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German-American Trade Getting Under Way

By FREDERICK HAUSSMANN and NORBERT MUHLEN

Economists survey prospects for sizable imports from Germany, based on changed character of postwar Germany's production and foreign trade. Predict prewar structure of American purchases will be drastically changed, because of (1) Potsdam agreement; (2) exclusion of Eastern Germany from world market as result of Soviet occupation; and (3) wartime destruction of industry. First articles to revive will include toys, radio cabinets, optical and other high-precision goods. Prospects good for potash and general chemicals, jewelry, leather goods, hops, beer and wines.

Germany, which was our fifth best customer in the years before the war, again enters the foreign trade scene though on an incomparably more modest level than ever before.

In the last months, the import-export section of American Military Government has received re-


Dr. F. Haussmann Dr. Norbert Muhlen

quests from 13 countries, including the United States, for permission to purchase German products. Simultaneously, German manufacturers have presented numerous interesting offers for export facilities. In Munich, Stuttgart and Wiesbaden, German economic authorities have set up ex-

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Stock Exchange Functions and Over-Regulation

By W. W. CUMBERLAND
Partner, Ladenburg, Thalmann & Co.

Dr. Cumberland commends New York Stock Exchange for its accomplishments in providing impartial, continuous, competitive and well-balanced mechanism for buying and selling securities. Appraises results of government control since 1933. Holds official registration statements and prospectuses "have become almost a joke and perhaps a boomerang." Says required publicity for purchases and sales by corporation officers and directors not only has caused loss of services of competent corporate officials, but also prevents them from supporting markets for their own securities. Also attacks credit control and restrictions on short selling.

PART II—*Concluding Instalment**

STOCK EXCHANGE PROCEDURE AND REGULATION

Surprisingly enough, many persons of substantial financial experience are not familiar with the precise procedure in buying and selling stocks on the New York Stock Exchange. This is not the occasion to describe round lots and odd lots, specialists, floor brokers, independent traders and the other paraphernalia and personnel which are involved in ordinary operations. Suppose an owner of 100 shares of General Motors lives in Denver and for reasons satisfactory to himself decides to effect sale. Obviously, it is to his interest for all persons desiring to buy General Motors that they know about his wish to sell. The seller can offer his stock either at a fixed price or at the market. In the former case the stock in question is offered on the floor of the New York Stock Exchange, and the first broker who bids that price obtains the stock. No favorites are played. Neither the buyer nor the seller even knows the other party to the transaction. In the case of sale of stock at market, it is merely ascertained what is the highest bid on the floor of the Stock Exchange for the amount of stock offered for sale or in 100 share lots, assuming 100 share trading units, and this maximum price is what the seller receives. No one has been able to suggest a procedure which is more democratic and which better protects the interests of seller and buyer alike.

W. W. Cumberland

Both buyer and seller are interested in a broad market, where buyers and sellers are numerous and accurately informed and where there is little change in price from one sale to the next.

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**Editor's Note: Foregoing is second and concluding instalment of Dr. Cumberland's paper. Part I appeared on cover page of the "Chronicle" of Nov. 28.*

What Should the Investor Do Now?

By DR. WILLIAM F. EDWARDS*
Manhattan Research Associates

Dr. Edwards maintains forces that caused previous depressions are now absent. Money and credit conditions are entirely different from 1919, 1929 and 1937. Commodity situation is not unhealthy, further reasonable price declines being beneficial. Inventories are not dangerous, particularly because of consumers' durable goods shortages. Previous foreign trade obstacles are now absent. Affirmative constructive factors include: (1) large pent-up demand; (2) return of competition; and (3) favorable change in political thinking. Regarding the future of common stock prices, he hence concludes that as equities are now "selling ex-confidence, the hunting season is here for those desiring good investment opportunities."

Dr. Wm. Edwards

Warnings have been published aplenty so that investors are on the alert for a possible severe economic storm. The initial winds reached hurricane velocity in late August and early September when the stock market had one of the severest declines in years. We are all justified in asking if the economic house will be able to

*An address by Dr. Edwards before the Massachusetts University Extension Course, "Investing in Stocks and Bonds," Boston, Mass., Nov. 20, 1946.

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Is the Price of Gold Too Low?

By PAUL EINZIG

Noting the declining rate of gold production and rising requirements for the metal throughout world, Dr. Einzig sees solution in an all-round increase in price of gold. Reports opposition in Britain to currency devaluation, but points out a higher price of gold will enable deficit countries to meet more of their import surplus from gold reserves and thus expand international multilateral trade.

During recent weeks there has been in Britain a growing volume of agitation in favor of an all-round increase of the official price of gold in all countries represented on the International Monetary Fund. The Government is expected to be pressed to submit a proposal in favor of applying the clause of the Bretton Woods Agreement providing for such a uniform change.


Paul Einzig

The reason for this movement is the evidence of the rapidly rising cost of gold production in South Africa. It is feared that not only will rise of wages and other cost items reduce profits on holdings of Kaffir shares, but it may even lead to a sharp fall in the gold output. Such a fall would be a bad thing, it is claimed, not only for the British Empire but also from the point of view of the world's gold position.

It is pointed out that during the war the net increase of the world's monetary stock of gold was rather less than 1% per annum, which falls considerably short of the prewar increase. The cause of the inadequate increase was in part the curtailment of the output and in part the revival of hoarding demand in the East and elsewhere. Hoarding demand is expected to continue, owing to the political and economic uncertainty in the East and in Europe. The causes for the decline of the output during the war—lack of labor and equipment — no longer prevails to the same extent. On the other hand, rising costs are expected to reduce the output even below its wartime level.

At the same time, gold requirements are expected to be high. It is true, most countries will have no internal requirements, as they have divorced their credit structure from their gold reserve. But the possibility of a substantial increase of American internal gold requirements as a result of a further expansion of trade and higher prices is envisaged on this side of the Atlantic with some concern, especially as the Republican victory at the election is expected here to strengthen the "hard money school" in the United States.

In any case, gold requirements for international purposes are expected to be very high, owing to the return to multilateral trade and owing to the unbalanced state of foreign trade. There are likely to be large adverse balances to be settled in gold. Under bilateral and regional currency pacts many of these balances would not give rise to gold requirements, as they would be settled either in goods or in the currencies of the deficit countries. Under multilateralism, however, any balance which cannot be settled with borrowed money will have to be settled with gold.

Should the gold output decline materially, the volume of gold available for such purposes might prove inadequate, and in the absence of sufficiently large international loans or credits this might handicap international trade.

In the circumstances the necessity for stimulating gold production through higher prices is envisaged. This end could be achieved by allowing producers to export their output to the East

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Europe's Future in Our Hands

By ISADOR LUBIN*

Former Economic Assistant to the President of the United States

Dr. Lubin asserts that, despite "miracles" accomplished since V-E Day, Europe is severely suffering from (1) depletion of manpower; (2) shortage of food and housing; (3) absence of training of younger generation; (4) shortage of transport; and (5) lack of coal, whose restitution is indispensable for general recovery. States current desperate need is for: (1) importation of raw materials, for which credit is needed; (2) determination of Germany's future; and (3) revival of international trade. Concludes Europe's ideological, political, and economic futures will be determined by American policies.

In discussing the future economic picture of Europe, it would be best to start with a brief description of what Europe is like at the present time, and then go on to some of the problems that must be solved if Europe is to get on her feet.


Isador Lubin

As one looks over the scene in Europe today, there are certain specific things that stand out.

First, on the continent itself, many countries have been partially depleted of their manpower. Poland, for example, claims that she lost six million people during the war. France claims losses of close to a million.

More significant is the fact that of those who were not killed, a large proportion are either undernourished or in bad health.

As of this moment, it is estimated that there are in Europe something between fifty and one hundred million people who are living on 1,500 calories a day. The dieticians testify that 2,100 calories is a minimum necessary for maintaining life and sufficient strength to do a day's work.

Secondly: Europe is not only short of food, Europe is short of housing. Those who are alive in too many instances have not available to them even the minimum requirements of shelter that go to protect health.

Thirdly: The younger generation of working age has gone through five years without any training. In other words, the skills that they would have learned under normal conditions are not existent at the present time. Many of them had been sent off to slave labor camps and were never actually taught a skill which they could adapt to rebuilding the areas in which they live. Many of those who might have taught them, even as of today, have been killed off.

In Great Britain there are approximately three hundred thousand German prisoners of war. Virtually all of them, with the exception of those who are on housing projects, are in agriculture.

If England is to sow an acreage and harvest a crop next year equal to what she did this year, she must replace those three hundred thousand prisoners of war, which she is anxious to get rid. They constitute close to one-third of the total of agricultural workers in England today.

The Coal Shortage

Not only is Europe short of housing and certain areas of food—sufficient food to make it possible for people to do a day's work to rebuild their countries and ac-

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*Transcript of an extemporaneous talk by Dr. Lubin before American Marketing Association, New York City, November 27, 1946.

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Our Outlook at Home

By LEON HENDERSON*

Former Federal Price Administrator outlines as possible course of events next year: (1) a temporary increase in activity, reaching perhaps 10% in dollar volume; (2) a climatic gyration in prices; (3) continuing inventory accumulation; (4) a gap between prices and consumers' buying power; and (5) a subsequent period of price and inventory readjustment, whose depth will be measured by political influences. Doubts important budget or tax reduction. Mr. Henderson holds crucial determinants will be (a) the quality of planning to avoid "boom-and-bust"; and (b) our Federal budgetary management.

Leon Henderson

I do not want to decry or ride down too much the almanac method of forecasting because, consciously or subconsciously, everyone needs an almanac. Now, there are plain and fancy almanacs. The good ones pay attention to the cycles of weather and of crops as well as to the libidinous zodiac.

A sizable portion of economic guessing is pure almanacking. The popular pastime now is attempting to recapture what happened after the last war. Pardon me, that was the first in the series of last wars.

So far that method of projection has not been right. I think I ought to say in warning that it is conceivable that because of the continuance of controls and because of the advance planning for reconversion, such as the contract termination, plant clearance, tax legislation, and other methods, that the reconversion period may easily have been distorted out of the pattern of 1919 and 1920, but

*Transcript of extemporaneous talk by Mr. Henderson before American Marketing Association, New York City, Nov. 27, 1946.

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When Will The Bear Market End?

By JOHN H. LEWIS*

Market analyst expects substantial business decline next year, resulting mainly from unbalance in price structure and squeeze on consumer in goods like automobiles and housing. As this will occur against a background of depreciating dollar, anticipation of intensified inflation will cut the bear market short in the second or third quarter of 1947.

John H. Lewis

The question "When Will the Bear Market Ends?" interests me tremendously. For several years I have hoped that I might form an Investment Trust toward the end of the next bear market. If posible, an Investment Trust should be started at the very bottom of a bear market. So it is for practical reasons that I have been trying for some weeks to outline in my mind the background or possible developments which would signal the beginning of the next bull market. The difficulties are very great.

The End of the Bear Market

I shall state my present opinion at once. I believe this bear market will end in the second or third quarter of 1947. Obviously such a conclusion is based on certain assumptions. If these prove wrong, then doubtless I will change my ideas. No one can look too far ahead under present conditions when Governmental

*An address by Mr. Lewis before The Bond Club, Buffalo, N. Y., Nov. 18, 1946.

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French Policy in Germany

By RENE SERGENT

Director, French Economic and Financial Delegation to Allied Control Council, Berlin

French authority maintains, despite charges to contrary, France—after early hesitancy—has wholeheartedly fulfilled London Agreements on Allied Control in Germany. States that French, in contradistinction to Americans, are opposed to trusts rather than cartels. While Americans treat Germans with mixture of lavishness and complacency, French treat them with caution. Warns against dangerous potentialities of Germany economy.

I

France as an Obstructing Factor in the Work of the Control Council and in the Path of German Unification

The opinion seems to prevail in American circles more or less connected with Berlin Headquarters that the French delegation there did their best to disrupt all efforts made towards settling overall policies in Germany, or even have made it impossible to pursue the quadripartite activities of the Control Council.

It seems useless to dwell on this latter grievance: France has fulfilled the implications of the London agreements on Allied control in Germany. From the very beginning, she has taken an active part in the negotiations of the Control Council, whatever practical difficulties may have been encountered during the organization period.

French delegates have been available in the numerous committees of the quadripartite machinery, even more assiduous, on the whole, than some of their colleagues representing the three other occupying nations.

Some shortcomings of the French may well have been noticed in the early days, when preliminary studies of German economics were definitely better implemented in the American and British elements; one should remember the circumstances under which the French undertook hurriedly to gather their control staff for Germany, even before their own territory was entirely liberated and lacking the experience acquired in S.H.A.E.F. by their American and British colleagues. That period has, anyhow been overlapped and the French element has actually brought a valuable contribution to the work of the Control Council.

One should merely mention, at random, the discussions on the plan for the level of industry, when the French helped to compromise the somewhat conflicting views of their colleagues; other discussions, still pending, on decartilization, when the French issued definite and practical proposals on which agreement has been reached; French provisions on disarmament and warplant dismantling, which were accepted almost without discussion if not without preliminary efforts to convince allied colleagues of the moment and urgency of this task.

Such features of French activities in Berlin may be considered as negative. It should be remembered, therefore, that France took also an active and positive part in several attempts to rebuild German economy on same and overall principles, i.e. fertilizer processing and allocation throughout Germany, in the fall of 1945 and once again in the last weeks;

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Eugene Meyer Quits World Bank

WASHINGTON, D. C., Dec. 4—Eugene Meyer, President of the International Bank for Reconstruction and Development, today announced his resignation from that office. It is believed here that the primary reason for Mr. Meyer's action is the recently growing schism between him and the Executive Directors over who should set policy: he himself as President or the Directors. It will be recalled that the Articles of Incorporation define the President as the agent for carrying out the will of the Directors.

Eugene Meyer

Additionally, it is understood that Mr. Meyer's withdrawal is based on two other grounds: the unstable price and production situation in this country has forestalled plans for extending credits for goods abroad; and the extreme apathy shown by the American public towards the Bank indicates the prospective lack of future United States support for the institution.

The World Bank, it may be noted, is conscious of the need for better public relations and expects to do something about it soon. The use of printed literature and perhaps more public addresses, such as the one made this week before the Investment Bankers' Association by the Bank's American executive director, may be expected.

Last week's announcement by the Wisconsin Banking Commission banning investment by banks of that State in securities of the World Bank is not good for the prestige of the new institution. Its officials are inclined to attribute the Wisconsin decision primarily to ignorance, which proper publicity would dispel.

To date the Bank's publicity has been channeled almost entirely through its President, Mr. Eugene Meyer. Bank employees naturally are restricted in what they may disclose to the press. And even the Bank's directors speak cautiously in public.

On November 5, Mr. Meyer announced the appointment of Mr. Drew Dudley as Director of Information. Mr. Dudley, who at 36 is drawing the reported pre-tax equivalent of $20,000 a year in his new post, was during the war engaged in publicity work for the Office of War Mobilization and Reconversion and the Office of War Information, and earlier was connected with a well-known Chicago chewing-gum company.

The cautiousness of the Bank's directors in speaking for publication is more than ever noticeable since the experience of Mr. J. W. Beyen, executive director for Holland and the Union of South Africa in October, when he addressed the Savings Bank Association of the State of New York and later answered reporters' questions. Mr. Beyen's disclosures of Bank thinking were widely reported in the press, and promptly

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The Outlook for Business

By PAUL W. McCRACKEN*

Director of Research, Federal Reserve Bank of Minneapolis

Reserve Bank analyst ascribes lack of deflationary trend after V-J Day to heavy consumer spending, but warns change may come about through more rapid reconversion and accumulation of inventories. As indications of changing trend, cites stock market break, decline in farm prices, and baffling problems of industrial relations. Sees increased productivity ahead and holds no serious recession is likely as long as heavy demand for durables is unsatisfied. Looks for further price rise in immediate future, followed later by downward trend.

