffered Nov. 8 by Halsey, Stuart & Co. Inc., Putnam & Co. and the First Cleveland Corp., at prices to yield from 1% to 1.85% according to maturity.

The certificates will be dated Dec. 1, 1946, and will mature in 10 equal annual instalments of $150,000 each, payable Dec. 1 of each year starting in 1947. They are to be issued to finance in part the purchase of seven type 2-8-4 freight locomotives, with 21,000-gallon tenders, and 50 30-ton all-steel caboose cars, to cost approximately $1,896,717.

Broker-Dealer Personnel Items

(Special to THE FINANCIAL CHRONICLE)

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

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL. — **Harry R. Warner** is with **Farwell, Chapman & Co.**, 208 South La Salle Street.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL. — **Jess W. Talcott** has been added to the staff of **First Securities Company of Chicago**, 134 South La Salle Street.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL. — **Douglass C. Filkins** is now connected with **Alfred O'Gara & Co.**, 134 South La Salle Street.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL. — **Amos Howard C. Brown** is now associated with **Shillinglaw, Bolger & Co.**, 120 South La Salle Street.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL. — **Robert B. Badger** has joined the staff of **Tax Bond Co.**, 141 West Jackson Boulevard.

(Special to THE FINANCIAL CHRONICLE)

CINCINNATI, OHIO — **Robert C. Moster** is with the **Weil, Roth & Irving Co.**, Dixie Terminal Building.

(Special to THE FINANCIAL CHRONICLE)

DENVER, COLO. — **Clarance Daane** is with **Garrett-Bromfield & Co.**, Security Building. He has recently been serving in the U. S. Navy.

(Special to THE FINANCIAL CHRONICLE)

DETROIT, MICH. — **Thomas E. Kane** has been added to the staff of the **First of Michigan Corp.**, Buhl Building.

(Special to THE FINANCIAL CHRONICLE)

DETROIT, MICH. — **George H. Shears** is with **C. G. McDonald & Co.**, Guardian Building.

(Special to THE FINANCIAL CHRONICLE)

DETROIT, MICH. — **Dean Joseph Burns** is with **Andrew C. Reid & Co.**, Guardian Building.

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, MO. — **Matt W. Anderson** and **Francis A. McLaughlin** are now with **Prugh, Combest & Land, Inc.**, 1016 Baltimore Avenue.

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, MO. — **Alvin Siebert** is now associated with **Prescott, Wright, Snider Co.**, 916 Baltimore Building. He was formerly with B. C. Christopher & Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF. — **John Fisher** has been added to the staff of **Bogardus, Frost & Banning**, 618 South Spring Street.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF. — **Bernard L. Rogers** has become associated with **Edgerton, Wykoff & Co.**, 618 South Spring Street.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF. — **James E. Breaux** is connected with **Wm. R. Staats Co.**, 640 South Spring Street.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF. — **C. Kenneth Thayer** has become affiliated with **Stern, Frank & Meyer**, 325 West Eighth Street.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF. — **Gilbert V. D. Jones** is now with **Dean Witter & Co.**, 632 South Spring Street.

(Special to THE FINANCIAL CHRONICLE)

LOUISVILLE, KY. — **Joseph R. Fife** has been added to the staff of **Berwyn T. Moore & Co.**, Marion E. Taylor Building.

(Special to THE FINANCIAL CHRONICLE)

MIAMI, FLA.—**Charles S. Goldy** and **Clarence Wolf** are with **Reynolds & Co.**

(Special to THE FINANCIAL CHRONICLE)

MIAMI BEACH, FLA. — **Alex Campbell, Jr.** and **Robert C. Rogers** have become affiliated with **Atwill & Co.**, 605 Lincoln Road.

(Special to THE FINANCIAL CHRONICLE)

MINNEAPOLIS, MINN.—**Henry J. Forst** is now associated with **Keenan & Clarey, Inc.**, National Building.

(Special to THE FINANCIAL CHRONICLE)

NEW ULM, MINN. — **Peter A. Lokken** and **Percy C. Strom** are with **State Bond & Mortgage Co.**, 26½ North Minnesota Street.

(Special to THE FINANCIAL CHRONICLE)

OAKLAND, CALIF. — **George W. Bryan** is now with **Frank Knowlton & Co.**, Bank of America Building.

(Special to THE FINANCIAL CHRONICLE)

OMAHA, NEB. — **Fred S. Larkin, Jr.** is with **Smith, Landeryou & Co.**, Omaha National Bank Building.

(Special to THE FINANCIAL CHRONICLE)

PORTLAND, ORE. — **Stanley A. Staiger** has joined the staff of **Field & Co., Inc.**, U. S. Bank Building.

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, MO. — **Vincent C. Webber** is now with **J. W. Brady & Co.**, 411 North Seventh Street.

(Special to THE FINANCIAL CHRONICLE)

ST. PAUL, MINN.—**Francis W. Russell** is with **Feromack Securities Corp.**, Pioneer Building.

(Special to THE FINANCIAL CHRONICLE)

SALINAS, CALIF. — **John A. Clancy** is connected with **Herman, Hampton & Co.**, Salinas National Bank Building.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, CALIF. — **Norman L. Larsen** and **Cecil A. Morgna** have been added to the staff of **Schwabacher & Co.**, 600 Market Street.

(Special to THE FINANCIAL CHRONICLE)

SOUTH BEND, IND.—**Daniel F. Kalczynski** is with **Albert McGann Securities Co.**, 131 West Washington Avenue.

(Special to THE FINANCIAL CHRONICLE)

SPRINGFIELD, MASS. — **Arthur M. P. Clark** has become associated with **Tifft Brothers**, 1387 Main Street.

(Special to THE FINANCIAL CHRONICLE)

WINSTON-SALEM, N. C. — **James P. Willis** has joined the staff of **Alex. Brown & Sons**, O'Hanlon Building.

Sidney S. Wormser Dead

Sidney Stickney Wormser, partner in McGeoch & Wormser of New York City, died of a heart ailment at the age of 58. Mr. Wormser was formerly a member of the brokerage firm of Frazier Jelke & Co., but withdrew in 1941. He had been a member of the New York Stock Exchange since 1923.

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.

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 Building Corp., Dover, Del.
Nov. 5 (letter of notification) 20,000 shares each ($10 par) 5% cumulative preferred and no par common. Price, $10 a unit consisting of one share of preferred and one share of common. **Underwriter**—E. M. Fitch & Co., Philadelphia. **Proceeds**—For additional machinery, working capital and other corporate purposes.

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 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 in the ratio of one additional share for each two shares held. Unsubscribed shares will be offered for subscription to officers and directors of the company. **Price**—By amendment. **Proceeds**—Working capital. Offering indefinitely postponed.

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 293,000 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.

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.

Berg Plastics & Die Casting Co., Inc. (11/25-29)
Oct. 31 (letter of notification) 75,000 shares (10c par) common. **Price**—$4 a share. **Underwriter**—E. F. Gillespie & Co., Inc. **Proceeds**—For acquisition of machinery, tools and raw materials, and for working capital.