The Northwest's 1946 income will approach $5 billions. This is more than 10% above last year and double 1940's $2.5 billions.

Paul W. McCracken

This performance equals, and for some of our states, exceeds that for the nation as a whole. Nationally income payments this year will push beyond 1945's impressive total of $160 billion by a few percentage points.

Our current volume of production is 80% above the prewar average.

Retail trade, perhaps the best single index of consumers' willingness to spend, is running, for our area, one-third above a year ago and for the nation one-fourth above last year.

Unemployment at no time during the previous year has been a serious problem with February and March of this year recording the peak of 2.7 million unemployed; currently the figure is at least 20% below the high early this year.

I

One conclusion seems clear. V-J Day's sixty-four-dollar question has apparently been answered conclusively, and prosperity was given the nod. This question, you will recall, was: Will deflation and unemployment be our major problem during the transition year? History has now apparently cast a negative vote. Contrary predictions were bad guesses. On the other hand, it is wise to pass judgment on these predictions with considerable humility. While it is always true that predictions are difficult, it is certainly true that at the time of V-J Day an optimistic guess required a considerable measure of omiscience and faith.

Our transitional problems were enormous.

We did have substantial num-

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*An address delivered at the Federal Reserve Forum sponsored by the Federal Reserve Bank of Minneapolis, Minneapolis, Minn., Nov. 22, 1947.

Austria's Future Dependent On American Help

By HERBERT M. BRATTER

Correspondent asserts Austria's shortage of goods and fear of political abandonment are causing loss of confidence in schilling and developing severe inflationary pressures. Foreign trade efforts have been abortive, accentuated by lack of foreign exchange assets. Mr. Bratter concludes balancing of external payments and ultimate economic recovery are possible, but prompt American financial aid is indispensable.

VIENNA, AUSTRIA.—According to the best informed opinion in Vienna, Austria can have a bright economic future if only a relatively small amount of financial aid is forthcoming from America. Such aid, it is felt, must in large part be a gift rather than a loan, but a loan, too, is among the objects of Count von Hartenau, top civil servant of the Finance Ministry, who is leaving for the United States soon.

Herbert M. Bratter

Editors Note: The National Advisory Council has not yet acted on Austria's application for an Export-Import Bank loan, in connection with which Dr. Assene Hartenau of the Finance Ministry recently visited Washington. Not all the information needed for processing the application has yet been received from Vienna, but the urgent nature of the case is apparent from the accompanying article.

Time is running short in the race between inflationary tendencies in Austria and efforts to attain healthy economic conditions. Pressure on the monetary and price controls have not lessened in any significant degree, and many weaknesses have developed at a number of points. Pressures tending to raise prices and lower the value of the schilling are of two main sorts. First, the shortage of goods, and second the fear on the part of Austria of political abandonment and of a complete loss of independence of action.

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The Public Controls

By ARTHUR WALSH*

Executive Vice-President, Thomas A. Edison, Inc.
National Vice-President, National Association of Manufacturers

Industrialist and former U. S. Senator, asserting recent elections prove voters were more interested in locating a porterhouse than in a perpetual House of Porter, warns there are still on statute books many unnecessary business controls. Urges these controls be removed, but warns journey back to unregimented business will be an uphill pull. Says free enterprise does not mean "every man for himself," but holds tampering with system of competitive enterprise destroys right to make a living. Points out a balanced economy cannot be obtained with politicians perpetuating themselves in office or with small groups defying the courts.

A short time ago the Administration finally made an effort to get into line with public opinion. Just before the election, the news started to percolate through even to Washington that the war might be over and that a system created during the war for the purpose of curtailing the production of civilian goods perhaps did not have a place during a period when the chief objective was to stimulate such production — so Washington decontrolled meat. Years ago Napoleon discovered that an army moves on its stomach, but not until the eve of election did the lads in Washington discover that Mr. and Mrs. American Voter were more interested in locating a porterhouse than in perpetuating the House of Porter.

Arthur Walsh

And, Washington was particularly impressed by the demonstration in simple arithmetic which occured on November 5. The sum totals of that day must have been very convincing. No appreciable change in our national economy had suddenly taken place, yet those who had been contending that controls were essential to our economic stability suddenly began to call them off.

In the main, they gave us back the keys to our own business, and

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*An address by Mr. Walsh before 51st Congress of American Industry, New York City, Dec. 4, 1946.

Observations . . . .

By A. WILFRED MAY

IMMINENT REVIVAL OF AN UNSOUND TAX
The False Philosophy Behind Undistributed Profits Taxation

The recent declaration by the Treasury of its intention of strictly enforcing the Revenue Act's penalties against retention of profits beyond the "reasonable needs of business" will revive and accentuate the widespread injuries to our financial and general economic structures, which were inherent in the dividend-stimulating Undistributed Profits Tax of 1936-1939.

A. Wilfred May

The enabling provision is Section 102 of the present Revenue Act, which imposes on "unreasonably" retained earnings a tax of 27½% on the first $100,000 and 38½% on the remainder. Definition of "unreasonableness" of reserve-accumulation is not fet forth in the statute, but is left to the discretionary judgment of Treasury officials, reviewable by the courts.

Taxation on undistributed profits, in whatever form, is highly objectionable as a permanent proposition, particularly so at the present time. Over the long-term—ever since its endorsement by the Senate Finance Committee in 1917—the proposal to tax accumulated reserves has fallen between the three stools of corporate reform, revenue, and politics.

Actually the basic effects of such taxation, in subordinating the policies of corporate managers—who act in behalf of the owning stockholders—to the exigencies of, and supervision by, the Treasury, constitute a basic threat to the soundness of our corporate and financial structures. Far from fulfilling a role of *reform*, this tax technique, in arbitrarily hindering the building of business reserves, acts as an instrument undermining the soundness of our entire financial system.

The major premise supporting taxation of reserves is the assumption that earnings are being unduly withheld from stockholders. But precisely the contrary is true. Evidence that American corporate managers, far from stinting on dividend payments, have over the short- and long-terms actually been profligate in distributing assets to shareholders, is contained in official Treasury records. The Statistics of Income, covering all American corporations for the years immediately prior to our War participation, show the following comparative earnings and dividend payments:

Year	*Net Income* (in millions of dollars)	*Dividends Paid*
1937	*3,872*	*4,832*
1938	*1,480*	*3,222*
1939	*4,040*	*3,841*
1940	*4,655*	*4,068*
4-year total	*14,057*	*15,963*

The Treasury statistics further show that all U. S. corporations in the 13-year period 1921-1933 earned $40,973 million, while concurrent cash dividend disbursements actually exceeded these earnings by $10,000 million—or 25%. Aggressive enforcement of section 102 will undoubtedly accentuate tendencies toward such malpractice.

Impact on the Debt Structure

If our dividend-paying practices are considered in their relationship to our national debt structure and overall financial system, it will be seen that present severe abuses to the creditor class will only be further aggravated. Even in ordinary times our unscientific, unbusinesslike, and inequitable lack of proper provision for debt re-

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With Maxwell, Marshall

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF. — Elizabeth H. Bingham has been added to the staff of Maxwell, Marshall & Co., 647 South Spring Street, members of the Los Angeles Stock Exchange.

Boyd With Merrill Lynch

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF. — Truman O. Boyd has become associated with Merrill Lynch, Pierce, Fenner & Beane, 523 West Sixth Street. Mr. Boyd was previously with J. A. Hogle & Co.

Union Official Disputes Contention Employees Of Banks With Public Funds Shouldn't Organize

By EDMOUR GERMAIN

Leon W. Berney, UOPWA, CIO, Vice-President, in reply to statement of J. Stewart Baker, Chairman of Bank of Manhattan Company, says employees of banks with public and trust funds can't be denied right to bargain and points out UOPWA is determined to compel every major bank to deal with their employees through collective bargaining. United Financial Employees, a hitherto independent union, votes to affiliate with AFL and expects to sign contract with New York Curb Exchange within a few days.

Just when the Bank of the Manhattan Company made known yesterday its intention to take legal action to resist the efforts of United Office & Professional Workers, CIO, to seek collective bargaining rights for the clerks in seven of its 53 uptown New York branches and, for that matter, to resist the efforts of any, presumably "outside," union to organize some parts of the financial industry, the UOPWA repeated its determination to intensify its Wall Street drive to the utmost.

Leon W. Berney, UPOWA Vice-President in charge of the campaign to organize the financial community in and around New York, went to great pains to reply to the assertion (see page 2889) of J. Stewart Baker, Chairman of the Board of Directors of the Bank of the Manhattan Company, in his annual report to the stockholders on Tuesday that "the management of the Bank believes that it is against sound public policy to have unions of employees of banks which have public and trust functions. The management also believes it would be unfortunate if there came between the employees and the management a union bargaining agent with no responsibility to keep the Bank on a sound financial basis and operating at all times to serve its banking and trust customers, both private and governmental." (The bank is depository for some state funds.)

It may be significant, however, that Mr. Berney failed to comment on the second part of Mr. Baker's statement questioning whether "a unit for collective bargaining consisting of employees in the same jobs in less than all the offices of the Bank" constituted a proper collective bargaining unit. The State Labor Board headed by Rev. William J. Kelley, only yesterday heard oral argument on the issues in the dispute between the bank and the

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Wages and Productivity

By RUFUS S. TUCKER*
Economist, General Motors Corporation

Refuting principle that increase in manpower output represents solely the contribution of labor, Dr. Tucker contends chief cause for increased industrial output has been vigorous enterprising spirit of managers and promoters. Points out labor is a productive factor subject to law of diminishing returns, and the marginal wage which employers can pay must be determined individually. Contends, further, greater productivity in industry leads to lower prices and thereby benefits workers as well as others. Holds purchasing power of wages has increased.

In approaching the problem of the relation between wages and productivity, the first fundamental fact is that wages can only be paid out of production. Their total is limited by the volume of goods and services in existence, and usually by the volume of goods and services being currently produced, although occasionally for a limited period they can be paid in part out of the accumulated store of goods previously produced. So much is axiomatic. The big question is whether wages should not only be limited but measured by the volume of production.

Rufus S. Tucker

Are wage earnings, or hired employees in the broader sense, entitled to the whole output of society? Or are the wage earners in any given plant, corporation or industry entitled to the whole output of that plant, corporation or industry? Obviously to anyone but a Marxian socialist the answer is *no*, since the wage earners are obviously not responsible for the whole output. Production results from the combined efforts of labor, management, and capital, with an occasional assist from the government.

A variation of the preceding proposition, not often formulated in words but implicit in much discussion, is that all increases in output should go to the laborers, i.e. the management and the investors shall receive only a fixed amount and the hired employees take the rest. This also appears to be unethical as well as unwise. The laborers are not morally entitled to the increase unless they are responsible for it through harder, more intelligent or more skilled work. That, however, is very rarely the case.

Manhour Output and Labor Productivity

The situation has been obscured by the common use of the terms "output per manhour" and "productivity of labor" as if they were synonymous. Increases in the output per manhour very

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*An address by Dr. Tucker before American Society of Mechanical Engineers, New York City, Dec. 3, 1946.

A Union of Property Owners

By ARTHUR W. BINNS*
President, National Home and Property Owners Foundation

Asserting property rights are being confiscated, Mr. Binns attacks rent controls as creating housing shortages and as depriving property owners of fruits of their toil. Says in last decade dwellings have increased more rapidly than population, and lays blame for shortages on the discouragement of construction through rent controls. Warns this is destroying our economic structure and condemns Wagner-Ellender-Taft Bill as socialistic and as "deficit spending." Urges property owners organize a militant union to defend their rights.

The matter that I wish to discuss with you is one which, like almost all other human endeavors, is very simple in principle. Those of us who have stood at the firing line in Washington and on the whole private enterprise front these last fifteen or twenty years, and have seen us lose battle after battle in the fight to retain the private ownership of property as the principle in this country, have felt over and over again that somewhere, somehow, we must find a very much wider base, a very much more fundamental place to build an enlightened public opinion than anything that we could possibly do in our trade organizations.

Arthur W. Binns

To start with, there are only a matter of something like 5% of our population that are business men at all in any line. And those of us that are actively associated in such trade associations as your great association, or in our National Association of Real Estate Boards, or in our National Association of Home Builders, are but a minute drop in the bucket. Further, because of smear campaigns against business men that have been conducted this many years, putting us in the basement and calling us economic royalists and calling us business men, as though the men who produced the homes, who financed the homes and who builded America were, in some way or other, a little bit under the cuff, a bit criminal, somehow or other. That whole campaign, plus the fact that we do have, and must have, and should have, special interests in the promotion of our particular trade or industry, have meant that we haven't been in a good position to build that basic foundation, which rests in the concept which we have always had, which our founding fathers had, and indeed, our English forbears four hundred years ago had, that in the private ownership of property, in millions of small hands, lay the way to the

(Continued on page 2918)

*An address by Mr. Binns at the Convention of the United States Savings and Loan League, Milwaukee, Wis., Nov. 22, 1946.

Behind the Iron Curtain

By GEORGE MOORAD*
Former Chief of Moscow Bureau, Columbia Broadcasting Company

Mr. Moorad, while praising heroism and sacrifice of ordinary Russian people, gives illustrations of rigid Russian Government surveillance, and notes that no foreigners, not even Ambassadors, are permitted to have social contact with people. Describes what constitutes so-called "workers' freedom" in Russia, and points out there is no equality of treatment, since communists and bureaucrats enjoy luxurious living, while people are in utter poverty. Says workers are greatest losers by State Socialism, and contends Russian policy has not renounced world revolution. Concludes Leninism still survives.

Several centuries ago the first British Ambassador to Russia traveled through Sweden to St. Petersburg, where he was immediately locked up by the Czar's secret police. He was released and given a great banquet. He then proceeded to Moscow, where he was again arrested, again released and again given a banquet. He lived through a series of such wierd experiences to make an observation which is competely true today.

George Moorad

"There are no experts on Russia. There are only varying degrees of ignorance."

So I am obviously not an expert on Russia, and I will only claim to know more about it than someone who has never been there. But I am one of two American reporters (the other is Dick Lauterbach of Life Magazine) who has lived in Russia, travelled through the European satellite states and has also visited Soviet-occupied Manchuria. And I think it does not require a Slavic expert to see when people are being crushed by fascist discipline, or when they are barefoot or dying of starvation. It is unspeakably depressing, all around this so-called zone of Soviet security, to see millions of people, both allies and former enemies, who are hungry and stripped of liberty. And it is galling to see worthwhile, progressive, highly-democratic little countries like Finland ground under heel.

But these things are past and now we have only a little time to peer through the chinks in the Iron Curtain, to decide firmly whether or not we can live like

(Continued on page 2915)

*An address by Mr. Moorad before a luncheon meeting of the 51st Annual Congress of American Industry, New York City, Dec. 4, 1946.

Reports More Optimism Among Purchasing Agents

Business Survey Committee, headed by George E. Price, Jr., Purchasing Agent for the Goodyear Tire & Rubber Co. of Akron, Ohio, reports a reversal of trend of opinion toward anticipated declining business. Says business, in general, is good and although commodity prices are definitely on the march, the movement is regarded as temporary. Sees continuation of cautious buying.

In its Dec. 1 report, the Business Survey Committee of the National Association of Purchasing Agents reports a reversal of pessimism regarding business outlook taken from the composite opinion of purchasing agents constituting its membership, under the chairmanship of George E. Price, Jr., Purchasing Agent of the Goodyear Tire & Rubber Co., according to the Committee's report. The report follows:

George E. Price, Jr.

The trend of opinion which anticipated declining business, reported by industrial purchasing agents a month ago, appears to have been reversed. Resumption of maritime operations, the election results and the ending of OPA seem to have created considerable optimism. The change of trend has only a slight edge in the reports: some areas are very enthusiastic about better conditions, while others are still very cautious because the ultimate results of price decontrol have not had sufficient time to register.

Generally, business is more confident of its own ability to solve the postwar price and production problems than in any government assistance through controls.

Business demands continue very good, with shortages of materials and labor still handicapping operations in many plants. If the coal strike is drawn out, there will be a rapid paralysis of production in key industries, and all forecasts will fall flat. It required three to six months fully to develop production after the coal and steel strikes last Spring and the recovery from any lengthy stoppage at this time would take as long or longer.

Commodity Prices

Commodity prices are definitely on the march. A general upward surge followed the ending of OPA. Most suppliers are not taking undue advantage of the situation, and outside of a few conspicuous

(Continued on page 2913)

Balancing Civilian And Military Educational Needs

By FRANCIS J. BROWN*
Staff Associate, American Council of Education

Educational expert warns too much emphasis is being given to training for war needs and attainment of a proper balance between military and non-military education has been neglected. Attacks army-sponsored program for compulsory military training, and points out its failure to promote a self-sufficient autonomy for local groups and to provide educational training to meet local and national needs.

As never before, it is imperative to keep a balance between training for military effectiveness and education for the pursuits of peace. Already the Navy has received authorization to select and train the top ranking youth of our nation, selected through a national examination, for its officers. Some similar plan involving larger numbers will be presented to the next Congress by the Army. Add to these programs the expanding numbers engaged in military research and some conception is given of the draining off of our most capable youth by the military.

Francis J. Brown

Yet no comparable plan has been devised to identify, much less to subsidize, capable youth for education for leadership in our social economic or political life, for responsible positions in government, or for giving direction to our even more involved problems of international relations.

Some beginning has been made in the research field to give recognition to non-military needs. The President has recently appointed a Commission of representatives of various agencies of government to survey their relative research needs. The four Councils — American Council of Learned Societies, American Council on Education, National Research Council, and Social Science Research Council — have begun the preparation of a roster of top-flight persons in all fields. But neither of these steps go half far enough. The problem is more

(Continued on page 2925)

*Part of an address of Dr. Brown before Eastern Association of College Deans and Advisers of Men, New York City, Nov. 30, 1943.

Government and Business

By HON. W. AVERELL HARRIMAN*
Secretary of Commerce

New Commerce Department head, pointing out that our strikes and price inflation are promoting socialization abroad and threatening our own economy, sees new labor legislation ahead clarifying relationship between rights of labor unions and their responsibilities to public. Regards inflation problem still serious and calls for restraint on wages and prices, respectively by labor and by management. Says present fiscal policy is anti-inflationary and calls for clarification of anti-trust laws. Concludes we can meet problem of expanding our economy, and pledges Commerce Department's aid, not in guise of pressure group for business, but as searching for areas of agreement.

You are meeting today at a critical moment in history. The war and the wake of war have uprooted the life of mankind the world over.

W. Averell Harriman

Man faces the grim task of reconstructing life and in many countries the very basis for human existence. The people of this country are the most fortunate, and yet our problems are serious in the reestablishment of economic order out of the dislocation of the war. Our problems result in no small degree from the very size of our own job—from the all-out mobilization for war of our human and physical resources.

I need not tell you industrialists of the tremendous production job that you yourselves shared so largely in accomplishing. For the better part of the last six years I have been overseas and during and since the war I have traveled rather widely in Europe, in the Middle East, and in the Far East. From overseas, America's war job appeared superlative in every field. Our production seemed limitless in filling the needs of our own fighting forces and those of our allies as well with war material and supplies of the highest quality and effectiveness with speed that amazed our friends and confounded our enemies.

Under the skillful organization of American management, American labor—men and women alike — learned quickly new tasks. American farmers produced more and more food and farm products with fewer hands. Our fighting men—soldiers, sailors, and airmen —were unsurpassed in their resourcefulness and sheer guts. Why was this all possible? Perhaps the most vital reason is that Americans have grown up and developed in a free society with free enterprise. Here each individual has been master of his own destiny. Opportunity and responsibility have been given to and shared by all.

When the country was faced with the grave emergency of war, every individual, with few exceptions, was ready to take initiative and responsibility for doing his task. I come home now with the belief that of first importance to the future of the world is how we handle our own affairs at home. Will we develop stability which will permit our tremendous productive ability to expand our economic life and to aid in the expansion of the world economy? Will our example encourage men in other countries to strive for a free society with free enterprise?

Economic Security and Socialization

People in all countries are today seeking economic security. People will sacrifice other forms of freedom to attain freedom from want and fear of want. When individual security is endangered, people look to collective security. Thus people in different countries are looking to various forms of experiment in socialization to attain security. This is but natural since in many countries the whole

(Continued on page 2923)

*An address by Secretary Harriman before the 51st Annual Congress of American Industry, New York City, Dec. 4, 1946.

Public Utility Securities

New England Gas & Electric

On Nov. 25, New England Gas & Electric Association filed with the SEC an "alternate" recapitalization plan, superseding the plan previously filed, which had been approved by the Commission June 24 and by the District Court in Massachusetts on July 17.

Under the revised plan funded debt would include $8,000,000 subsidiary debt and $20,000,000 collateral trust bonds, whereas the previous plan provided for somewhat larger amounts ($9,920,000 and $22,425,000 respectively). The reduction of $4,345,000 assumes the early sale of New Hampshire Gas & Electric Company and Kittery Electric Light Company. As of Jan. 1, 1945, two small subsidiaries, Deery Electric and Lamprey River Improvement Company, had been merged with New Hampshire P. & E. Sale of the New Hampshire properties will eliminate business outside the State of Massachusetts, making the New England system intrastate.

Current figures are not available for New Hampshire but in 1945 the company reported net income of $282,033, after payment of Federal income taxes of $145,177 and an income tax deduction credit of $73,403. The latter figure resulted from the filing of a consolidated system tax return and the saving would not be available after the property is sold. Hence, the pro forma earnings (1945) would be around $209,000. On the other hand it should be possible to refund the institutionally held $1,930,000 1st 3½s of 1963. Assuming these can be replaced by 2¾s the interest saving after Federal taxes would amount to about $10,000. It might also be feasible to issue additional bonds or a new issue of preferred stock, since the present capital structure appears to be on the conservative side.

The $4,345,000 decrease in the proposed funded debt of NEGEA may be partially effected through increased cash available from operations. It seems unlikely that it could be obtained entirely from the sale of New Hampshire G. & E., since (under the present set-up) this would mean sale at an apparently high multiple of earnings.

The New England G. & E. plan proposes that the new collateral trust bonds and $7,762,500 of new preferred stock may be sold, subject to an exchange offer to holders of $34,998,500 Debentures on a par for par basis. The new preferred stock is to be convertible into common at the rate of not more than seven new common shares of each preferred share.

Under the new plan holders of the $5.50 preferred stock would receive eight shares of the common stock, together with rights to buy five shares at $9 a share (for each share of preferred held). Common shares not sold through the exercises of rights would also be available to holders of the $5.50 preferred stock on a subscription basis.

General Public Utilities Corp., which holds the entire second preferred and common stocks of New England Gas & Electric, would receive a cash payment of $1,944,500 for these issues. It also holds 25% of the First Preferred stock and would thus be entitled to subcribe for the common stock under the plan; consumation of the plan is said to be assured if General Public Utilities takes all the stock to which it is entitled. If subscriptions to the new common stock do not provide the cash of $4,312,500 necessary to complete the plan, some additional shares would be sold to the public.

The previous plan had provided for sale of $22,500,000 sinking fund collateral trust bonds and $11,500,000 of new common stock, the latter being offered to the public, after competitive bidding, with the proceeds going to General Public Utilities. Consummation of the plan was conditioned on sale of the common stock at not less than $10 a share (subject to approval of General Public Utilities if the price was under $11). Due to the decline in the stock market the sale of this block of common stock, at the price limits imposed, proved impracticable.

Under the new plan the stock would be offered to the preferred stockholders at $9 a share. According to the announcement the dividend rate is expected to be 80¢ per annum, which on a price of 9 would mean a yield of nearly 9%. Since the retail price under the original offering would have been around 11-12 (including one point for cost of financing, which may be too small), it is obvious that the new proposal makes a concession to changed market conditions.

The new plan presumably will have to travel through the SEC and court again before it can be consummated.

Britain and U. S. Split On Fund Parities

British favor automatic acceptance of proposed parities; while American representative insists acceptance of unjustified ratios would imperil Fund. Six nations postpone parity-fixing.

WASHINGTON, Dec. 4 — During the World Fund's current discussions of par values of member currencies—a matter on which the Fund must reach some decision by Dec. 12—Britain and the U. S. A. have taken opposite positions on one fundamental question. The British Executive Director holds that, members being sovereign countries the Fund should automatically accept the parities they suggest, unless for most unusual reasons. The American position as voiced through this country's Representative, is that the Fund's first duty is to protect its reserves: that to accept a parity which cannot be justified economically is only to imperil the Fund ultimately.

At least six countries to date have decided to avail themselves of the privilege of postponing fixing their parities. These six are Italy, Yugoslavia, Greece, Poland, Denmark and China. Apart from these, the other members are expected to adhere to existing official parities, however unrealistic some of these may appear, and the Fund is apparently indisposed to insist on changes now. Delicate political issues are involved. If France, for example, were to ask for postponement as a former occupied country, that would be taken by the black market and others as sure sign of another official devaluation later. If on the other hand, France unwilling, the Fund, were to insist upon postponement or upon some new parity, political effects might be far-reaching and some one in Washington would be blamed for future French ills.

Steel Priorities To Be Abolished

The Civilian Production Administration is expected very shortly to lift all steel priorities. Considering the grave general shortage, priorities, which originally were designed for bottleneck and hardship cases, can no longer serve a useful purpose, it is held.

William L. Geffeney With Bingham, Walter & Hurry

(Special to THE FINANCIAL CHRONICLE)

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Making Labor Legislation Work

By HON. LEWIS B. SCHWELLENBACH*
Secretary of Labor

Asserting we are crowding the peak of economic activity, Administration's labor spokesman predicts little decline in prices within next year, but holds runaway prices unlikely. Says it is national policy to stabilize economy at high levels of business activity and calls for labor-management harmony. Claims conciliation service of Labor Department is effective, and sees need for higher minimum wage legislation to meet higher living costs. Wants revision of many labor laws and concludes labor legislation is safety valve of our economic system.

As in past years the U. S. Department of Labor [illegible] to welcome so large and representative a group of [illegible] sioners and union leaders. I am glad to see so many here this morning who were here last year. Indeed, a number of you have participated in these conferences almost since the beginning. You have helped build this institution into a national clearing house for the exchange of experience and problems in the field of our common interest — the improvement of labor legislation and administration. The value of this institution is attested by your frequent requests that it be repeated annually. As I said in my invitation to your Governors to appoint you

L. B. Schwellenbach

as delegates, I [illegible] especially pleased [illegible] requests and [illegible] these conferences [illegible] Department of Labor [illegible] of news [illegible] who are [illegible] states [illegible] validity of [illegible] brings us fresh [illegible] and new ideas.

Among [illegible] always, the [illegible] new faces. We [illegible] to see you and [illegible] the deliberations [illegible] will be [illegible] for your [illegible]

Sprinkled [illegible] ings of your past [illegible] something that [illegible] paring last year [illegible] time—is a very [illegible] nition of growth [illegible] this mutual [illegible] you would [illegible] your [illegible] ticipants here [illegible] ways you [illegible] early days, many [illegible] their accomplish[illegible] labor law [illegible] There was [illegible]

(Continued on page [illegible])

*An address by Secretary Schwellenbach before 13th National Conference on Labor Legislation, Washington, D. C., Dec. 2, 1946.

The Coal Strike's Impact At Home and Abroad

By PHILIP M. HAUSER*
Assistant to the Secretary of Commerce

Commerce Department report maintains that continuation of strike would paralyze our domestic economy; seriously injure international trade and our foreign relations; undermine the health and safety of the people, and usher in chaos, here and throughout world. Holds inflationary maladjustments and a drop in national income to $150,000,000,000 would ensue within two months.

A stoppage of coal production, even for a relatively short period of time, would paralyze our economy, adversely affect world commerce and international relations, and threaten the welfare, health, and safety of the American population and of many peoples abroad.

The economy of the United States is peculiarity vulnerable to a stoppage in coal production. In the evolution of our present form of economic organization we have gone a long way in substituting machines for men, and we have therefore become greatly dependent on power to make machines work. Furthermore, the division of labor which characterizes our economic life, while responsible for our high efficiency in production, has resulted in an almost complete interdependence of the various elements of our economy.

There is a wide gap in the form of diverse extraction, manufacturing, and fabricating processes and distribution channels, between raw materials and finished products in the hands of the consumer. The long chain of supply in which raw materials are converted into consumer goods and services is only as strong the first link which breaks. Bituminous coal production is a fundamental link in our economic chain of supply, both as a source of power and as a basic material in production. A stoppage in the flow of coal [illegible] results in breaking the chain of supply at [illegible] which tends to paralyze the entire economy.

Despite the fact that other energy sources have [illegible] tremendously during the past generation, it is still true that coal is the most important source of energy utilized in the United States today. Bituminous coal supplies 43% of the energy utilized for all purposes in this country.

Table I—Energy From Mineral Fuels and Water Power, 1945
(In Trillions of British Thermal Units)

	Trillion B T U	Percent of Total
Bituminous coal	17,091	42.8
Anthracite	1,663	4.2
Petroleum	[illegible]	[illegible]
Natural gas	[illegible]	[illegible]
Water power	[illegible]	12.3
Total	[illegible]	100.0

Source: U. S. Department of the Interior, Bureau of Mines.

Major Industrial Consumers

The major industrial consumers of coal are themselves industries which supply basic and essential ingredients for the entire industry

(Continued on page [illegible])

*A copy of Mr. Hauser's report to the Secretary of Commerce on "The Impact of the Coal Strike on the National Economy," Nov. 27, 1946.

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L. B. Schwellenbach

Among us this morning, as always, there are a number of new faces. We are very glad to see you and we hope that the deliberations of the next few days will be as profitable for you as for your predecessors.

Sprinkled through the proceedings of your past conferences is something that to me—participating last year for the first time—is a very refreshing recognition of growth resulting from this mutual association. Perhaps you would like me to pass on your comments to the new participants here. In many different ways you said that in the early days, many came to boast about their accomplishments in State labor law and administration. There was some tendency to be-

(Continued on page 2920)

*An address by Secretary Schwellenbach before 13th National Conference on Labor Legislation, Washington, D. C., Dec. 2, 1946.

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Assistant to the Secretary of Commerce

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Despite the fact that other energy sources have expanded tremendously during the past generation, it is still true that coal is the most important source of energy utilized in the United States today. Bituminous coal supplies 43% of the energy utilized for all purposes in this country.

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Total	35,283	100.0

Source: U. S. Department of the Interior, Bureau of Mines.

Major Industrial Consumers

The major industrial consumers of coal are themselves industries which supply basic and essential ingredients for the entire indus-

(Continued on page 2902)

*A copy of Mr. Hauser's report to the Secretary of Commerce on "The Impact of the Coal Strike on the National Economy," Nov. 27, 1946.

CIO Opposes Peacetime Military Conscription

Adopts resolution expressing its opposition, and calls for U. S. to cooperate in establishing a full understanding among the nations, particularly among the Big Three, to the end that world peace may be assured.