Bethlehem Steel Corp., New York (11/22)
Nov. 1 filed $50,000,000 of consolidated mortgage 30-year sinking fund 2¾% bonds, Series J, due 1976. **Underwriters**—Kuhn, Loeb & Co., and Smith, Barney & Co. Price by amendment. **Proceeds**—To provide additional funds for cost of additions and improvements to steel plants of subsidiaries.

Birmingham Electric Co., Birmingham, Ala.
Nov. 1 filed 64,000 shares ($100 par) 4.20% preferred. **Underwriting**—To be determined by competitive bidding. Probable bidders include The First Boston Corp.; Dillon, Read & Co., Inc.; Blyth & Co., Inc.; Lehman Brothers; Kidder, Peabody & Co. **Offering**—The company will offer the stock on a share for share exchange basis to holders of its $7 preferred stock and $6 preferred stock, plus a cash adjustment. Shares not required for the exchange will be sold at competitive bidding at a price not less than $100 per share net to the company. **Proceeds**—Proceeds, together with a $2,500,000 bank loan, will be used to redeem the old preferred stocks and to finance additions to its electric distribution and transportation system. **Business**—Public utility.

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. **Offer-**

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ing—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.

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.

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.

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.

California Water Service Co.

Oct 28 filed 50,000 shares common stock (par $25). **Underwriters**—By amendment. Probable bidders include Blyth & Co., Inc.; The First Boston Corp.; Harris, Hall & Co. (Inc.). **Proceeds**—To repay bank loans used in part for 1946 construction work, to restore working capital used for additions and improvements and to defray part of cost of future additions, etc.

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 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.

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.

be offered to stockholders at $10 a share. Pursuant to the 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.

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.

• **Claussen's (H. H.) Sons, Inc., Augusta, Ga.**

Nov. 7 filed 7,500 shares ($100 par) 5% cumulative preferred and 35,000 shares ($1 par) participating convertible preferred. **Underwriter**—Johnson, Lane, Space & Co., Inc., Augusta. **Price**—By amendment. **Proceeds**—The securities are issued and outstanding and are being sold by the executors of the estate of George F. Claussen and by Euclid Claussen, President of the company, who are sole stockholders. **Business**—Manufacture of bakery products.

Climax Industries, Inc., Chicago

Aug. 28 filed 150,000 shares 5% convertible cumulative preferred ($10 par) and 250,000 shares ($1 par) outstanding common stock. **Underwriter**—Brailsford & Co. **Offering**— company is offering the preferred and General Finance Corp., issuer's sole stockholder, is offering the common for its own account. 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.

• **Coca-Cola Bottling Co. of St. Louis**

Nov. 6 (letter of notification) a maximum of $100,000 ($1 par) common to be offered for subscription to employees at $32.50 a share. No underwriting. To be deposited in company's bank accounts.

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.

Colonial Sand & Stone Co., Inc., N. Y.

August 15 filed 300,000 shares ($1 par) common stock. **Underwriters**—Emanuel, Deetjen & Co., New York. Price by amendment. **Proceeds**—Company will receive proceeds from the sale of 150,000 shares and Generoso Pope, President of company, who is selling the remaining 150,000 shares will receive proceeds from these shares. The company will use its proceeds for payment of mortgage notes, open account indebtedness and for purchase of additional equipment. Any balance will be added to working capital. Indefinitely postponed.

Colorado Milling & Elevator Co., Denver, Colo.

Aug. 20 filed 70,000 shares ($50 par) cumulative convertible preferred stock. **Underwriter**—Union Securities Corp., New York. Price by amendment. **Proceeds**—Prior to the proposed issue of preferred stock, the company plans to call its $3 cumulative convertible preferred stock for redemption at $55 a share plus accrued dividends. Funds for the redemption will be supplied by a short term bank loan. Proceeds from the sale of preferred, together with other funds, will be used to repay the bank loan. Indefinitely postponed.

Columbia Aircraft Products Inc.

June 26 filed 150,000 shares ($4 par) 30c cumulative convertible preferred stock, convertible into common stock in the ratio initially of 1½ shares of common for each share of preferred. **Underwriter**—Floyd D. Cerf Co., Inc., Chicago. **Offering**—Company offered 59,585⅓ shares for subscription to present common stockholders of record Aug. 6 at $4.50 a share in the ratio of one share of preferred for each share of common held. Rights expired Aug. 20. Stockholders subscribed for 735 shares. The offering to common stockholders excluded the two principal stockholders who waived their rights to sub-

NEW ISSUE CALENDAR

(Showing probable date of offering)

November 14, 1946

New Plastics Corp.	Preferred and Common

November 15, 1946

Consumers Power Co.	Common
Tennessee Odin Insurance Co.	Capital Stock

November 18, 1946

Fashion Frocks, Inc.	Common

November 19, 1946

Hiram Walker & Sons Inc.	Debentures
National Alfalfa Dehydrating & Milling Co.	Preferred and Common
Northern Pacific Ry.	Equip. Trust Ctfs.
Pari-Mutuel Totalizer Corp.	Common
Safe Harbor Water Power Corp. 12 noon (EST)	Bonds
Yolande Corp.	Common

November 20, 1946

Felt & Tarrant Mfg. Co.	Common
Oxford Radio Corp.	Common
Weatherhead Co.	Debentures

November 21, 1946

Lee (James) & Sons Co.	Preferred and Common

November 22, 1946

Bethlehem Steel Corp.	Bonds

November 25, 1946

Continental Car-Na-Var Corp.	Common

November 27, 1946

General Motors Corp.	Preferred

November 28, 1946

Germantown Cooperative Ass'n.	Bonds and Stocks

December 3, 1946

Philadelphia Electric Co.	Preferred
Southern Ry., 12 noon (EST)	Equip. Trust Ctfs.

December 10, 1946

Philadelphia Electric Co.	Bonds

December 12, 1946

Drayer-Hanson, Inc.	Class A Stock

scribe. The remaining $90,414⅔ shares and 58,850⅓ shares not subscribed to by common stockholders will be offered to the public through underwriters. **Price**—$5 a share. **Proceeds**—Approximately $50,000 for payment of Federal taxes; $250,000 for payment of Lincoln-RFC loan; $50,000 as a loan to Palmer Brothers Engines, Inc., a subsidiary; balance for purchase of machinery and equipment and working capital.

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.

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 Eureka Mining Co., Salt Lake City, Utah**

Nov. 6 (letter of notification) 50,000 shares to Carl Stehle, Jr., a director, for services; 469,089 shares to creditors of issuer and 1,000,000 shares to present stockholders and general public at 10 cents each. No underwriting. For purchase of mining machinery and for mine development.

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. (11/15)

Aug. 9 filed 500,000 shares (no par) common stock. **Issue Awarded**—Issue awarded Nov. 13 to syndicate headed by Morgan Stanley & Co. on bid of $33.5399 per share. Bankers plan to offer the stock at $36 per share.

● **Continental Car-na-var Corp., Brazil, Ind. (11/25-29)**

Nov. 4 (letter of notification) 132,500 shares ($1 par) common and 35,000 warrants for purchase of common one year after present public offering. **Price**—$2 a common share, one cent a warrant. **Underwriter**—L. D. Sherman & Co., New York. For working capital.

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 indefinitely postponed.

Continental-United Industries Co., Inc.