On Nov. 19, the Congress of Industrial Organizations at its Eighth Constitutional Convention at Atlantic City, N. J., formally adopted a resolution condemning peacetime military conscription, on the ground that it would impede international cooperation and joint action through the United Nations and is unnecessary, since legitimate military needs "can be fully met by voluntary enlistment and by elimination of obstacles which have prevented full success of the methods of voluntary recruitment."

The text of the resolution follows:

Resolution R-22 — Peacetime Military Conscription

Many millions of young Americans have now returned from years of service in the armed forces, very acutely conscious of the dangers of any trend toward militarism in the operation of a democratic nation. At the same time they, like the rest of the nation, are actually aware of the responsibilities which this nation has necessarily assumed for the assurance of the complete destruction of the Fascist menace throughout the world and for the maintenance of world peace.

In recent months there has been a vigorous drive for continuation in the peactime of the military controls and military and warlike trends of thought into a period of peace. This drive carries serious dangers for our own democracy at home and for the maintenance of world peace.

Our nation has an obligation to assure sufficient forces to carry out our occupation duties in former enemy territories and to discharge our obligations under the Charter of the United Nations. We have the all-pervading obligation to assure our national security through the maintenance of a world at peace.

The drive toward maintenance of an expanded military establishment can serve only to provoke international armament competition, to pervert the thinking of our youth and our people as a whole and to impede international cooperation and joint action through the United Nations. Moreover, in an era of atomic energy it affords no assurance of actual protection against attack. Our basic assurance against those lines can come only through international acceptance of the principles of the United Nations.

Our legitimate military needs can be fully met by voluntary enlistment and by elimination of obstacles which have prevented full success of the methods of voluntary recruitment. Such obstacles include the caste system in the services, the low pay scale of enlisted men, and discrimination practiced with respect to enlisted men; now, therefore, be it

RESOLVED, That this Convention expresses its opposition to peactime military conscription. It reaffirms its recognition of the urgency of establishing full cooperation and understanding among all the nations, and particularly among the Big Three, to the end that world peace may be assured through full and open cooperation in the United Nations.

Unionization of Bank Employees Against Public Interest: Baker

Chairman of Bank of Manhattan Co. sees unfortunate results if union bargaining agent with no responsibility to keep bank on a sound financial basis came between employees and management. Gross operating income of Bank of Manhattan Co. higher but net earnings lower than last year.

Of moment in the annual report of J. Stewart Baker, Chairman of the Board of the Bank of the Manhattan Company of New York, are his strictures against the attempt which is being made to unionize the clerks in the bank, through the efforts of Local 96, United Office and Professional Workers of America, CIO, which, says Mr. Baker, "has filed a petition with the New York State Labor Relations Board to be certified as the representative for collective bargaining purposes of the clerks in the seven of our 53 offices which are called the Uptown Division." "The petition," Mr. Bakes goes on to say, "asks the Labor Board to declare that employees in the seven branches alone constitute an appropriate unit for collective bargaining." He adds:

J. Stewart Baker

"This move is a part of the Union's stated effort to organize the clerks of all New York City financial institutions.

"The management of the bank believes it is against sound public policy to have unions of employees of banks which have public and trust functions. The management also believes it would be unfortunate if there came between the employees and the management a union bargaining agent with no responsibility to keep the bank on a sound financial basis and operating at all times to serve its banking and trust customers, both private and governmental. In any event, a unit for collective bargaining consisting of employees in the same jobs in less than all the offices of the bank would be wholly inappropriate and impractical. If the Labor Board should not deny the petition of the Union and if the Union persists, the questions involved will have to be determined in the highest court of New York State and the U. S. Supreme Court."

Mr. Bakes cites the first year of peace as having "been filled with inconsistencies and paradoxes. We have had full employment, but not full production. Incomes have been high, but their purchasing power has been cut by the rise in prices." In his observations as to general conditions, Mr. Baker also says:

"While the accomplishments of our country in the year just past have fallen far short of our potentialities and there are vital readjustments yet to be made if we are to succeed in reaching new heights of productive achievement, there is reason to hope that the way may soon be cleared for another period of prosperity. In view of the disturbing conditions which confront us today, it would

(Continued on page 2927)

Dangers of Restrictive Labor Legislation

By WILLIAM GREEN*

President, American Federation of Labor

Stating we must show the world free enterprise system is superior, Mr. Green warns restrictive labor legislation may cause workers to embrace socialism as they did in England. Says anti-labor legislation means government control of labor. Lays down five-point labor-management plan as: (1) cooperation and mutual trust of management and labor; (2) free collective bargaining; (3) voluntary arbitration, wherever possible; (4) creation of management-labor committees dealing with improvement of production and industrial techniques; and (5) general recognition of right of workers to organize trade unions and right of employers to manage without interference.

Labor in common with others deplores the development of domestic and international emergencies which for a decade at least have caused worldwide distress, national privation and community inconvenience. Because of these trying social, economic and international experiences, we sometimes wish for a return to the 'good old days" when life seemed to be more simple and less hectic. Yet we know in our hearts and minds that we can never go back, that our memories deceive us as to the "good old days" and that it is our job to work for a better future and a better life.

William Green

Change is the very breath of life and progress is the inspiration and incentive of civilization. But there are some things that are timeless, there are some truths that are eternal and there are some fundamental principles, rooted in the past and imperiled in the present, which we must preserve undamaged for the future.

Chief among these are the freedoms upon which our nation was founded and upon which human progress in the days to come must be built. All these freedoms are fundamental and the full exercise of each of them is essential to the preservation of democracy. I want to discuss with you on this important occasion the status and the intrinsic significance of one of these freedoms—the freedom of enterprise.

America—Last Citadel of Free Enterprise

Today America is the last citadel of free enterprise. Wherever else we look, throughout the en-

(Continued on page 2924)

*An address by Mr. Green before 34th Annual Dinner of Chamber of Commerce, Borough of Queens, New York City, Dec. 4, 1946.

Dealer-Broker Investment Recommendations and Literature

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

Amott-Baker Realty Bond Price Averages — monthly bulletin — Amott, Baker & Co., Inc., 150 Broadway, New York 7, N. Y.

Business Booms & Depressions —1947 Edition—Hanaford & Talbot, 519 California Street, San Francisco 4, Calif.

City of Philadelphia Bonds—valuation and appraisal—Stroud & Company, Inc., 123 South Broad Street, Philadelphia 9, Pa.

Also available is a valuation and appraisal of **Railroad Equipment Certificates** and a compilation of **Pennsylvania Legal Bonds.**

Estate Planning and Education —brochure covering in digest form the relationships of educational philanthropy and the problems of trusts, estates and inheritance taxation — Public Relations office, Pomona College, Claremont, Calif.

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.

Investment Risks Reduced with Probability of Profits Increased—memorandum on insurance securities—Geyer & Co., Inc., 67 Wall Street, New York 5, N. Y.

Natural Gas—study of a growth industry—Ralph E. Samuel & Co., 115 Broadway, New York 6, N. Y.

Over-the-Counter Bulletin for December, 1946—containing Market Analyses, 1946 Price Record of 30 Representative Unlisted Common Stocks and forecast, and data on sixteen interesting situations—J. Arthur Warner & Co., Inc., 120 Broadway, New York 5, N. Y.

Railroads—detailed study of the situation, with analyses of thirty leading roads — Merrill Lynch, Pierce, Fenner & Beane, 70 Pine Street, New York 5, N. Y.

Securities Outlook — monthly discussion of topics of interest to the business executive and investors—G. H. Walker & Co., 1 Wall Street, 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 Metal Co., Ltd.—brief memorandum with data also on **Alton Railroad Co.**—in the "Corporation News-Letter" — Penington, Colket & Co., 70 Pine Street, New York 5, 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.**

Argo Oil Corporation—Descriptive circular—Seligman, Lubetkin & Co., Inc., 41 Broad Street, New York 4, N. Y.

Also available are circulars on **Tennessee Products** and **Wellman Engineering.**

Aruba Combined Goldfields Limited — progress report—Nesbitt, Thomson & Co., Ltd., 355 St. James Street, W., Montreal, Que., Canada.

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; Purolator Products; Upson Corp.; Alabama Mills; Diebold, Inc.**

Associated Transport, Inc.—analytical memorandum — Buckley Brothers, 1420 Walnut Street, Philadelphia 2, Pa.

Atlantic Coast Line Co. of Connecticut — Circular — Adams & Peck, 63 Wall Street, New York 5, N. Y.

Automatic Fire Alarm—memorandum — Mitchell & Company, 120 Broadway, New York 5, N. Y. Also available is a memorandum on **Standard Screw.**

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

Central Hanover Bank & Trust Company — bulletin—Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y.

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

Chicago North Shore & Milwaukee Railway Co.—Brief memorandum on outlook—Brailsford & Co., 208 South La Salle Street, Chicago 4, Ill.

Collins Radio Company—circular—Adams & Co., 231 South La Salle Street, Chicago 4, Ill.

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.

Delaware Lackawanna & Western — Lackawanna RR NJ Division First Mortgage "A" 4s—memorandum indicating attractive yield—in the current issue of **"Railroad and Other Quotations"** —B. W. Pizzini & Co., Inc., 25 Broad Street, New York 4, N. Y.

A. DePinna Co.—memorandum Herrick, Waddell & Co., Inc., 55 Liberty Street, New York 5, N. Y.

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

General Motors Corporation—memorandum — Hayden, Stone & Co., 25 Broad Street, New York 4, N. Y.

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

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

Gruen Watch Company—memorandum — Buckley Brothers, 1420 Walnut Street, Philadelphia 2, Pa.

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

International Nickel Co. of Canada, Ltd.—Detailed memorandum—Hirsch & Co., 25 Broad Street, New York 4, N. Y.

Lily Tulip Cup Corp. — Memorandum—Hayden, Stone & Co., 25 Broad Street, New York 4, N. Y.

Long Bell Lumber Company — Revised brochure including earnings for nine months ended Sept. 30, 1946—Comstock & Co., 231 South La Salle Street, Chicago 4, Ill.

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

Northern Indiana Public Service Co.—study—Doyle, O'Connor & Co., 135 South La Salle Street, Chicago 3, Ill.

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

Nunn-Bush Shoe Company — memorandum—Loewi & Co., 225 East Mason Street, Milwaukee 2, Wis.

Osgood Company — circular—Seligman, Lubetkin & Co., Inc., 41 Broad Street, New York 4, N. Y.

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.

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

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

Public Service Company of Indiana, Inc. — analysis—First Boston Corporation, 100 Broadway, New York 5, N. Y.

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

Rayonier, Inc. — detailed study of situation and outlook—J. Barth & Co., 482 California Street, San Francisco 4, Calif.

Also available is a comprehensive memorandum on **Soundview Pulp Company.**

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

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

Suburban Propane Gas Corporation—Study—Edward A. Purcell & Co., 50 Broadway, New York 4, N. Y.

Also available is a list of **Selected Low Priced Dividend Paying Common Stocks.**

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

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

Labor and Management Must Bury the Hatchet

By PAUL G. HOFFMAN*

President of Studebaker Corporation

Prominent industrialist, in recounting appalling losses to the nation from widespread strikes, says labor and management must bury the hatchet if our economy is to survive. Holds new set of rules must control collective bargaining which will be persuasive rather than coercive, and that reason rather than emotion should prevail. Concludes unless management and labor demonstrate quickly a desire and ability to bargain collectively, there will be legislation damaging to both.

I have plenty of worries but I am going to be reasonable. I propose sharing only three of them with you. The first worry I want to share with you is that of labor-management relations. Our failure successfully to worry about that problem already has cost us billions of dollars. It has also put in jeopardy our entire reconversion program.

Paul G. Hoffman

Figures tell only part of the story, but for what they are worth I should like to cite a few which represent an estimate of the enormous economic loss which strikes have caused during the first nine months of this year. According to the Bureau of Labor Statistics 98,225,000 man days were lost because of strikes during this 9-month period. That is an all-time high, according to the BLS, and compares with an average of 13,630,000 man days lost in corresponding periods during the years 1935 to 1939. These figures would indicate a loss to workers of at least $750 million in wages. I am sure you will agree that these figures are appalling, but they tell only part of the story. They cover only the direct wage loss as a result of strikes. They do not include collateral losses of wages and profits in trade and service industries, nor do they include the production and wages lost in industries forced to shut down because of strikes outside their own plants. I know from personal experience how staggering losses of this kind can be. I think you will appreciate its seriousness when I give you the following data con-

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*Part of an address by Mr. Hoffman before the American Society of Mechanical Engineers, New York City, Dec. 3, 1946.

Teamwork in Industry

By GEORGE MEANY*

Secretary-Treasurer of the American Federation of Labor

Pledging AFL to teamwork between labor and employer to the fullest extent, prominent labor leader praises return to free collective bargaining and free markets. Lays down essentials for teamwork as: (1) joint recognition by management and labor of the national interest; (2) recognition that management has right and responsibility of directing industry, but without exploitation of workers; (3) recognition by all that purchasing power of American worker must come from his pay envelope; and (4) recognition of workers' right to form and maintain trade unions. Supports right to strike as part of free enterprise system, and opposes restrictive labor legislation.

In speaking to you tonight on the subject, "Teamwork in Industry," I have not the slightest thought in mind of attempting to prophesy what the future may bring in the field of labor-management relations. Whether the critical years immediately ahead of us will mean a period of industrial upheavals, strikes, constant bickering, and struggle or whether there will be a period of fairly tranquil labor relations, I do not know. But I am sure that I can tell you with some degree of accuracy what organized labor as represented by the American Federation of Labor is thinking about as we pass from a wartime economy to an economy of peace—to an economy, we fervently hope, of full production and improved standards of life for all the people of our country.

George Meany

I can assure you that we are thinking in terms of teamwork between labor and employer to the fullest extent. A few weeks ago President Truman removed practically all that was left of our war-time restrictions by government in the field of prices and wages.

In taking this action the President stated that it meant a return to a free market with free collective bargaining and that it placed squarely upon management and

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*An address by Mr. Meany at the 25th Anniversary Dinner of the New York Building Congress, Inc., New York City, Nov. 26, 1946.

Industry Can Pay Higher Wages

By WALTHER REUTHER*

President, United Automobile Workers, CIO

Asserting CIO takes responsibility for struggle of organized labor to achieve equity wages and higher living standards, Mr. Reuther maintains American industry can pay higher wages without higher prices. Urges CIO accumulate war chest of $12 million and warns "if industry goes on another sit-down strike in next wage cycle, we are going to fight."

The CIO takes on the responsibility of leading organized labor in the struggle to achieve equity between wages, the cost of living, and the constant movement of those wages in the positions that will give us a higher and higher standard of living. We take this job on, not as a narrow common pressure group fighting to advance the welfare of a small section of the American people at the expense of the rest of the nation; we take it on as the vanguard in the economic struggle to create the kind of relationship between wages, prices, and profits that is absolutely necessary to achieve full employment, full production, and full consumption economy.

Walter P. Reuther

Every day you read in the paper we are hell bent for another depression. The economists in America are not arguing about whether there is going to be a depression, there is universal agreement we are on the high road to the next depression; the only thing they are still debating is when it is going to happen and how bad it is going to be. And why is this? It is because the relationship between purchasing power and productive power in America is so much out of balance, and no amount of wishing or pious Republican Party declarations will change those tragic basic economic facts, that unless the American workers and American people can get increased wages and increased purchasing power we are going to get into another depression. I don't have to

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*Speech made by Mr. Reuther at the Eighth Constitutional Convention of the Congress of Industrial Organizations, Atlantic City, N. J., Nov. 19, 1946.

Strauss Bros. Opening Branch in Miami, Fla.