Aug. 2 filed 150,000 shares ($1 par) common. **Underwriters**—Aronson, Hall & Co. Price $8.25 per share. **Proceeds**—To repay demand loans and for general funds. (Originally company filed for 80,000 preferred shares par $25 and 350,000 common shares.)

Cooper Tire & Rubber Co., Findlay, Ohio

July 17 filed 60,000 shares ($25 par) 4½% cumulative convertible preferred. **Underwriters**—Otis & Co. and Prescott & Co., Inc. **Offering**—To the public. **Price**—$25 a share. **Proceeds**—Estimated net proceeds of $1,356,200 will be used to redeem its outstanding 4% debentures, due 1967, to pay certain debts and for additional equipment, manufacturing space and working capital. Offering date indefinite.

Copco Steel & Engineering Co., Detroit

Aug. 19 filed 115,000 shares ($1 par) common. **Underwriter**—E. H. Rollins & Son, Inc., New York. Price by amendment. **Proceeds**—Of the shares being offered company is selling 100,000 shares and 15,000 shares are being sold by a stockholder. The company will use its proceeds to provide additional factory space and purchase machinery and equipment and to construct a new office building. The balance will be added to working capital. Offering date indefinite.

Crawford Clothes, Inc., L. I. City, N. Y.

Aug. 9 filed 300,000 shares ($5 par) common stock. **Underwriters**—First Boston Corp., New York. Price by amendment. **Proceeds**—Go to Joseph Levy, President, selling stockholders. Offering date indefinite.

Cyprus Mines, Ltd., Montreal, Canada

May 31 filed 500,000 shares of common stock (par $1). **Underwriters**—Sabiston-Hughes, Ltd., Toronto. **Offering**—Shares will be offered to the public at 75 cents a share. **Proceeds**—Net proceeds, estimated at $300,000, will be used for mining operations.

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.

● **Dansaire Corp., Dansville, N. Y.**

Nov. 6 (letter of notification) 13,700 shares of 7% preferred and 6,300 shares of common. Price, $10 a unit. To be sold through employees of the company. For working capital and other corporate purposes.

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. Boston. For working capital.

● **Devonshire Chemicals Inc., Boston, Mass.**

Nov. 7 (letter of notification) 10,000 shares ($1 par) class A and 20,000 shares (10c par) common. Price, $10 a unit consisting of one share of class A stock and 2 shares of common. General Stock & Bond Corp. Boston, selling agent. 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.

Drayer-Hanson, Inc., Los Angeles (12/12-13)

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.

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.

● **Everyman's Theatre, New York**

Nov. 4 Ida L. Ehrlich, doing business as Everyman's Theatre filed letter of notification covering $50,000 of participating certificates. To be issued in any amount with a minimum price of $10. No underwriting. To produce play written by Ida Lublenski Ehrlich and entitled Stutzpunkt.

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. (11/18-22)

July 24 filed 120,000 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. **Price**—$9 per share.

Felt & Tarrant Manufacturing Co. (11/20)

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

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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.

Florida Telephone Corp., Leesburg, Fla.

Nov. 1 (letter of notification) 27,000 shares of $10 par common. **Price**—$11 a share. **Underwriter**—Florida Securities Co., St. Petersburg, Fla. **Proceeds**—For expansion and modernization program.

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.

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.

● **General Motors Corp., Detroit, Mich. (11/27)**

Nov. 8 filed 1,000,000 shares (no par) preferred stock. **Underwriter**—Morgan Stanley & Co., New York. **Price**—By amendment. **Proceeds**—Company expects to use the proceeds, together with other funds, to help finance its expansion and modernization program estimated to cost $590,000,000 of which $290,000,000 had been expended through Sept. 30. **Business** — Manufacture of various products, the principal field consisting of passenger cars, commercial vehicles, parts and accessories.

● **Germantown Cooperative Association (11/28)**

Nov. 12 (letter of notification) $40,000 4% series first mortgage bonds, 5,700 share of permanent stock (par $5) and 4,000 shares of ordinary stock (par $25). All three issues to be sold at par. Proceeds will be used to acquire a piece of real estate and for working capital.

Glen Industries Inc., Milwaukee, Wis.

July 31 filed 50,000 shares of $1.25 cumulative convertible preferred stock series A ($20 par) and 150,000 shares (10c par) common, all issued and outstanding and being sold by eight selling stockholders. **Underwriters**—Van Alstyne Noel & Co. Price by amendment. **Proceeds**—To selling stockholders. 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 500,000 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. **Price**—$5 a share. **Proceeds**—For refinancing of company and for working capital and funds for development and construction program.

● **Grand Rapids (Mich.) Realty Co.**

Nov. 4 (letter of notification) 4,034.75 shares ($10 par) common. Of the total the company will issue a maximum of 500 shares to James Leenhouts, President, as compensation, and the remaining 3,534.75 shares will be offered to stockholders at $12 a share. No underwriting. To assist in retiring $118,000 bonded indebtedness.

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.

Gulf Oil Corp., Pittsburgh, Pa.

Oct. 31 filed 399,860 shares ($25 par) capital stock. **Underwriter**—The First Boston Corp., New York. Price by amendment. **Proceeds**—Shares are issued and outstanding and are being sold by members of the Pittsburgh banking family of Mellon or trusts created by members of the family.

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.

● **Harman (William H.) Corp., Philadelphia**

Nov. 13 filed 280,000 shares of capital stock. **Underwriter**—Smith, Barney & Co. Price by amendment. **Proceeds**—Will be applied to the purchase and installation of machinery and equipment and to the carrying of inventories and receivables. Additional working capital is expected to be made available under a credit agreement with the Chase National Bank. **Business**—Company has designed and developed a new type of low cost home to be made available to purchase at from $5,900 to $7,200. Company's plant, located in Wilmington, Del., is expected soon to begin producing in quantity for initial distribution to dealers in the area east of the Mississippi River.

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.

● **Heriff Joness Co., Indianapolis, Ind.**

Nov. 8 (letter of notification) 27,331 shares ($1 par) class A preference stock. Price, $10 a share. No underwriting. For additional working capital.

Hiram Walker-Gooderham & Worts Ltd., Ontario, Can., and Hiram Walker & Sons, Inc., Detroit, Mich. (11/19)

Nov. 1 filed $30,000,000 20-year debentures due 1966. **Underwriters**—Smith, Barney & Co. and Kidder, Peabody & Co. Price by amendment. **Proceeds**—Net proceeds will be used by the American company to pay bank loans and to increase cash funds. **Business**—Distilling business.

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.

Illinois Bell Telephone Co., Chicago

Nov. 4 filed 324,998 shares ($100 par) common. To be offered for subscription, pro rata, to stockholders at $100 a share. No underwriting. **Proceeds**—To reimburse Treasury for funds expended for extensions, additions and improvements to its telephone plant.

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 $703,930 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.

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.

● **Kable Brothers Co., Mount Morris, Ill.**

Nov. 6 (letter of notification) 20,907 shares ($10 par) common. To be offered to stockholders in ratio of one share for each five held. **Price**—$10 a share. No underwriting. For expansion purposes.

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.