MIAMI, FLA.—Corrigan & Co., Pan American Bank Building, is terminating its business because of demands of other interests of George M. Corrigan, President. About Dec. 15 Strauss Bros., Inc., New York investment firm, will open a Miami office in the same suite and staffed with the former personnel of Corrigan & Co. Telephone and teletype numbers will become those of Strauss Bros., Inc.

Vincent M. Doherty

Edward L. English

Wm. R. Edwards

Edward L. English, formerly Vice-President of Corrigan & Co., will be in charge of the new Strauss Bros. office. Vincent M. Doherty and William R. Edwards will be traders, and Wendell R. Vandemark will also be connected with the office.

Christmas Shopping Advice

By ROGER W. BABSON

Mr. Babson advises caution in buying, and recommends local purchasing rather than resort to stores in big cities. Holds prices of merchandise are high and quality poor, and suggests giving cash rather than goods as presents, particularly by older people who can thus reduce their estate taxes.

I have just returned from Boston, where I attempted to do some Christmas shopping. To tell the truth, I did not buy anything, but spent the entire day comparing the quality and prices of the various goods offered. As a result, I am now giving readers some good, sound advice.

Roger W. Babson

My home is about fifteen miles from Boston. Not only are there many suburban towns around Boston, but I motor about considerably and visit various small cities in New England. I find that one gets as good values and as low prices by making purchases in Northern small cities and towns as in the big cities. Of course, this may not be true in all states, but I am sure it applies in Massachusetts. Take Gloucester, for instance, a city of 25,000, where my summer home is. Down there the other day I found better Christmas goods for less money than could be secured in Boston.

Therefore, my first suggestion is that you purchase your Christmas goods where you live. You often get better values by buying from home people whom you know. Moreover, you have the privilege of making returns and of getting replacements in the case of breakage which you may not get when dealing with green clerks with whom you are not personally acquainted.

Quality and Prices

Many big city stores are putting out a tremendous amount of junk this year. Department managers have been told that anything over a year old must be marked down to $1 in the stocktaking which will occur after Christmas. Hence, these managers are striving to get rid of the old stock and especially the adulterated and ersatz goods made during the War. Your friends will never thank you for any of this shoddy material. Insist upon quality or else give your friends a check or certificate which they can use next year for better goods.

Now, as to prices: I venture the forecast that Christmas prices will be the highest this year of any Christmas for many years to come. There have been price ceilings during the past few years on most of the goods in the stores. Now, these price ceiling have been taken off within the past three weeks. Many merchants have jumped at the opportunity to mark up goods for the Christmas trade. They realize that it is their one chance; yes, their last change; to cash in at high prices. Therefore, I predict that after Christmas this country will see the greatest mark-downs in history.

Why Not Give Money?

In view of the above, it seems as if cash is perhaps the best present we can give those whom we truly consider our friends. Hence, the purchase of an attractive Christmas card with a check or dollar bill enclosed should be the most welcomed by a wise recipient. This will enable your friend to select what he or she wishes after the turn of the year at mark-down sales or else wait until the new, good-quality goods come on the market.

Now, a word to parents who have reached the age of the writer: The only two things of which we are *absolutely sure* are: (1) We are going to die before many years and (2) there will be a "death tax" on our estate running from 15-50%, according to how much money we leave to our wife, children or others. YET, WE CAN GIVE $3,000 TO EACH OF THESE PERSONS THIS CHRISTMAS AND EVERY FOLLOWING CHRISTMAS WITHOUT PAYING A PENNY OF TAX. I know it is difficult for us who have worked hard and been thrifty to give away $3,000 a year to each of our children—yes, awful hard! But if we have any sense we will do it even if we keep the money locked up so that the kids can't spend it until after our funeral!

One More Suggestion

I have a grandson who is away to school. When I asked him what he wanted for Christmas, he said, "Grandpa, I would like a subscription to our home newspaper." This seemed very sensible on the part of the boy and certainly it is an easy way for me to select a Christmas present for him. I wonder if every reader of this column hasn't some children, relatives or friends who would appreciate a subscription to the publication in which you read this advice.

With Walston Hoffman

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF. — John B. Bunting and Fred C. Soder have become associated with Walston, Hoffman & Goodwin, 550 South Spring Street. Mr. Soder was previously with G. Brashears & Co. and Fewel, Marache & Co.

Real Estate Securities

Though some observers believe the hotel bond market has lost much of its attraction for speculation, they admit, albeit with some hesitation, that it offers numerous opportunities for profitable investment, at least for the next five years or so.

Inclined to look upon the hotel industry as one which, largely because of increased costs, holds out the prospect of decreasing profits—though, everyone should be reminded shrinking profits are still profits—many professional buyers who claim to have analyzed the situation with a proper regard for what they call the facts of the case are bearish in their attitude and say they are only awaiting the day when prices are down far enough to warrant repurchase of the securities which they refuse to hold any longer.

The 4% bonds which are now yielding 6% at present prices are considered by this group to be attractive only from the point of view of the investor who is content to receive only a small return on his money, yet a return which others will recognize is larger than what is currently obtainable from many other places where money conceivably might be placed.

The bears reason something like this:

Just a few years ago the break-even point in the hotel industry was considered to be around 67% occupancy of the premises but now, especially since a few months ago when the hotel help was granted a 20% increase in pay, the figure is somewhere between 80 and 85%. Occupancy now is running around the 95% level and it is the narrow margin between the 80-85% break-even point and this 95% point of occupancy which is leading to all the speculative pessimism.

The profit statements for each of the successive months since the market broke late last summer substantiate in some degree the fears entertained by the speculative-minded, being progressively smaller according to unofficial reports, it is indicated by some. In October, for instance, the bar and restaurant business of the hotels declined about 37%, it is pointed out. Even the lifting of OPA price ceilings so as to permit as much as 10% increase in room rent probably would relieve the industry only to the extent of compensating it pretty much for the pay concessions it has made to labor.

The other side of the picture—there are some bulls in the hotel bond market, let it be said—is that the hotel industry, unlike after the last war, did not succumb this time to the temptation of indulging in an orgy of new construction under the stimulus of a wartime boom in business but rather used a great part of the extra funds that came its way, it is pointed out, to retire indebtedness, thus improving its overall financial condition while, at the same time, eliminating the possible development of the cut-throat competition some of the new structures, in a declining market, could give to existing properties.

The complaints of the hotel men, it is said by some of the more optimistic, arise not from a lack of business but from the pressure of a lot of it. Management naturally chafes at being compelled to pay higher labor costs, it is pointed out, but it is worrisome mostly for the reason of the difficulty it is experiencing in getting all and the kind of help it would like to hire. Hotel rooms are filled night after night, it is declared. The prediction that hotel bonds will continue to be profitable as investments for five years is based pretty much upon the fact the hotel trade was brisk for that length of time after the last conflict and some profess to see a repetition of similar conditions now, after this war.

The men who feel the hotel bond market has passed beyond its peak are bullish, however, over the securities market in apartment houses and commercial dwellings. For instance, these men say that the effect of the possible lifting of OPA ceilings on apartment house rents would be only to increase the profits on the money invested in the apartment dwellings. Apartment houses are now showing profits with the ceilings, they point out. Throughout the country, it is becoming generally recognized, too, that the lawmakers can't with justice keep ceilings on rents when ceilings are being lifted from all other commodities.

Is the Price of Gold Too Low?

(Continued from page 2882)

or to sell it in Europe for hoarding purposes. But in that case the higher output resulting from the unofficial high prices would be swallowed up by the insatiable appetite of hoarders. There would be no additional gold available for monetary requirements.

Nor would a unilateral devaluation of the South African pound provide a solution, except quite temporarily. The higher gold price in terms of South African pounds would stimulate the output for a short time, but the additional rise in prices brought about by the devaluation would soon largely absorb the additional profit. The time-lag between the devaluation and the adjustment of the cost of production to the new level of the South African pound would be short in existing circumstances when the trend of prices is in any case in an upward direction.

A sympathetic devaluation of Sterling and of the Sterling Area currencies would, it is true, prolong the period during which South African gold producers could enjoy the benefit of a devaluation of the South African pound. But Britain is not likely to wish to devalue. To do so would mean giving away part of the proceeds of British exports by accepting lower international pounds for them. This would increase the adverse balance of payment. Britain cannot afford it.

The solution that is suggested is an all-round increase of the price of gold. It is believed that this would not cause an additional rise in prices and production costs, so that the stimulas derived from it by gold production would be of a lasting character.

Moreover, as a result of an all-round increase of the price of gold, the deficit countries would be able to meet a larger proportion of their import surplus with the aid of their gold reserves. The alternative is to pay with worthless bonds—for there is very little illusion about it on this side that in another ten years most of the international loans now granted will be in default. The less scrupulous among the deficit countries will borrow as much as they can and then default cheerfully. The more scrupulous among them will try to borrow as little as possible, and curtail their imports rather than borrow more. The increase of their international purchasing power through a higher gold price would undoubtedly increase the volume of international trade, and would facilitate the return to the multilateral system.

NSTA Notes

The Annual Meeting of The Security Traders Association of New York, Inc., will be held on Friday, Dec. 6, at the Produce Exchange Luncheon Club, at 5 p.m. The polls for the election of a Nominating Committee will be open from 4:30 until 6.

This will be followed by the traditional Buffet Supper and entertainment arranged by John M. Mayer, Merrill Lynch, Pierce, Fenner & Beane, Chairman of the Arrangements Committee.

The unopposed candidates for the various offices are as follows:

President: Michael J. Heaney, Joseph McManus & Co.

First Vice-President: Louis A. Gibbs, Laird, Bissell & Meeds.

Second Vice-President: Frank A. Pavis, Charles E. Quincy & Co.

Secretary: T. Geoffrey Horsfield, Wm. J. Mericka & Co., Inc.

Treasurer: Wellington Hunter, Hunter & Co.

Directors: Abraham Strauss, Strauss Bros.; John M. Mayer, Merrill Lynch, Pierce, Fenner & Beane; Lester T. Doyle, Hardy & Co.

Trustees of Gratuity Fund: William K. Porter, Hemphill, Noyes & Co.; and Richard H. Goodman, Cohu & Torrey.

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

Michael J. Heaney

Louis A. Gibbs

Frank A. Pavis

T. Geoffrey Horsfield

Wellington Hunter

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

The following are the candidates for next year's Nominating Committee, from which four are to be elected.

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

BALTIMORE SECURITY TRADERS ASSOCIATION

The Baltimore Security Traders Association has nominated J. Wilmer Butler, Baker, Watts & Co. for the presidency of the Association to succeed Edward B. Freeman of Lockwood Peck & Co.

Other nominations are:

Vice-President: Charles Gross, Harry M. Sheeley & Co.

Secretary: M. David Jones, Mackubin, Legg & Co.

Chas. Gross

J. Wilmer Butler

M. David Jones

H. Mitchell Bruck

Treasurer: H. Mitchell Bruck, Baumgartner & Co.

Board of Governors: Edward B. Freeman, Lockwood, Peck & Co.; E. Guy Gray, Mercantile Trust Co., and E. Elwood McClure, Stein Bros. & Boyce.

The election of officers will take place at the annual business meeting and dinner of the Association to be held at Bonnie View Golf Club, Mount Washington, at 6 p.m. Dec. 6.

Pennsylvania Brevities

Pittsburgh Hotels Re-Open

Pittsburgh's 53-day hotel strike was ended Nov. 22 with compromise wage-increase agreements substantially less than the strikers' original demands. Managers of the eight hotels affected were not disposed to negotiate during the term of the Duquesne Light Co. strike which partially coincided with the hotel walkout. Without light and power, hotel space in downtown Pittsburgh went begging and the strike of hotel employes at that time represented a saving in operational costs.

New contracts grant an 8-cent-an-hour increase to tip workers and a 12-cent-an-hour raise to nontip workers, with an additional raise of 2 cents to each class when OPA lifts room rent ceilings. A separate agreement was reached with Bartenders Union, granting a $7 per week increase.

Kellett Aircraft

Kellett Aircraft Corp. has filed a bankruptcy petition in the U. S. District Court for Eastern Pennsylvania, listing total assets of $1,714,606 and liabilities of $809,717. According to W. Wallace Kellett, President, the company's difficulties were brought about by lack of working capital. The company is solvent, he said, and can straighten out its financial problems through reorganization if creditors, for the time being, are restrained from instituting legal proceedings to collect amounts due. The company has recently been primarily engaged in the production of refrigeration equipment.

* * *

$46,000,000 Penna. Turnpikes

Bids for $46,000,000 Pennsylvania Turnpike's refunding bond issue will be opened at noon, Dec. 17, at the Commission's office in Harrisburg. The new issue is to provide funds at lower cost for retirement of the $42,300,000 present 3¾% bonds due 1968, and to defray cost of improvements and additions to the property.

* * *

All outstanding 5% preferred stock, par $10, of Pennsylvania Sugar Co. will be redeemed Dec. 31 at par and accrued dividends at Tradesmen's National Bank & Trust Co., Philadelphia.

* * *

November in Philadelphia:

Philadelphia Electric Co. announced $60,000,000 in new financing; said funds would be used for expansion including completion of the $48,000,000 Southwark generating station.

* * *

City of Philadelphia income during first 10 months of 1946 was reported $7,286,921 ahead of last year, according to Receiver of Taxes, W. Frank Marshall.

Reduction of $30,000,000 in city's bonded debt was disclosed by Mayor Bernard Samuel.

* * *

Pennsylvania Co-Features in Coal Crisis

Although each toe-to-toe round of the U. S. Government vs. John L. Lewis slugfest opens at 10 o'clock daily in Washington before an avid national audience, many scarcely less-important feature bouts are in simultaneous progress in other scattered arenas. Pennsylvania is the none-too-happy host to more than its share of critical battle-royals.

Pittsburgh, the Steel City, is first and foremost to feel the pinch of the empty pits. From this arena comes the prediction that by the end of this week manufacturers and fabricators will cut operations sharply, idling some 75,000 to 100,000 men in addition to the 150,000 steel and railroad workers already laid off.

The "Big and Little Inches"

The immediate conversion of the Federally-owned $143,000,000 Big and Little Inch pipelines to the transportation of gas to the eastern seaboard has been strongly urged and equally strongly protested by representatives of the UMW, the anthracite and bituminous industries and the Pennsylvania Railroad.

From recent reports, it appears that the Pennsylvania State Government holds the key to certain legal problems present in connection with such a conversion. Governor Martin's office said a check of the land easements given by the state as a war measure when the lines were constructed showed many of them limited their use to petroleum and petroleum products, while others were only for the war's duration.

"It would definitely require a change in the permits before the lines could be used for gas," a spokesman said.

Officials, however, were reluctant to discuss what action would be taken should a request come from the Federal Government for changes in the easements.

D. L. Corgan, Secretary of the Anthracite Committee, said "the coal industry, the miners and the railroads should not be penalized permanently because of the present situation," adding that use of the pipelines for gas would be a disastrous blow to Pennsylvania's economy and would throw thousands out of jobs.

* * *

Alfred W. Tryder has resigned as President of the Investment Traders Association of Philadelphia. His successor will be chosen by the Board of Governors at their next regular meeting.

* * *

Pittsburgh Coke & Chemical Co.

An increase of $2 per ton for pig iron has been announced, effective last Monday. The action reflects increasing costs over a number of years, it was said. New prices are $30 for basic grades, $30.50 for foundry and malleable and $31 for Bessemer.

* * *

The Jones & Laughlin Steel Corp., Pittsburgh, has announced a $40,000,000 expansion program which will include the construction of a new generating plant and several new furnaces. The work will be carried on over the next four or five years.

* * *

The Rust Engineering Co. of Pittsburgh has been awarded the contract for construction of a new power plant for John A. Roebling's Sons Co. at Roebling, N. J. The cost will exceed $1,000,000.