Kansas City Power & Light Co., Kansas City, Mo.
Nov. 1 filed $36,000,000 of first mortgage bonds, due 1976; and 100,000 shares ($100 par) cumulative preferred. **Underwriting**—To be determined by competitive bidding. Probable bidders include Halsey, Stuart & Co. Inc. (bonds only); The First Boston Corp. and Dillon, Read & Co. Inc. (jointly); Central Republic Co. (stock) and Smith, Barney & Co. (stock); Glore, Forgan & Co. and W. C. Langley & Co. (stock). **Offering**—To the public. **Price**—To be determined by competitive bidding. **Proceeds**—Proceeds will be used to redeem $38,000,000 of 3¾% bonds, due 1966 and 40,000 shares of first preferred stock, Series B. **Business**—Public utility.

● **Kensington Mines Inc., Seattle, Wash.**
Nov. 5 (letter of notification) 104,375 shares (20c par) common. Price, 20 cents a share. No underwriting. For development of mining property.

Kimberly-Clark Corp., Neenah, Wis.
Nov. 6 filed 70,000 shares ($100 par) 4% convertible cumulative second preferred. **Underwriters** — Lehman Brothers, Hallgarten & Co., New York, and the Wisconsin Co. (Milwaukee). Price by amendment. **Proceeds**—To be added to general funds for use in financing acquisition of additional plants and facilities. The company contemplates a $21,500,000 expansion program expected to be completed in 1949. Additional funds for the program will be provided from a $8,000,000 loan. **Business**—Paper manufacturers.

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.

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.

Lee (James) & Sons Co. (11/21)
Oct. 31 filed 30,000 shares ($100 par) cumulative preferred and 203,833 shares ($3 par) common. **Underwriter**—Morgan Stanley & Co., New York. **Offering**—Company will offer 14,399 shares of the new preferred in exchange, on a share for share basis, for its 7% cumulative preferred. The exchange offer will expire Nov. 25. Any shares not issued in exchange will be sold to underwriters as well as all of the common shares which latter are being sold by stockholders. Price by amendment. **Proceeds**—Company will use proceeds from the sale of the preferred shares to redeem all unexchanged shares of 7% preferred and partially to reimburse working capital for funds expended in the erection of a new mill at Glasgow, Va.

Macco Corp., Clearwater, Calif.
Sept. 25 filed 100,000 shares ($1 par) capital stock. **Underwriter** — Dean Witter & Co., Los Angeles. **Price**—By amendment. **Proceeds** — To pay off outstanding bank loans.

Mada Yellowknife Gold Mines, Ltd., Toronto
June 7 filed 250,000 shares of capital stock (par 40c). **Underwriters** — Names to be supplied by amendment. **Offering**—Stock will be offered publicly in the U. S. at 40c a share (Canadian money). **Proceeds**—Proceeds, estimated at $75,000, will be used in operation of the company.

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.

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.

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.

May McEwen Kaiser Co., Burlington, N. C.
Aug. 22 filed 175,418 shares ($1 par) common stock. **Underwriters**—Goldman, Sachs & Co., and Hemphill, Noyes & Co. **Price**—By amendment. **Proceeds**—Net proceeds go to 11 shareholders who are selling the stock being registered. Offering temporarily postponed.

Merchants 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.

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.

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.

Morris Paper Mills, Chicago
Nov. 1 filed 29,126 shares ($50 par) 4¾% cumulative preferred and 55,000 shares ($10 par) common. **Underwriter**—Hallgarten & Co., New York. Price by amendment. **Proceeds**—Shares are issued and outstanding and are being sold a group of stockholders who will receive proceeds from the sale.

Mountain States Power Co.
June 6 filed 140,614 shares of common stock (no par). **Underwriters**—To be determined by competitive bidding. Probable bidders include Blyth & Co., Inc.; Kuhn, Loeb & Co. and Smith Barney & Co. (jointly); Harriman, Ripley & Co.; The First Boston Corp. **Offering**—Shares, are owned by Standard Gas & Electric Co. and constitute 56.39% of the company's outstanding common. **Sale Postponed**—Standard Gas & Electric Co. asked for bids for the purchase of the stock on Sept. 4, but the sale has been temporarily postponed.

Murphy (G. C.) Co., McKeesport, Pa.
June 13 filed 250,000 shares of common stock (par $1). **Underwriter**—Smith, Barney & Co. Price by amendment. **Proceeds**—Redemption of outstanding 4¾% preferred stock at $109 a share plus dividends. Indefinitely postponed.

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. (11/19)
June 28 filed 58,860 shares of 5% cumulative preferred stock ($100 par) with common stock purchase warrants and 505,220 shares of common stock ($1 par). **Underwriters**—Stone & Webster Securities Corp., and Bosworth, Sullivan & Co. Price by amendment. **Proceeds**—Shares are outstanding and are being sold by stockholders.

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 Plastic Corp., Los Angeles (11/14-15)
Oct. 31 (letter of notification) 30,000 shares of $2.25 (par 60c) preferred, cumulative and convertible, and 34,000 warrants for common ($1 par) not exercisable until one year from date of issuance. **Prices**—$9.75 a preferred share and 10c a common warrant. **Underwriter**—Grimm & Co., New York. **Proceeds**—For expansion and working capital.

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 35,000 shares (no par) $2 cumulative preferred. **Underwriters**—Paine, Webber, Jackson & Curtis and Stone & Webster Securities, New York. **Offering**—Of the shares registered, 21,000 are being sold by the

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(Continued from page 2515)

company and the remaining 14,000 are being sold by General Telephone Corp. **Price**—By amendment. Offering indefinitely postponed.

• Old Republic Credit Life Insurance Co., Chicago

Nov. 7 (letter of notification) 60,000 shares of capital stock. To be offered for subscription at $3 a share to stockholders. Unsubscribed shares will be sold to officers, directors and employees. Proceeds will be used as additional capital.

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 (11/20)

Oct. 11 (letter of notification) 60,000 shares ($1 par) common. **Offering**—Price $5 a share. **Underwriter** — Floyd D. Cerf Co., Inc., Chicago. **Proceeds**—For payment of note purchase of machine tools and testing equipment and for general corporate purposes. **Business**—Engaged in manufacture of many types and sizes of radio speakers, communication loud speakers and sound reproducing equipment to sell to radio manufacturers and others.

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.

• Parcel Air Express, Long Beach, Calif.

Nov. 7 (letter of notification) 180,000 shares ($1 par) common. Price, $1 a share. No underwriting. For working capital.

Pari-Mutuel Totalizer Corp., N. Y. (11/19)

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.

Pedlow Machine Co., Chester, Pa.

Oct. 30 (letter of notification) 150,000 shares ($1 par) 10c Class A common. Company will exchange 14,500 shares for outstanding preferred and $135,000 shares will be sold. **Price**—$2 a share. No underwriting. For payment of debt and working capital.

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.