* * *

Westinghouse Electric Corp. has received a $1,600,000 order for four 65,000 hp. electric motors for the Grand Coulee Dam.

* * *

Philadelphia's Own "Big Four"

For the remainder of 1946 and practically throughout 1947, bankers, brokers, dealers and traders and their respective associations can find all the "top" answers right in the shadow of Billy Penn's hat.

With the election of Edward Hopkinson, Jr., Drexel & Co., as President, Investment Bankers Association of America, at this week's Miami convention, the "big four" roster is complete. The others are: James J. Caffrey, Chairman, Securities & Exchange Commission; William K. Barclay, Jr., Stein Bros. & Boyce, Chairman, National Association of Security Dealers, and R. Victor Mosley, President, National Security Traders Association.

Barclay Nominated to Head Phila. Bond Club

PHILADELPHIA, PA.—William K. Barclay, Jr., Stein Bros. & Boyce, has been nominated for the office of President of the Bond Club of Philadelphia for 1947. He will succeed Spencer D. Wright, Jr., partner of Wright, Wood & Co.

Wm. K. Barclay, Jr.

Other nominees are: Vice-President, H. Gates Lloyd, Drexel & Co.; Secretary, James D. Winsor, III, Biddle, Whelen & Co.; Treasurer, Samuel Evans, Jr., C. C. Collings & Co.

The annual meeting of the club will be held Dec. 11 at the Racquet Club.

F. A. Potts to Be Pres. Of Phila. Nat'l Bank

PHILADELPHIA, PA. — Last week, directors of Philadelphia National Bank, the city's largest and one of the leading banks of the nation, announced that Frederic A. Potts, age 42, would succeed Evan Randolph as President on Jan. 20. Randolph, who is 65 and has been with the bank for 31 years, told the board that, having reached retirement age, he was not willing to be considered for re-election for another year.

The youthful new President has served as Vice-President since Dec. 31, 1941. He entered the investment business after graduating from Yale in 1926 as an associate of Dominick & Dominick, New York. He later left that firm to become a partner of J. W. Davis & Co., also of New York.

Railroad Securities

The "war of nerves" to convince holders of the stocks, and particularly the preferred stock, of New York, Chicago & St. Louis, that they are in a weak position and had better hurry to accept the terms that may again be offered them by the parent company (Chesapeake & Ohio) continues unabated. It had generally been expected that at their monthly meeting in November the directors of Nickel Plate would declare a fairly substantial dividend on the preferred stock out of 1946 earnings. So far $1 has been paid out of this year's earnings.

The management, in estimates filed with the Interstate Commerce Commission, had forecast earnings of $14.50 a share on the preferred for the full year and, at least prior to the coal strike, it had been obvious to every railroad analyst that actual results would run well above this figure. At the same time followers of the Nickel Plate situation had in mind the fact that in ICC hearings earlier this year, on the company's petition to purchase the Chesapeake & Ohio holdings of Wheeling & Lake Erie stock, the Nickel Plate management had gone on record to the effect that their financial resources were adequate for all of their needs, including the capital improvement program for the next few years, and to provide for payment for the Wheeling stock without jeopardizing the payment of at least current dividends on their own preferred. Moreover, at a later date, at the Nickel Plate annual meeting, the management asserted again that financial resources were adequate for all the needs and that from there on stock holders might reasonably expect to receive at least a major portion of earnings as dividends.

Despite these apparent assurances of good will, holders of the preferred were not remembered at the November meeting. Ostensibly there were two reasons for not taking dividend action last month. There was, first, the earnings uncertainty centering around the then imminent coal strike. Strangely enough, the parent company, Chesapeake & Ohio, had just the day earlier declared the regular quarterly dividend of $0.75 a share plus a $0.50 extra, although it is far more heavily dependent than the subsidiary on coal traffic, and presumably will be hard pressed to cover the 1946 dividend. The second reason for deferred dividend action was that it was considered inadvisable to make a payment while the Commission still had under consideration the question of rate increases. This may be considered just about as valid as the first excuse. The Commission already had on file the company's estimate of this year's earnings which certainly justified resumption of the regular rate. Also, this reservation does not appear to affect the thinking of either the Chesapeake & Ohio or the Pere Marquette or, for that matter, any number of roads not affiliated with this group. The market influence of non-payment of dividends may, according to many analysts, be cited as a reason for another inequitable offer to Nickel Plate preferred stockholders.

Following closely on the heels of the lack of dividend action by Nickel Plate directors, Mr. Robert R. Young, Chairman of the Board of Chesapeake & Ohio and the guiding spirit of the whole system, has been widely quoted to the effect that "We" (presumably Chesapeake & Ohio) "are looking at the New York Central in lieu of the Nickel Plate." New York Central has outstanding some 6,447,413 shares of stock with an aggregate market value based on recent prices of roundly $100 millions. In comparison, the publicly held stock of Nickel Plate has an aggregate market value of somewhat less than $40 millions. Moreover, the relative status of the two roads, and therefore the liability that Chesapeake & Ohio would have to assume in taking over one or the other, is obvious from the fact that New York Central has outstanding bonds with a 4½% coupon selling in the middle 70s, while Nickel Plate's 3¼s sell around par.

No one can deny Mr. Young's right to "look at New York Central" but any idea that it is being considered in lieu of Nickel Plate is little short of fantastic. Most rail analysts look upon this latest fantasy as merely a renewed effort to impress Nickel Plate stockholders. Just about a year ago it was Atlantic Coast Line that was being looked on as a likely substitute for Nickel Plate in the Alleghany empire. Coast Line is still outside the orbit.

With C. G. McDonald

(Special to THE FINANCIAL CHRONICLE)

DETROIT, MICH.—Wilfred F. Richardson and David A. Scully are now connected with C. G. McDonald & Co., Guardian Building, members of the Detroit Stock Exchange.

Clarence W. Whitwell With Livingston, Williams Co.

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, OHIO—Clarence W. Whitwell has become affiliated with Livingston, Williams & Co., Hanna Building. In the past he was with Finley & Co. and Paul H. Davis & Co.

John E. Maloy Opens Office

FREEPORT, N. Y.—John E. Maloy is engaging in the securities business from offices at the Crystal Lake Hotel. He was previously Cashier for d'Avigdor Co. of New York City.

With A. E. Aub & Co.

CINCINNATI, OHIO—John Robert McKee has become associated with A. E. Aub & Co., Union Trust Building.

Obstacles to Straight Road Ahead

By HON. CARL HINSHAW*

U. S. Congressman from California

Asserting we are at a great divide in the highroad, and that strong forces are pulling us toward the left and placing obstacles in the path leading straight ahead, Rep. Hinshaw characterizes the Russian system as the "Economy of a Prison," giving security without freedom. Points out increased labor costs due to declining productivity as reducing worker's buying power, and urges worker be taught slow-downs threaten our economy and reduce living standards.

This is an exceedingly critical juncture in the history of the world as a whole and in the history of our own country in particular. We are at a great divide in the highroad. One way leads to the left and the other goes straightahead. Strong forces are pulling us to the left. Obstacles of serious proportions are being strewn in the road that leads straightahead. A storm blows from the right that we must lean into in order that our course shall not deviate.

Carl Hinshaw

This is the time for clear thinking and correct appraisal. This is the time when that practical theoretician, the engineer, must take the lead everywhere. He must find words with which to express the great truths he knows, words that will bring understanding of truth to those who would chase after the rainbow to the left, on the road that leads to obliteration of individual liberty.

Russia's "Economy of a Prison"

Let us not mince words but speak the truth. Those who would lead us to the left draw a picture of a life that few persons now outside of the Soviet Union have ever seen. It is an enticing picture of the planned economy with full employment and a fair share of the products of that employment. Those Americans who have experienced the life in Russia as erstwhile ardent advocates of that system and who have been able to escape from it to return here, have been cured by their experience. Engineers who have gone there to render professional services under contract have returned, cured of any leanings they may have had. It is the economy of an enormous prison. Any good penitentiary provides full employment and the maximum of security to its inmates.

There is no need here to discuss the Soviet system, except to reiterate that we don't want it in America. I mention it only because its advocates and agitators in this country are attempting to destroy what we have built in order to bring poverty, distress and revolution, a turmoil in which they, being trained revolutionaries, may hope to achieve mastery over us. These people incite strikes and slow-downs as instruments of destruction. They know that if our system of production and distribution can be seriously crippled then distress and poverty will rule, and revolution may follow.

But let the clear voice of truth be heard in this turmoil, and the people will listen and understand, and will turn toward truth to lead them. The engineer knows the truth. Let him speak it wherever he may be.

You are mechaical engineers. Your kind are in the great machinery maufacturing and in the mass production industries that employ millions of workers. You have the basic information, but do you translate it into simple truths that anyone can understand, and that all men of good will would know? For example:

Labor Cost Per Automobile Quadrupled

In the automobile industry, the production of cars and trucks is down 10% below prewar averages while the number of hours of labor has increased 78%. That is to say—we have 90% of production from 178% of the hours of labor. That means there is almost a 50% slow-down. It takes nearly twice as much labor to produce an automobile today as it did from

(Continued on page 2927)

*From an address by Rep. Hinshaw before the Annual Meeting of the American Society of Mechanical Engineers, New York City, Dec. 2, 1946.

CIO's Wage Policy

In Resolution adopted at Atlantic City Convention, asserts wage increases thus far granted are inadequate to meet higher living costs and it is therefore "imperative that American industry in collective bargaining give substantial wage increases."

The CIO Convention at Atlantic City on Nov. 19 adopted Resolution R-38, entitled "Wages," in which it was stated that "the American people are now faced with the spectre of unlimited price increases and shrinking earnings," while at the same time "profits soar and the workers' share of the national income has steadily declined." The Resolution recommends that "it is imperative that American industry in collective bargaining give substantial wage increases." The full text of the Resolution follows:

Resolution R-38—Wages

The termination of the war and the needs of reconversion created an immediate wage crisis for the American wage earner and a grave threat to the American economy.

The elimination of overtime down-grading, the transfer of workers from war industries to civilian industries, from high-paid jobs to low-paid jobs, the retiming of incentive systems and other factors drastically reduced weekly earnings of the vast majority of American wage earners.

The CIO recognized the imperative necessity of substantial wage increases both to preserve the living standards of American workers and to protect the national welfare by maintaining the necessary volume of purchasing power to keep the wheels of industry working. Although the Administration itself recognized that wage increases were necessary to cushion the shock to American workers and to sustain adequate purchasing power, its wage-price policy sharply discriminated against wage increases and favored price increases.

In the collective bargaining agreements concluded by labor organizations during the early months of this year, labor accepted amounts which fell short of the drastic cuts in earnings which American workers had suffered since the end of the war. In the interest of a stabilized economy labor acceded to official pleas for extended contract terms upon a commitment and assurance by the Administration that the price line would be held.

Immediately after the establishment of the Administration's wage-price policy in February of this year, powerful American employers entered into a conspiracy which sought, through unwarranted price increases, to destroy the living standards of the workers. This was done by seeking and obtaining from OPA fabulous price increases wholly out of proportion to the wage increases which had been granted. In industry after industry, automobile, grain, electrical, textile and others, huge increases were authorized. In addition, decontrols were obtained from OPA on a wholesale basis. The result of this greedy foray against wage and living standards became apparent long before the complete destruction of price control.

As part of this campaign to depress real wage levels, industry then proceeded to launch a ferocious attack against the retention of any form of price control. Still dissatisfied with the fabulous profits made possible by lax enforcement of the OPA pricing standards, American industrial monopoly sought an entirely free hand in its movement against wage and living standards. This attack was based upon the argu-

(Continued on page 2926)

Oil Production Outlook

By EUGENE HOLMAN*

President, Standard Oil Company (N. J.)

Mr. Holman points out that increased peacetime demand for petroleum products has more than made up for sudden shrinking of wartime requirements, and sales, under reasonable prices, are greater than ever. Poses as future uncertainties: (1) adequate quantities of petroleum; (2) continued rate of technical progress; and (3) employer-employee teamwork, necessary for maximum efficient production and distribution. Sees each of these problems solved satisfactorily.

Let me appraise as briefly as I can the situation in which the oil industry finds itself today and our prospects and goals for the future.

Eugene Holman

First, a summary of current position: Sales of petroleum products in the United States are higher than they have ever been.

In other words, a greatly increased peace-time demand for petroleum products has more than made up for the sudden shrinking of wartime requirements. Reasonable prices have prevailed in spite of these new demands.

In its persistent application of scientific research and development—before the war, during the war, and since the war—the oil industry has made steady progress toward better use of its raw material. These advances have extended supplies and reduced costs. Resulting benefits have, over the years, been passed on to consumers in reduced prices and better products.

Out of this continuous research have come other significant—and sometimes spectacular—developments. New enterprises have been born to handle products that we have found can be made from oil—synthetic rubber, fertilizers, solvents, insecticides, waxes, alcohols, and a host of others.

But the principal use of petroleum today is still as a fuel. Our business is selling energy, and we are more than holding our own in this highly competitive field. Less than fifty years ago oil supplied only one-twentieth as much of the nation's total energy as did coal. Today, oil supplies over half as much.

Let me give you a quick statistical picture of current demand for oil.

Excluding Russia, the world's requirements for oil during this year will total about 7,200,000 barrels daily. Over 75% of the world's merchant fleet tonnage burns oil today—as compared with 4% in 1914. Diesel horsepower installed in the United States increased from 5½ million in 1935 to 45 million at the end of 1945. During that time, oil heating units in homes have grown from about one million to over two million.

The Future

Now, what about the future? World demand for oil, again excluding Russia, is expected to in-

(Continued on page 2926)

*An address by Mr. Holman before 51st Congress of American Industry, New York City, Nov. 4, 1946.

Moulton Urges Lower Prices, Not Higher Wages

Brookings Institution executive stresses need of more productivity and consuming power to spread benefits of mass production. Holds wage rise of one group of workers is at expense of all other groups, while lower prices are shared by all.

Standards of living may be increased either by increasing wages or by reducing prices—but the latter method promises more broadly distributed benefits to the population, Dr. Harold G. Moulton, Washington, D. C., economist, told a management session of the American Society of Mechanical Engineers at its annual meeting in New York City on Dec. 3. Dr. Moulton is President of the Brookings Institution in Washington and was formerly of the Department of Political Economy, University of Chicago. He is the author of some 20 books on economics. He spoke on "Pricing Policies and Social Trends."

Harold G. Moulton

The fundamental requirements for the successful operation of a capitalistic system may be stated as follows, Dr. Moulton said: Back of each new unit of productive power there must be placed a corresponding unit of consuming power. The economies of mass production cannot be realized unless there is corresponding mass consumption. In any nation the ultimate stimulus for economic expansion is found in the unfulfilled desires of its population. The realization of these desires depends upon buying power as expressed in the relationship between wages and prices.

Wage Increases vs. Price Reductions

Standards of living may be increased either by reducing prices or by increasing wages—the essential requirement being an improving ratio between wages and prices, the speaker said. Over the past century the enormous improvement in living standards has, in fact, been brought about by a progressive improvement in the wage-price ratio. The facts show that sometimes the improvement has resulted from increasing money wages and at other times from falling prices. It has sometimes occurred when both wages and prices were rising, but with prices advancing less rapidly than wage rates.

The method which appears as natural to labor is that of increasing wage rates. Higher money wages can be visualized as more dollars in the hand. A corresponding improvement by means of lower prices is less tangible. For psychological reasons it is harder to comprehend; to the average man it is an elusive concept, and likely to be an illusion. Accordingly, throughout modern times the efforts of the laboring population have been devoted to securing higher standards of living through the medium of higher wage rates.