Philadelphia Electric Co., Philadelphia, Pa. (12/3-10)

Nov. 4 filed $30,000,000 of first and refunding mortgage bonds, due 1981, and 300,000 shares ($100 par) preferred stock. **Underwriters**—To be determined by competitive bidding. Probable bidders include The First Boston Corp.; Halsey, Stuart & Co. (bonds only); Morgan Stanley & Co.; W. C. Langley & Co., and Glore, Forgan & Co. (jointly), and White,Weld & Co. (bonds only).**Offering**—To the public. Price to be determined by competitive bidding. **Proceeds**—Proceeds of about $60,000,000 before deducting expenses will be used to pay off $18,000,000 of 1½% promissory notes and to finance part of the company's construction program which will require approximately $42,000,000. **Bids Invited**—Bids on the bonds will be opened Dec. 10 and bids on the preferred stock will be opened Dec. 3.

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.

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.

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.

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 Drill & Tool Co., Chicago

Nov. 4 (letter of notification) 60,000 shares ($5 par) prior preferred stock. **Price**—$5 a share. No underwriting. A portion of the stock will be issued as part payment to employees under the company's profit sharing plan and to suppliers in part payment of their invoices. For new machinery and equipment and for working capital.

Republic Pictures Corp., New York

Registration originally filed July 31 covered 184,821 shares of $1 cumulative convertible preferred ($10 par) and 277,231 shares (50c par) common stock, with Sterling, Grace & Co. as underwriters. Company has decided to issue 454,465 shares of common stock only, which will be offered for subscription to stockholders of record Sept. 5 to the extent of one share for each five held. Issue will not be underwritten.

Reynolds Pen Co., Chicago

May 4 filed 400,000 shares of common stock (no par), of which 100,000 shares are being sold by company and 300,000 by stockholders. **Underwriters**—Names by amendment. **Offering**—Terms by amendment. **Proceeds**—Net proceeds to the company will be added to working capital.

• Ronson Art Metal Works, Inc., Newark, N. J.

Nov. 7 (letter of notification) 99 shares of ($2 par) common on behalf of scrip holders who were entitled to receive fractional shares of common as result of stock split-up. Price, at market. Proceeds will go to the holders of outstanding scrip in exchange for such scrip.

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. (11/19)

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. **Bids Invited**—Bids for the purchase of the bonds will be received at company's office, Lexington Building, Baltimore, up to 12 noon (EST), Nov. 19.

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.

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.

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.

Solar Manufacturing Corp.

June 14 filed 80,000 shares of $1.12½ cumulative convertible preferred stock, series A (par $20). **Underwriters**—Van Alstyne, Noel & Co. Price by amendment. **Proceeds**—Net proceeds will be applied for the redemption of outstanding series A convertible preferred stock which are not converted into common stock. Such proceeds also will be used for additional manufacturing facilities in the amount of $600,000; for additional inventory amounting to $400,000, and for additional working capital. Offering temporarily postponed.

Soss Manufacturing Co., Detroit, Mich.

Sept 3 filed 40,000 shares ($25 par) 5% cumulative convertible preferred. **Underwriter**—Ames, Emerich & Co., Inc., Chicago. **Offering**—To be offered to common stockholders for subscription at $25 a share in the ratio of one preferred share for each five shares of common held unsubscribed shares will be sold to underwriters at same price. **Price** — Public offering price of unsubscribed shares by amendment. **Proceeds**—For expansion of plant facilities and for additional working capital. Offering postponed.

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 16,666 shares of common stock ($1 par). **Underwriter**—Carl M. Loeb, Rhoades & Co. Price by amendment.

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.

Street & Smith Publications, Inc.

July 17 filed 197,500 shares of common stock. **Underwriters**—Glore, Forgan & Co. **Offering**—The offering represents a part of the holdings of the present stockholders. Indefinitely postponed.

Swern & Co., Trenton, N. J.

Aug. 28 filed 195,000 shares common stock (par $1). **Underwriter**—C. K. Pistell & Co., Inc. **Offering**—Company is selling 45,000 shares, and eight selling stockholders are disposing of the remaining 150,000 shares. **Price**—$10.50 a share. **Proceeds**—From 45,000 shares sold by company will be applied to working capital initially. 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.

● **Tennessee Odin Ins. Co., Knoxville, Tenn. (11/15)**

Nov. 6 (letter of notification) 26,000 shares (no par) capital stock. **Price** — $9 a share. **Underwriter** — Elder, Wheeler & Co., Chattanooga, Tenn. For expansion of business.

● **Texas Vitrified Pipe Co., Mineral Wells, Texas**

Nov. 7 (letter of notification) 3,000 shares (no par) common. Price, $100 a share. No underwriting. For construction and equipping a plant.

● **Textron Inc., Providence, R. I.**

Nov. 8 (letter of notification) 12,000 shares of 5% convertible preferred, to be offered in exchange for shares of class A common of Textron Southern Inc. for the purpose of increasing the issuer's equity in Textron Southern. There will be no public offering of the shares.

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 $53,906,590, exclusive of interest and dividends.

● **Toro Manufacturing Corp. of Minnesota, Minn.**

Nov. 8 (letter of notification) 23,375 common shares Price, $12.50 a share. No underwriting. For general working funds.

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 Aluminum Corp.

Nov. 1 (letter of notification) 3,000 shares ($100 par) 6% cumulative preferred. **Price**—$100 a share. No underwriting. For working capital and payment of organization disbursements.

U. S. Television Manufacturing Corp., New York

Nov. 4 filed 300,000 shares (no par) convertible preferred. **Underwriters**—Names by amendment. Price by amendment. **Proceeds**—For working capital and expansion of business.

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.

● **Victor Valley Hospital, Victorville, Calif.**

Nov. 8 (letter of notification) $150,000 of certificates of contingent indebtedness. To be sold in varying amounts. To erect and equip 20-bed hospital.

Weatherhead Co., Cleveland, Ohio (11/20)

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.

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.

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**—Sills Minton & Co. **Price**—Preferred, $10 per share; common, $8 per share. **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.

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.

● **Wyatt Fruit Stores, Dallas, Texas**

Nov. 13 filed 5,000 shares (par $100) preferred stock. **Underwriter**—Rauscher, Pierce & Co. **Proceeds**—Will be used in part to equip three new cafeterias, to remodel its super markets and to increase working capital.

Yolande Corp., New York (11/19)

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

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.

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Prospective Security Offerings

(NOT YET IN REGISTRATION)
● INDICATES ADDITIONS SINCE PREVIOUS ISSUE

(Only "prospectives" reported during the past week are given herewith. Items previously noted are not repeated)

(Continued from page 2517)

● Atlantic City Electric Co.
Nov. 6 reported that early registration of about 1,150,000 shares of common stock (now owned by American Gas & Electric Co., parent) seems probable, in compliance with the Utility Holding Company Act. Probable bidders include The First Boston Corp., and Drexel & Co. (jointly); Shields & Co., and White, Weld & Co. (jointly); Dillon, Read & Co., Inc., and Smith, Barney & Co. (jointly); Blyth & Co., Inc.; Union Securities Corp.

● Birmingham Gas Co.
Nov. 19 SEC will hold hearing on company; proposal to sell 45,509 additional shares of common stock (par $2) to stockholders in ratio of ⅕th share for each share held. Proceeds for plant expansion.

● Certain-teed Products Corp.
Nov. 18 common stockholders will vote on creating a new issue of 50,000 shares of 4½% cumulative prior preference stock (par $100).

● New York Central RR.
Nov. 13 reported company planning the sale early in December of $20,000,000 equipment trust certificates. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

Northern Pacific Ry. (11/19)
Nov. 4 company has issued invitation for bids to be considered Nov. 19 for $6,880,000 of equipment trust certificates. The certificates, dated Dec. 10, 1946, will mature in equal annual instalments of $688,000 each Dec. 10, 1947-56. Probable bidders include Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Harris Hall & Co. (Inc.) and midwestern banks.

● Southern Ry. (12/3)
Company will receive bids up to 12 noon EST Dec. 3 for the sale of $7,600,000 equipment trust certificates dated Dec. 1, 1946 and due semi-annually June 15, 1947-Dec. 15, 1956. Probable bidders include Halsey, Stuart & Co. Inc.; Salomon Bros & Hutzler; Harriman Ripley & Co.; Harris, Hall & Co. (Inc.).

Congressional Opportunity

(Continued from page 2459)

and so, in reappraisement, recognize the causes for the widespread discontent that it has engendered.

As you know, this law provides for the creation of national securities dealers' associations under the aegis of the Securities and Exchange Commission.

Only one such association has been formed, the National Association of Securities Dealers, commonly referred to by those charitably inclined as the NASD—by others as NASTY.

The Association has frequently been referred to—especially by the SEC—as a voluntary association.

We have nothing but praise for voluntary associations in the securities field which aim at self-regulation.

However, we are convinced that a reading of Section 15A, and reflecting on its net effect, can leave no reasonable person in doubt that in so far as membership in the National Association of Securities Dealers is concerned, the element of true volition is completely absent.

Section 15A(i)(1) provides as follows:

"The rules of a registered securities association may provide that no member thereof shall deal with any non-member broker or dealer * * * except at the same prices, for the same commissions or fees, and on the same terms and conditions as are by such member accorded to the general public."

Although the words "may provide" are used, the self-seeking bureaucratic promoters of the NASD, who with the present attorneys for the NASD probably had much to do with the drafting of the Maloney Act, recognized the coercive and revenue-producing character of this provision and promptly capitalized on it. Consequently the NASD has such a rule.

What does this mean in the over-all picture?

Its significance is that pursuant to this special monopolistic privilege a vast number of dealers, in order to further their livelihood, must become, and have become, members of the NASD. This is true, because when initially a few of the larger underwriting firms in New York City were persuaded to become members, a couple of thousand dealers and other underwriters had to go along, too, in order to get discounts (trade prices) from these underwriters.

The element of volition is further canceled out because many of the subjects on which rules must be passed and the effects of such rules are made mandatory by the Maloney Act, and a system of controls is established whereby the SEC in its supervisory capacity may direct the adoption of rules, failing which it may order such adoption.

We quote Section 15A(b)(7):

"An applicant association shall not be registered as a national securities association unless it appears to the Commission that—

"(7) the rules of the association are designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to provide safeguards against unreasonable profits or unreasonable rates of commissions or other charges, and, in general, to protect investors and the public interest, and to remove impediments to and perfect the mechanism of a free and open market; and are not designed to permit unfair discrimination between customers or issuers, or brokers or dealers, to fix minimum profits, to impose any schedule of prices, or to impose any schedule or fix minimum rates of commissions, allowances, discounts, or other charges;"

This provision, which on first and careless reading, may seem innocent enough, on careful analysis and in view of its interpretation has proved to be a damnable infringement on the freedom of doing business and a derogation of our constitutional liberties.

Note first that a national securities association may not be registered until the rules referred to are in actual existence in accordance with the foregoing provision.

The stark fact is that, as relates to profits, such rules were not in existence when the NASD was approved, and it was not till long after such approval and when the "5% spread philosophy" was promulgated by the Board of Governors of the NASD and reviewed by the SEC, that an attempt was made to give effect to this phase of Section 15A(b)(7).

Leaving aside for the moment what we regard to be the unconstitutional aspects of this section, in our opinion "the 5% yardstick" was wholly abortive.

The target was "unreasonable profit"; but the 5% interpretation did not concern itself with profits at all and dealt only with the subject of spreads.

This questionable quirk took no heed of the increased costs of doing business, increased rents, increased cost of clerical and other help, to mention but a few of the many things that go into the day-by-day activities of those in the securities field.

Generally, as far as other commodities are concerned, price restrictions have been lifted, and those restrictions were only the product of the war emergency. Why is it any different in the securities field?

Why should regulatory bodies either directly or through any satellite attempt to dictate prices?

What becomes of freedom of trading when such regulations are put into effect?

The popular appeal to the new Congressional lineup is for a reversion to our American way of life and an erasing of the New Deal planned economy.

In that transformation the abolition of the Maloney Act is vital.

To the Congress we say, repeal the Maloney Act.

California Group of IBA Elects New Officers

SAN FRANCISCO, CALIF.—Russell A. Kent, Bank of America San Francisco, was elected chairman of the California Group of the Investment Bankers Association on Nov. 1. Other officers of the group elected were:

Vice-Chairman: F. O. Maxwell, Maxwell, Marshall & Co., Los Angeles.

Secretary-Treasurer: H. P. Schlemmer, Schwabacher & Co., San Francisco.

Members of the Executive Committee: Warren H. Crowell, Crowell, Weedon & Co., Los Angeles; John B. Dunbar, Cruttenden & Co., Los Angeles; and J. Lyle Osborne, Merrill Lynch, Pierce, Fenner & Beane, San Francisco.

With Denton & Co.

HARTFORD, CONN. — Ben David Rowe is now with Denton & Co., Inc., 805 Main Street.

Cotton Report As of Nov. 1

An 8,487,000 bale cotton crop for the United States is forecast this year by the Crop Reporting Board of the Bureau of Agricultural Economics, based on information reported by farmers and ginners as of Nov. 1. This is a reduction of 2.7% or 237,000 bales from the Oct. 1 forecast. The indicated 1946 crop is approximately 525,000 bales less than the 9,015,000 bales produced in 1945 and nearly 4,100,000 bales less than the 10-year average. It is only 542,000 bales larger than the 1921 crop of 7,945,000 bales which is the smallest crop since 1895.

The lint yield per acre, computed at 229.2 pounds, is 21.8 pounds below that harvested last year and 14.0 pounds below the 10-year average, and compares with the 1944 record of 293.5 pounds.

The full damage from unfavorable weather and the heavy infestation of boll weevils was not evident until picking was well underway. In most States, prospective production is less than indicated on Oct. 1. However, an increase is indicated in South Carolina. In the western irrigated States, where weather has been favorable through the season, near record yields are being harvested, and production indications are slightly higher than last month. In Virginia, Alabama, and Arkansas the crop outlook remained the same as a month ago.

With favorable harvest weather and more labor available than in recent years, picking and ginning made rapid progress during October in all States except Texas. In that State, frequent rains and wet fields seriously interferred with harvesting the crop and caused some loss of cotton. The percentage ginned to Nov. 1 for the United States is estimated at 69%. This compares with 58.5% for the record late crop of 1945 and the 10-year average of 78.2%.

No estimate of cottonseed production will be made until December. However, if the ratio of lint to cottonseed should be the same as the average for the past 5 years, production would be 3,455,000 tons. Such a production would be 5.7% below the 1945 revised production of 3,664,000 tons and 34.1% below the 10-year average of 5,240,000 tons.