The Brookings Institution's than one of scientific research; it is more than that of identifying

(Continued on page 2925)

Mutual Funds

By BRUCE WILLIAMS

Tax Transactions

The introductory issue of **Distributors Group's** attractive new bulletin, "The Management of Money," discusses year-end tax transactions in language the average investor can understand. The subject is particularly timely now. Many investors have large profits in securities which they bought during 1942-1945 and not a few of these same investors have substantial losses in securities which they bought earlier this year.

The actual dollars-and-cents savings available to such investors merely by establishing profits and losses under present tax laws are often so large that it would be stupid to ignore them. For example, an investor in the 50% tax bracket, $18,000 of surtax net income), by taking a $3,000 loss on securities purchased last June or July (within six months) and by taking a $4,000 profit on securities purchased in earlier years, could save $1,000 of long-term capital gains tax on the profit and, in addition, could reduce his tax on his ordinary income by $500 for a total saving of $1,500.

Of course, he would have to deduct brokerage and other costs of making the transactions, but in most instances they would represent only a fraction of his tax savings. And so far as his market position is concerned, if he wished to retain his holdings in the securities sold at a profit, they could be repurchased immediately and their higher cost basis permanently established. On the securities sold at a loss, if he wished to avoid the 30-day waiting period, it would be necessary to reinvest in other securities of similar characteristics. In seeking out such securities, his problem of selection could be greatly simplified through use of the industry-type funds.

This example portrays just one combination from which significant tax savings can be effected. There are endless other combinations and, wherever feasible, alert dealers are working out the most profitable individual combinations with their various clients. Incidentally, the new Distributors Group bulletin is designed as a dealer mailing piece, does not mention any specific securities and carries a blank space for the dealer's stamp or imprint.

Corporate Earnings

National Securities & Research Corp. charts the course of corporation earnings in a current bulletin. Taking data from the National City Bank covering 350 industrial corporations, the chart shows that third quarter aggregate net earnings were 70% higher than last year. The increase was so great that it converted a decline in earnings for the first six months of this year to an increase of 12% over 1945 for the full nine-month period.

Sign Posts for Sound Investment

Keystone Co. publishes a diagram in the current "Keynotes" comparing the yield and price volatility of the 10 Keystone Funds. Current income ranges from 2% for the Lower-Priced Commons to 5.5% for the High-Return Bonds. Average annual price fluctuation ranges from 8% for the Investment Bonds to 66% for the Lower-Priced Commons. In connection with these investment comparisons, Keystone writes:

"As a result of the recent drastic decline, the securities market now offers substantially more attractive investment opportunities for income and possible price appreciation."

Investment Values

Broad Street Sales Corp. has published another interesting issue of "Items" in which the investment values available in 1937 are compared with those available today. The following is a summary of the data presented.

Type of Investment	Change
Farm Values Per Acre	up 68%
Cost of 6-room house	up 67%
Commodity Prices	up 53%
Preferred Stocks	up 22%
Corporate Bonds (A)	up 12%
Industrial Stocks	down 13%

After analyzing basic economic factors to determine whether stock prices are low or whether other values must come down, this sponsor concludes "that common stock values are low."

Building Industry

Selected Investments Co.'s current weekly digest and **Calvin Bullock's** November issue of "Perspective" both contain data emphasizing the attractive outlook for the building industry.

Selected Investments Co. quotes at length from a forecast by F. W. Dodge Corp.'s President Holden in which he says: "Construction activity will not necessarily participate in the expected recession in general business. Odds are that it will not, but will continue on an increasing scale without serious setback. If this turns out to be true, construction may be the principal sustaining activity tending to moderate the impact of price recession on the general business structure."

Calvin Bullock's "Perspective" presents the results of an exhaustive analysis of the industry and concludes as follows: "In the long run either rents must go up or building costs must come down, or both. Rental ceilings on new projects are already being increased. Distinctly favorable to the long run future of the building industry is the fact that building costs can come down considerably without any deflation of wage rates or building material prices. Bottlenecks have not had a serious impact on profits of building material companies, but a balanced flow of materials will do much to promote increased productivity of labor, lower costs to buyers, and give heart to contractors."

Wage Rates

The research department of **E. W. Axe & Co.**, in a bulletin on the two **Axe-Houghton Funds**, compares the advances in wages in 1914-1920 and 1939-1946. The results will be surprising to those who have accepted current press impressions as accurate. Here are the conclusions reached:

1. In spite of many statements to the contrary wage rates have not advanced as much since the beginning of the recent war as they did in World War I.
2. Present rates are even lower (relative to prewar) than they got after the 20% decline of 1920-22.
3. Real wages increased approximately 20% in the period 1914-20 and the increase in 1939-46 was approximately the same.

Mutual Funds Recommended

Knickerbocker Distributors is making available to dealers a little mailing folder entitled, "Why We Recommend Mutual Funds." It is an attractive piece and does a good job of summarizing the advantages of mutual investment funds without mentioning any specific company. The publisher's name does not appear anywhere in the folder and there is a space for the dealer's stamp or imprint.

Petroleum Shares

"Advance in crude oil prices means higher earnings for oil companies," writes **Distributors Group** in its current "Petroleum News." A revised folder on **Petroleum Shares** accompanies the mailing.

Quarterly Reports

Axe-Houghton Fund, Inc.—Net assets as of Sept. 30, 1946 totalled $5,766,717 compared with $5,446,-756 at the beginning of the year.

Eaton & Howard Balanced Fund—Net assets as of Sept. 30, 1946 totaled $23,419,318 compared with $24,827,400 three months earlier and with $15,757,465 a year ago. Portfolio balance at the end of the third quarter was as follows: Cash and Government Bonds, 13.7%; Corporate Bonds, 8.8%; Preferred Stocks, 25.9%; Common Stocks, 51.6%.

Dividends

Union Trusteed Funds, Inc.—The following dividends payable Dec. 20, 1946 to stock of record Dec. 10:

Union Bond Fund A	$0.19
Union Bond Fund B	0.18
Union Bond Fund C	0.06
Union Preferred Stock Fund	0.25
Union Common Stock Fund	0.10

Investors Selective Fund—A fiscal year-end dividend of 23 cents payable Nov. 26, 1946 to stock of record Nov. 15. (Fifteen cents of this dividend from realized security profits and eight cents from net investment income.)

Delaware Fund—Regular quarterly dividend of 25 cents per share payable Dec. 14, 1946 to shareholders of record Dec. 2.

Eaton & Howard Balanced Fund—A dividend of 24 cents payable Dec. 24, 1946 to stock of record Dec. 6. (In addition to recently declared capital gains dividend of 30c.)

Nation-Wide Securities Co., Inc.—A dividend of 40 cents per share payable Dec. 24, 1946 to stock of record Dec. 16.

Insuranshares Certificates, Inc.—A regular dividend of 10 cents per share and an extra of 2½ cents per share payable Jan. 2, 1947 to stock of record Dec. 18.

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

J. Vanderbeck With Carreau & Company

James Vanderbeck is now associated with Carreau & Company, 63 Wall Street, New York City,

James Vanderbeck

members of the New York Stock Exchange. Mr. Vanderbeck was previously with Grimm & Co. and prior thereto conducted his own investment business in New York City.

Dangers of Centralized Big Government

By DAVID E. LILIENTHAL*
Chairman, Atomic Energy Commission
Formerly, Chairman, Tennessee Valley Authority

Denying Big Government is inevitable, former head of TVA asserts centralization of power corrodes our democratic institutions. Distinguishes between a direct and decentralized administration of national policies and points to success of TVA in enlisting local administrative cooperation as an alternative to direct action from Washington. Cites policy of selling power wholesale to locally owned companies, as well as towns and cities as means of decentralizing electric supply. Says states and communities should not be relieved of responsibilities by Federal government and urges study of ways of administering national policies through local instrumentalities.

If there is one proposition that I had supposed thoroughly well established and accepted, it is this: that our democratic form of government depends for its vitality, its responsiveness to public need, on the development and strengthening and nourishing of local institutions of government.

David E. Lilienthal

To this proposition — the importance of persevering and strengthening local and state government — there is universal assent. But such approval is, in part, only lip service, empty of reality and even of complete sincerity. For what has happened in practice? The policy of encouraging and nourishing the responsibilities of local government has given way to an increasing centralization of administration in the national capital. So far has this gone—by action as well as by default—that we now find this quite disturbing situation: Experts in administration and management have set out to persuade the American people that centralized Big Government is inevitable.

*An address by Mr. Lilienthal before the National Municipal League, Philadelphia, Pa., Nov. 12, 1946.

Big Government Not Inevitable

I deny that Big Government is inevitable. I deny that we have no workable alternative. I am compelled to go further and say this: These prophets of a managerial revolution and those among public administrators who seek to persuade the American people that Big Government is inevitable are not measuring up to their high responsibility to the democratic faith. And what is even more serious—they are making more difficult the achievements and the works that make that faith the best hope of mankind.

We have alternatives. Those alternatives to Big Government we should pursue. I shall point to the experience in the Tennessee Valley as one kind of evidence—there are others, of course—to support my thesis that in respect to over-centralization there is no wave of the future before which we are powerless.

Let me first describe the stream of dialectics by which Big Government is being sold to the American people. The story begins with full agreement that "of course" everyone desires strong, dynamic local government in the communities and in the states of the United States. The Big Government apologists never question

(Continued on page 2914)

U. S. Forces Announce Dollar Scrip Inconvertible for Unauthorized Holders

According to an announcement of USFET headquarters in Germany, the War and Treasury Departments have advised that military payment certificates commonly known as "scrip" may not be converted for unauthorized holders.

The USFET statement discloses that dollar scrip may not be sent from Germany to the United States for credit by individuals, banks or others.

In the European theatre, USFET stated, the scrip will be honored only for USFET personnel and authorized civilians working for or with the Army. Included in this category also, presumably, are the members of other countries' missions located in the American zone of Germany and the American sector of Berlin. The latter, being given the privileges of American post-exchanges, restaurants and the like, are permitted to use dollar scrip.

The scrip was introduced in the European theatre in September and in Japan and Korea in October. In those two Far Eastern occupied countries prior to the introduction of the dollar scrip there had been in use for some time a special A-Type yen, which excepting for the fact that it was denominated in yen instead of dollars, was employed among American military personnel in exactly the same manner as the present scrip.

Aetna Securities Corp. Formed in New York

Aetna Securities Corporation announces the formation of a general investment banking business as underwriter and wholesale distributor of corporate securities. The new firm will occupy temporary quarters at 37 Wall Street, moving on or about Jan. 15, 1947, to permanent offices at 111 Broadway, New York. Officers of the new company are: Ira Krupnick, President; George A. Searight Vice-President and Secretary, and James D. Colyer, Vice-President and Treasurer.

Mr. Krupnick recently resigned as Executive Vice-President of First Colony Corp. Messrs. Searight and Colyer, who also were with First Colony Corp. as Vice-Presidents, have likewise resigned. Mr. Searight has 27 years' experience in Wall Street and managed his own business prior to his association with First Colony. Mr. Colyer before joining First Colony Corp. was head of Colyer, Beckley & Co.

Sherburne N. Y. Mgr. For Bacon, Whipple

Bacon, Whipple & Co., Chicago, members of the New York and Chicago Stock Exchanges, announce the association with their their firm of Harold H. Sherburne, former Commander, USNR, as manager of their New York office, located at One Wall Street.

Harold H. Sherburne

Mr. Sherburne's connections before the war were with the buying department of Smith, Barney & Co., in New York, and Chas. W. Scranton & Co., in New Haven. From 1942 to 1944, he served on the staffs of Admirals Montgomery and Mason, after which he was transferred to Washington in the office of the Secretary of the Navy. Just prior to his return to inactive duty in October 1946, Sherburne was Director of the Aviation Division of the Surplus Property Administration.

The partners of Bacon, Whipple & Co. are: William T. Bacon, Jay N. Whipple, J. Waller Marshall, J. Preston Burlingham, William D. Kerr, Augustus Knight and Ernest F. Hartshorne.

Henry Abbot Appointed By Nat'l Sec. & Research

The appointment of Henry W. Abbot as Sales Promotion Manager was announced today by Douglas Laird, Vice-President of National Securities & Research Corporation, 120 Broadway, New York City, sponsors of National Securities Series and First Mutual Trust Fund, open-end investment trusts.

Mr. Abbot has been associated with various Wall Street firms for 20 years, including Hayden, Stone & Co., G. M.-P. Murphy & Co., and H. Hentz & Co. Originally a financial analyst and specialist in bank and insurance stocks, in recent years he has devoted most of his time to listed securities and sales promotional work.

Robinson & Durst With Paine, Webber Firm

LOS ANGELES, CALIF.—Malcolm C. Robinson, Jr. and J. P. Durst have become associated with Paine, Webber, Jackson & Curtis, 626 South Spring Street. Mr. Robinson was formerly Los Angeles manager for Dewar & Co. Mr. Durst was with E. F. Hutton & Co.

With Newburger, Loeb & Co.

Newburger, Loeb & Co., 15 Broad Street, New York City, members of the New York Stock Exchange, today announced that Herbert Wolfe has joined the firm as a new registered representative.

Mr. Wolfe will be located at 57 West 57th Street at Sixth Avenue, one of the four branch offices maintained by the brokerage firm.

Robert G. Lowndes Dead

Robert Glynn Lowndes, partner in the Philadelphia investment firm of Brooks, Stokes & Co., in charge of their Baltimore office, died at the age of 58.

International Fund Official Satisfied With ITO

George F. Luthringer, International Monetary Fund observer at the meeting of the Preparatory Commission of the International Trade Organization, expresses view arrangements will be satisfactory for collaboration of both world organizations. World Bank observer also at London meeting of Preparatory Commission.

WASHINGTON, Dec. 4.—On his return from London, where with others he attended the International Trade Organization preparatory committee's meetings as observer for the International Monetary Fund, Mr. George F. Luthringer, United States alternate executive director of the Fund, expressed to the writer his satisfaction with the results of his trip to London. Due to the presence of the Fund's observers, said Mr. Luthringer, the proposed language of the ITO charter more effectively safeguards the Fund's interests.

"It is clear," Mr. Luthringer observed, "that the Fund has a very great general interest in the organization and charter of the ITO, because to a large degree the ITO and the Fund have the common objective of expanding world trade on a multilateral basis. One specific point of common interest and work of the two organizations arises from the fact that quantitative restrictions can be used for financial reasons just as exchange control can be used in controlling trade. One of our chief jobs at the London conference was to see that the ITO charter in dealing with these purposes have in mind the specific role of the Fund, and not conflict with the Fund.

"The American draft proposals," continued Mr. Luthringer, "had some general reference to the ITO consulting the Fund in this sphere, but that language has now been greatly expanded and worked out in detail.

"It was very desirable to have someone from the Fund at London and it will be desirable to have similar representation at the next meeting of the ITO preparatory committee in Geneva in March. We want to collaborate with the ITO in the future. We want to make sure that what comes out is feasible and useful.

"We were treated very well in London, both the Fund and Bank representatives, and allowed to play a free part in the meetings, more like another delegation than as mere observers. The London meeting proposes close ITO cooperation with the Fund on questions involving the use of quantitative trade restrictions to influence the balance of international payments."

The World Bank's observer at London was concerned primarily lest there be incorporated in the ITO charter language embarrassing or binding on the Bank. For example, the question of full-employment policy was brought out forcefully at London, notably by the British, as disclosed in these columns at the time. One draft proposal at London would have required an ITO member country's representatives on all international organizations to make full employment a prime consideration in voting on any project. In the case of the Bank, this would have meant that proposed loans would have been considered on other than "intrinsic merits," Bank officers felt. It is therefore felt that the presence of a Bank observer at London, especially one permitted to take part in the discussions, safeguarded the Bank's interest in this matter.