The Bureau of the Census reports 5,724,926 bales of cotton ginned from the crop of 1946 prior to Nov. 1, compared with 5,151,873 bales for 1945 and 8,282,768 bales for 1944.

Our Reporter's Report

Wall Street does not like to take a licking and in that respect it is no different than any other segment of the population that goes to make up the nation's economy.

But when it has to pay the penalty for miscalculation, or bad judgment, the financial community would just as leave pick up the bill and get through with it.

That is about what has happened in the case of the rather unwieldy accumulation of unsold equities with which distributors found themselves burdended when the market broke sharply after Labor Day.

The task of finally distributing such unsold issues has been trying at times, what with the seasoned market offering little in the way of assistance by its behavior. But, according to people who are in a position to know pretty much what goes on, the job has been quite thoroughly completed.

Considering the slump in prices through September and well into last month, it is a safe assumption that the placement of such securities, in addition to being a tough assignment, was likewise quite costly for those involved.

But the task has been completed and the cost pretty well written off where the securities were sold. In some instances, it is likely that portions of issues involved have been put into firms' investments for distribution when as and if conditions improve sufficiently.

However, the situation is now viewed generally as having reached a stage where some of the choicer equity financings which had been contemplated but withdrawn because of market conditions can once more be considered as possibilities.

Chesapeake & Ohio Secondary

Investors may be found still a bit "gun shy" in so far as new ventures, such as flooded the market in late spring and early summer, are concerned. But they still reveal marked interest when the deal in hand involves the securities of a well-known and seasoned enterprise like Chesapeake & Ohio Railway.

That was proven on Tuesday when bankers brought out the secondary distribution involving 100,000 shares of the road's common stock for the account of the Alleghany Corp. This sale had been in the making for several weeks but was held back, evidently for the best possible setting.

Priced at 53, just a fraction under the prevailing market, the stock was reported to have encountered heavy bids when books were opened after the close of regular business, and quick sale was assured. Alleghany owned 606,304 shares of C. & O. at the end of 1945.

Crucible Steel Issue

Quick absorption appeared assured for Crucible Steel Co.'s offering of $25,000,000 of new money first mortgage bonds, carrying a 3⅛% coupon and priced at 100 for public offering.

Among the attractions here, in addition to the yield of around 3.12%, was the relatively short maturity of the loan which runs for 20 years and is due in 1966. Considering the fact that most issues have been averaging 30 to 40 years, with some even longer, this one should fit nicely into many portfolios.

Proceeds will be used by the company to finance improvements and betterments under its postwar program and for the retirement of its outstanding 3¼s due in 1955.

Railway Equipment Issues

The market for railway equipment trust issues shows signs of perking up in the remaining weeks of the year. Business of this character has been quite substantial and is viewed as offering a number of future good prospects.

Southern Railway Co. has just issued a call for bids for an issue of $7,600,000 of certificates to be dated Dec. 15, next, and mature serially in 20 equal semi-annual instalments from June 15, 1947 through Dec. 15, 1956. They would finance 80% of the cost of some $9,500,000 of new equipment.

Meanwhile New York Central proposes to sell in competitive bidding, after the turn of the month, an issue of $20,000,000 of certificates. Banking groups already are forming to go after this business.

Central's undertaking would yield funds to cover approximately 75% of the purchase price of contemplated new equipment and would mature serially over a 10-year period.

Coggeshall Heads Group of Un. Hosp. Fund

George Coggeshall, of Schoellkopf, Hutton & Pomeroy, Inc., has been named chairman of an investment bankers committee which is soliciting contributions for the United Hospital Fund. Goal of the current campaign in behalf of the city's hospitals is $1,897,547. The campaign is being directed by John E. Bierwirth, president of the New York Trust Company. Perry E. Hall, of Morgan Stanley & Co., is treasurer of the fund.

Four With King Merritt

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—Alfred Baghott, Frederick F. March, William Y. Platner and Earl D. Van Keuren are now with King Merritt & Co., Inc., Chamber of Commerce Building.

DIVIDEND NOTICES

AMERICAN GAS AND ELECTRIC COMPANY

Preferred Stock Dividend

THE regular quarterly dividend of One Dollar Eighteen and Three-quarter Cents ($1.18¾) per share on the 4¾% cumulative Preferred capital stock of the Company issued and outstanding in the hands of the public has been declared out of the surplus net earnings of the Company, for the quarter ending December 31, 1946, payable January 2, 1947, to holders of such stock of record on the books of the Company at the close of business December 4, 1946.

Common Stock Dividend

THE regular quarterly dividend of Fifty Cents (50c) per share on the Common capital stock of the Company issued and outstanding in the hands of the public has been declared out of the surplus net earnings of the Company for the quarter ending December 31, 1946, payable December 16, 1946, to holders of such stock of record on the books of the Company at the close of business November 20, 1946.

Extra Common Stock Dividend

AN extra dividend of Thirty-Five Cents (35c) per share on the Common capital stock of the Company issued and outstanding in the hands of the public has been declared out of the surplus net earnings of the Company, payable December 16, 1946, to holders of such stock of record on the books of the Company at the close of business November 20, 1946.

H. D. ANDERSON, Secretary.

November 13, 1946.

THE BUCKEYE PIPE LINE COMPANY

30 Broad Street

New York, N. Y., October 29, 1946.

The Board of Directors of this Company has this day declared a dividend of Twenty (20) Cents per share on the outstanding capital stock, payable December 14, 1946 to shareholders of record at the close of business November 15, 1946.

C. O. BELL, Secretary.

COLUMBIAN CARBON COMPANY

One-Hundredth Consecutive Quarterly Dividend

A quarterly dividend of 40 cents and a year-end dividend of 10 cents per share will be paid December 10, 1946 to stockholders of record November 22, 1946.

GEORGE L. BUBB
Treasurer

DIVIDEND NOTICES

GROUP SECURITIES, INC.

42nd CONSECUTIVE DIVIDEND

The following dividends on the various classes of shares of Group Securities, Inc., have been declared payable November 20, 1946 to shareholders of record November 4, 1946.

	For Fourth Quarter		
Class	Regular*	Extra*	Total
Agricultural	.06	.40†	.46
Automobile	.06	.01	.07
Aviation	.14	.05	.19
Building	.05	—	.05
Chemical	.04	—	.04
Elec. Equip.	.10	.08	.18
Food	.05	.07	.12
Fully Admin.	.06	.01	.07
General Bond	.09	.27†	.36
Indust'l Mach.	.08	—	.08
Institut'l Bond	.08	—	.08
Investing Co.	.08	.07	.15
Low Priced	.03	.07	.10
Merchandising	.07	.50†	.57
Mining	.04	.02	.06
Petroleum	.06	.01	.07
Railroad Bond	.04	.60†	.64
Railroad Equip.	.03	—	.03
Railroad Stock	.05	—	.05
Steel	.06	.02	.08
Tobacco	.06	—	.06
Utilities	.015	.035	.05

*Regular dividends are from net investment income and extra dividends are from net realized profits.

†Payable in stock or cash at election of stockholder. Full details about this dividend available through your investment dealer.

LION OIL COMPANY

A regular quarterly dividend of 50¢ per share has been declared on the Capital Stock of this Company, payable December 16, 1946, to stockholders of record November 29, 1946. The stock transfer books will remain open.

E. W. ATKINSON, *Treasurer*

November 6, 1946

DIVIDEND NOTICES

HILTON HOTELS Corporation

Dividend on Common Stock

Notice is hereby given that a dividend of 25 cents per share on the Common Stock of Hilton Hotels Corporation has been declared for the quarter ending November 30, 1946, payable December 2, 1946, to holders of such stock of record at the close of business November 20, 1946.

Dividend No. 2 on 4% Preference Stock

Notice is hereby given that a dividend of 50 cents per share on the 4% Convertible Preference Stock of Hilton Hotels Corporation has been declared for the quarter ending November 30, 1946, payable December 2, 1946, to holders of such stock of record at the close of business November 20, 1946.

C. N. HILTON, *President*

November 8, 1946

Magma Copper Company

Dividend No. 97

On November 12, 1946, a dividend of Twelve and One-half Cents (12½c) per share was declared on the capital stock of MAGMA COPPER COMPANY, payable December 16, 1946, to stockholders of record at the close of business November 29, 1946.

H. E. DODGE, *Treasurer.*

REDEMPTION NOTICE

NOTICE OF REDEMPTION

To the Holders of

EL PASO ELECTRIC COMPANY

First Mortgage Bonds, Series A 3¼%, Due November 1, 1970

NOTICE IS HEREBY GIVEN, that El Paso Electric Company, pursuant to the provisions of its Indenture of Mortgage dated as of November 1, 1940 to State Street Trust Company and Dana M. Dutch, as Trustees, hereby calls for redemption and payment on December 12, 1946, at the principal office of State Street Trust Company, Corner of State and Congress Streets, Boston, Massachusetts, all of the above-mentioned Bonds, and that such Bonds will be redeemed and paid at said office on said date at 103% of the principal amount thereof together with interest accrued and unpaid thereon to said redemption date. Said Bonds together with all unmatured coupons appurtenant thereto should be presented for payment and redemption at said office of State Street Trust Company. Said Bonds will cease to bear interest on and after such redemption date and the coupons for interest appurtenant thereto maturing subsequently to such redemption date will be void.

EL PASO ELECTRIC COMPANY
By E. H. WILL, President

Dated November 12, 1946.

RIGHT TO PROMPT PAYMENT

NOTICE IS ALSO HEREBY GIVEN, that at any time on or after November 14, 1946, the redemption price set forth in the above notice including interest accrued to December 12, 1946 will be paid to the holders of the above-mentioned First Mortgage Bonds, Series A 3¼%, due November 1, 1970, upon surrender of such Bonds with all unmatured coupons appurtenant thereto, at the aforesaid office of State Street Trust Company, Boston, Massachusetts.

EL PASO ELECTRIC COMPANY
By E. H. WILL, President

Dated November 12, 1946.

Real Estate Outlook

By ROGER W. BABSON

Holding edge is off of real estate market, Mr. Babson recommends deferment of purchases by those who can wait, notwithstanding present price ceilings. Opposes rent ceilings on new houses, and advocates purchases of moderate sized farms as investment.

The stock market is not the only thing that has had a bump during the past two months. I happen to be vice-president of the Newton-Waltham Bank & Trust Company with assets of $65,000,000. Naturally, we take a large number of mortgages. Just before leaving on my Western trip, it looked to me as if the edge is off the real estate market here in the East.

Roger W. Babson

Conditions in the Middle West

Hence, on my Western trip I constantly inquired regarding real estate and found that all cities visited told about the same story. Briefly, this is that the demand continues for small houses selling from $8,000 to $12,000; but that the demand for larger houses, even new ones, has fallen off considerably.

Real estate agents tell me that property that has been selling for $15,000 or over is now being marked down at least 20%. This applies to older fairly modern houses and also to new houses. Large houses are actually a drug on the market at the present time in some sections of the country. Veterans are gradually getting located. Rumors are abundant that new houses are being built of green wood, with few nails and poor fixtures, which cause the purchasers to be wary of them.

What About Ceilings?

Sooner or later the cost of living will again decline. If labor plays fairly, it will be willing to take a cut in wages, as living costs decline, to offset the increased wages which it has been given as living costs have increased. But whether or not this happens, labor, before long, will do better work and give much more for an hour's wage. This will apply to all wage workers, beginning with those who cut the trees in the woods for the lumber. Hence, those who can wait before buying a new house, should surely do so. The present $10,000 ceiling is not helping.

Now, a word regarding rent ceilings. It may be wise to continue rent ceilings on prewar houses although they should be adjusted to provide for the increased cost of upkeep, etc. But there should be no rent ceilings on new houses **built for renting.** Otherwise, very few houses will be built to rent and the nation will suffer.

Farm Investment

The subsistence farm which produces only enough to feed the family, pay taxes and hire a man, but where the owner has a position or business on the outside, is holding firm in price. This is especially true in the case of property within a mile or two of a church, stores, post office, schools, etc. Real estate people are looking up such property with the idea of cutting it up into a subdivision of five or ten acres.

While on my trip, I purchased two 160-acre farms. Both of these I can rent at a figure to pay taxes and give me 4% on my investment. This is good enough these days with the security which a good farm offers. In one instance, the farm was within walking distance of a city of 5,000 population. I consider this a safe investment considering the excellent soil, drainage and location on a bus line.

Farming States

During this trip I found an instinctive desire of farmers to want to move in a southerly direction. Farmers in Minnesota are selling and buying farms in Kansas, Iowa and Missouri; while farmers in these Central States are selling and buying farms in Oklahoma, Texas and perhaps Kentucky.

Although the general movement during the past fifty years has been westward, I think it is now directed southward, although, of course, California is the looked-for heaven of most farm housewives. For retired farmers, Florida should not be forgotten; but from an agricultural point of view it is very hard to induce a Midwest farmer to swap six feet of black loam for Florida sand even though Florida has the finest climate in the world!

Daniel Rice & Co. Plan Expansion in Florida

CHICAGO, ILL.—Daniel F. Rice and Company, members of the New York Stock Exchange and other principal stock and commodity exchanges, will open three seasonal offices in Palm Beach this year, Joseph J. Rice, partner, announced. The 246 South County Road office will open Nov. 15, the Biltmore Hotel office about Dec. 12 and the Breakers Hotel office about Dec. 16. All will be under the supervision of Paul A. Just, of the firm's Chicago office. Daniel F. Rice and Company also maintain permanent offices in Miami, Miami Beach and Ft. Lauderdale.

Ryan With Prugh, Combest

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, MO. — Robert L. Ryan has become associated with Prugh, Combest & Land, Inc., 1016 Baltimore Avenue. In the past he was with Kerwin, Fotheringham & Co.

Alfred E. Norris Dead

Alfred E. Norris died at Doctor's Hospital, New York City, at the age of 84. Mr. Norris, until his retirement six years ago, was senior partner in the Philadelphia brokerage firm of Parrish & Co.

With King Merritt & Co.

Mrs. Celia B. Lambert is with King Merritt & Co., Inc., 55 Liberty Street, New York City.

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