Thos. S. Lamont Dir. Of Santa Fe Railway

The election of Thomas Stilwell Lamont, of New York City, as a member of the Board of Directors of the Santa Fe Railway, has been announced by President Fred G. Gurley.

Mr. Lamont has been prominent in banking circles for more than 25 years having been associated with J. P. Morgan & Company since 1922 and a partner since 1929 and Vice-President and a Director since 1940.

He is a Director of Phelps Dodge Corporation, Texas Gulf Sulphur Co., North British and Mercantile Insurance Co., Ltd., and the Mercantile Insurance Co. of America.

He was born at Englewood, N. J., Jan. 30, 1899, and is the son of Thomas W. and Florence Haskell Lamont. He graduated from Phillips Exeter Academy in 1917 and received his A. B. degree at Harvard in 1921. In 1921 and 1922 he studied at Trinity College, Cambridge, England.

He served as a private in the United States Army in the World War. His club memberships include Broad Street; Links; Harvard (New York); Cedar Creek (Glen Cove, L. I.)

Brewster Opens in Meriden

(Special to THE FINANCIAL CHRONICLE)

MERIDEN, CONN.—Edward L. Brewster will engage in the securities business from offices at 137 Colony Street.

Beirnes With A. C. Allyn

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL.—James R. Beirnes has become affiliated with A. C. Allyn & Co., Inc., 100 West Monroe Street. He was previously serving in the U. S. Navy.

Hartman With Mason Moran

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL.—John S. Hartman has been added to the staff of Mason, Moran & Co., 135 South La Salle Street.

Bank and Insurance Stocks

By E. A. VAN DEUSEN

This Week—Insurance Stocks

The insurance stock market has recently been evaluating equally the stocks of Franklin Fire and North River, at 20¼ bid—22 asked. It may be of interest, therefore, to compare statistically these two stocks.

At an asked price of 22, significant current ratios compare as follows:

	Franklin	North River
Dividend Yield	4.55%	4.55%
Earning Yield (1945 Net Operating Profits)	6.60%	5.73%
Liq. Value per $ of Market (12-31-45)	$1.41	$1.42
Invested Assets per $ of Market (12-31-45)	1.96	1.68
Ratio 1945 Earnings to Dividends (1945)	1.45	1.26
Ratio 1945 Net Inv. Inc. to Div. (1945)	1.40	1.16

On the basis of these figures, Franklin is moderately more attractive than North River.

The next step is to compare the relative record of the two companies over the past ten years, as set forth in the accompanying tabulations.

Franklin's capitalization throughout the entire 10 year period has been $3,000,000, comprising 600,000 shares at $5 par; North River's capitalization, unchanged during the period, is $2,000,000, comprising 800,000 shares at $2.50 par value.

FIVE YEAR PERIOD: 1936-1940

	Franklin				North River			
Year	Net Und. Profits	Net Inv. Inc.	Total Net Oper.	Dividends	Net Und. Profits	Net Inv. Inc.	Total Net Oper.	Dividends
1936	$0.88	$1.60	$2.48	$1.20	$0.48	$1.20	$1.68	$1.05
1937	—0.14	1.64	1.50	1.40	0.80	1.26	2.06	1.00
1938	1.09	1.27	2.36	1.40	0.43	1.04	1.47	1.00
1939	0.83	1.39	1.85	1.40	0.67	1.06	1.61	1.00
1940	0.07	1.58	1.61	1.40	0.39	1.06	1.44	1.00
Totals	$2.73	$7.48	$9.80	$6.80	$2.77	$5.62	$8.26	$5.05

Franklin's total dividends amounted to $6.80 during this five year period and they were earned 1.10 times by net investment income and 1.44 times by total net operating profits; North River's total dividends of $5.05 were earned 1.11 times by net investment income, and 1.63 times by total net operating profits. Net investment income and net underwriting profits are before Federal income taxes, but total net operating profits are after taxes.

Over the subsequent five years, the comparison is as follows:

FIVE YEAR PERIOD: 1941-1945

	Franklin				North River			
Year	Net Und. Profits	Net Inv. Inc.	Total Net Oper.	Dividends	Net Und. Profits	Net Inv. Inc.	Total Net Oper.	Dividends
1941	$0.02	$1.84	$1.86	$1.40	$0.27	$1.17	$1.42	$1.00
1942	—0.69	1.58	0.74	1.40	—0.87	1.12	0.24	1.00
1943	0.13	1.33	1.08	1.40	0.50	1.12	1.28	1.00
1944	—0.54	1.35	0.61	1.00	0.57	1.19	1.41	1.00
1945	0.40	1.40	1.45	1.00	0.46	1.16	1.26	1.00
Totals	—$0.68	$7.50	$5.74	$6.20	$0.93	$5.76	$5.61	$5.00

During the second five-year period, Franklin's dividends of $6.20 were earned 1.20 times by net investment income, before taxes, but total net operating profits, after taxes, represented only 93% of dividends. North River covered dividends 1.15 times by net investment income, before taxes, and 1.12 times by net operating profits, after taxes.

Over the whole ten year period the comparison is as follows:

	Franklin	North River
Total Dividends per Share	$13.00	$10.05
*Total Net Inv. Inc., per Share	14.98	11.38
Dividend Coverage	1.15	1.14
†Total Net Operating Profits, per Share	15.54	13.87
Dividend Coverage	1.19	1.39

*Before Federal Income Taxes. †After Federal Income Taxes.

	Franklin		North River	
	Liq. Val.	Invest. Assts.	Liq. Val.	Invest. Assts.
12-31-36	$30.07	$41.53	$26.13	$29.97
12-31-45	30.91	43.03	31.23	36.86
$ Growth	$ 0.84	$ 1.50	$ 5.10	$ 6.89
% Growth	2.8%	3.6%	19.5%	23.0%

Franklin, obviously, has been a more generous dividend payer than has North River, but the latter has covered dividends by a wider margin and thus ploughed back a larger proportion of earnings into the business. This difference has been reflected in the relative growth of liquidating and invested assets per share, Franklin showing very little growth while North River has experienced fairly substantial growth.

The investor's long term gain over this particular 10-year period does not show up well, for the reason that the insurance stock market at the beginning of 1936 was nearly at a peak, while currently it is low. Such gain as there is, however, is in North River's favor.

	Franklin	North River
Jan. 2, 1936	36¾	29
Nov. 29, 1946	22	22
Market gain or loss	—14¾	—7
Dividends	$13	$10.05
Investor's Total Gain or Loss	—$ 1.75	+$ 3.05
	—4.8%	+10.5%

From the low point of the market in 1938, the comparison is as follows:

	Franklin	North River
March 31, 1938	19	22
Nov. 29, 1946	22	22
Market Gain	+ 3	0
Dividends	$10.05	$ 7.75
Total Gain	+$13.05	+$ 7.75
	+68.5%	+35.0%

The striking thing about both stocks is their poor market action in comparison with Standard & Poor's index of fire insurance stocks, which was 114.6 on Nov. 28, 1946 vs. 73.6 on March 31, 1938 which gives an appreciation of 50.6%, whereas Franklin's appreciation is only 15.8% and North River's is 0%. On Jan. 2, 1936 the index was 122.2, its decline to Nov. 28, 1946 being only 7.6% compared with a decline of 40.2% for Franklin and 24.1% for North River.

At current prices there is little to choose between the two stocks. Franklin, however, may eventually be in position to restore its $1.40 dividend; on the other hand, North River's more favorable long-term equity growth, if continued, may be reflected in greater long-term market appreciation of its stock.

Frank M. Gordon Dead

Frank M. Gordon, financial and civic figure in Chicago for 50 years until his retirement in 1942, died at the home of his daughter in Denver, at the age of 70.

Frank M. Gordon

Mr. Gordon for seven years, until his retirement, was Vice-President of the First National Bank of Chicago in charge of the bond department. He was President of the Investment Bankers Association for 1932-33, Treasurer of the University of Illinois in 1932, Treasurer of the Lincoln Park Commission from 1931 until park consolidation in 1934, and Assistant Treasurer of the Chicago Park District until 1941. Under the late Mayer Anton Cermak he was an adviser to the city controller.

Mr. Gordon entered the banking business in 1892 as a messenger for the First National Bank. In 1903 he transferred to the then newly organized First Trust and Savings Bank. He became assistant manager of its bond department in 1909, manager in 1912 and a Vice-President of the bank in 1916. He became Vice-President of the First National Bank in 1925.

Bennett Research Head For Reynolds & Co.

Reynolds & Co., 120 Broadway, New York City, members of the New York Stock Exchange, announce that William M. Bennett is now associated with the firm in charge of its research department.

Industry Can Pay Higher Wages

(Continued from page 2891)

tell this convention what these basic facts are, because you know them as well as I do.

We make this fight in the CIO not only because Joe Smith needs more money to buy his kids food and get them adequate clothing and provide decent shelter, but in the aggregate millions of Joneses and Smiths throughout America need this greater purchasing power because the nation needs this greater purchasing power.

We have the practical job as trade unionists to formulate a program and militantly execute that program that will achieve a balance between mass purchasing power and mass productive power. That is the thing we are fighting for, not just to catch up with the cost of living but to go beyond the cost of living, to give a means by which they can buy this greater volume of production that our economy is capable of producing; and unless we win that fight we will lose the whole fight to create full employment and full production economy, and unless we win that fight all the pious talk about the economic bill of rights and the four freedoms will then be so much hog wash. We have the job of creating the economic basis of America upon which permanent peace can be constructed, and the CIO has to accept the major responsibility in that struggle.

When we fought for the 8-hour day back in American history, they said the standard of living would come down if we abolished the 12-hour day, but we got an 8-hour day, and along with that 8-hour day we got the highest living standard in the world. Why? Because the march of technology, the march of science, and more efficient processing goes on every day, and I say don't stop that march of technology, let's speed it up and accelerate it, but let the people have their interests geared to that advanced technology, and let us not stop only with the ticker in Wall Street.

American industry can pay higher wages without higher prices. This fight is not just for more money for Joe Smith, as I said before, but we are deciding today on whether we are going back to Hooverism again in America; and the CIO says to the Republicans, and yes, to the reactionary Democrats in the South, and to Big Business and the Wall Street gang, that we didn't fight this war to go back to another depression; we fought and won a war in the world to go forward to a better world and better life and a higher standard of living. We hope and we pray—and I know under President Murray's great statesmanship and leadership, the CIO has an organization and the respective affiliates that will make every honest effort to meet this problem of higher wages through collective bargaining over the conference tables. I think nothing would be more practical than if this CIO convention would say that while we are committed to an application of the democratic processes of collective bargaining, and we will do everything we can to resolve these matters that way, that if industry goes on another sit-down strike in the next wage cycle as it did the last time, we are not going to surrender, and we will fight.

I say we should take practical steps in the CIO to get a war chest of about ten or twelve million dollars, which all CIO unions could have access to, not just the Auto Workers or Clothing Workers or Steelworkers, but a common war chest that any CIO union making a fight in these basic struggles could know that they had that whole war chest behind them, and I think maybe if we had that kind of a war chest the great captains of industry would hesitate before they would take us on. I hope maybe we can consider that sort of thing.

I urge the adoption of the resolution, not just to get a wage increase for the people I represent, but as an economic necessity to create the kind of relationship between wages, purchasing power, and productive power that is necessary.

The American people have the choice, either we get a balance between productive power and distribution back to the old way of life, with depression as usual, and unemployment as usual, and down at the end of the road war as usual; and when we pass this resolution we are serving notice that the CIO is not going back to that kind of a world, we are going forward to a world that we dreamed about and that we told our boys we were fighting for when they were lying in the foxholes all over the world.

Business Man's Bookshelf

Estate Planning and Education — Relationships of educational philanthropy and the problems of trusts, estates and inheritance taxation—Pomona College, Public Relations Office, Claremont, Calif.

Recovery in Europe—John Kenneth Galbraith — National Planning Association—800 21st Street, N. W., Washington 6, D. C.—paper—25¢.

Five Week Patterns of Prices & Volume—A classification of the weekly movements of trading velocity and the Dow-Jones Industrial Averages through the twenty-year period 1926-1946—Arthur A. Merrill, 1567 Kingston Avenue, Schenectady 8, N. Y. — paper—$1.00.

American Competitive System, The — Chamber of Commerce of the United States, Washington 6, D. C.—paper—10c—lower price in quantity.

Arthur Warner & Co. Adds

(Special to THE FINANCIAL CHRONICLE)

PORTLAND, ME.—Charles H. Carr and Rex W. Dodge are now connected with J. Arthur Warner & Co., Inc., Chapman Building. Both were previously with W. H. Bell & Co., Inc., Mr. Dodge being manager of the latter's Portland office.

Joins Schirmer Atherton

(Special to THE FINANCIAL CHRONICLE)

BOSTON, MASS.—James Lund has been added to the staff of Schirmer, Atherton & Co., 50 Congress Street.

American Industry Supports Worldwide Economic Freedom

By HERBERT H. SCHELL*
Chairman, Committee on Economic Relations, NAM
President, Sidney Blumenthal & Co., Inc.

American industrialist, speaking in Belgium, ascribes rapid economic recovery of that country to its adherence to free enterprise system. Says American manufacturers are opposed to cartels and intergovernmental commodity agreements and favor multilateralism. Holds tariffs should be eliminated, unless they are essential to prevention of "dumping," subsidies and low wages, and points out U. S. must take leading role in promotion of world trade and in maintaining a free enterprise system without governmental political or international interference.

Of all the countries in Europe that were occupied by the Germans, Belgium has been hailed as having made the fastest economic recovery. This recovery was not a mere accident or a stroke of good fortune. It was attributable to two facts.

Herbert H. Schell

First, there is your heritage of hard work, common sense and resourcefulness, which is typical of your history of free men and a free country. Freedom has a way of developing these qualities which can be equalled by no other state of being.

Second, this recovery is due to the fact that it was based on a spirit of free, private enterprise which has always been the basis of economic progress.

I cannot be too complimentary about your reconstruction record. I speak for the American manufacturers when I say you have our deep admiration for this achievement.

I am happy to have the opportunity of speaking with you today because I want to tell you about this spirit of free, private enterprise as American manufacturers see and understand it. I am going to be both frank and outspoken because I believe that little can be gained in the world that faces us today unless business men in all lands speak frankly and honestly. Now, as never before, business men who believe in the free private enterprise system must speak out.

I am Chairman of the National Association of Manufacturers' Committee on International Eco-

(Continued on page 2904)

*An address by Mr. Schell before the Association of Belgium Industrialists in Brussels, Belgium, Nov. 20, 1946.

Production Outlook for Automobile Industry

By B. E. HUTCHINSON*
Chairman, Finance Committee, Chrysler Corporation

Ascribing difficulties in automobile production as due to strikes and material shortages, Mr. Hutchinson points to better outlook in large pent-up demand; sizable consumer purchasing power; ample unused facilities to provide large-scale employment; and potential for greatly increased production. Warns if prices of cars, already 50% above prewar levels, continue to rise, demand will be greatly lessened. Sees also in labor situation another danger spot, and points to need of greater worker productivity to offset higher wages.

It is about 16 months since the automotive industry ceased volume production of war materials, and yet it can be correctly stated that the prospects for the resumption of capacity production of motor vehicles is more uncertain now than it appeared to be then. October shipments reached the postwar high rate of 392,000 units, but it appears extremely doubtful that this rate of production can be sustained. If it were, it would only represent an annual production of about four and one-half million as compared with a prewar record of nearly five and one-half million.

B. E. Hutchinson

The reconversion "go-ahead" signal to the industry was given shortly after V-J Day. Within a little more than three months, the physical reconversion of the industry's production facilities to the manufacture of automobiles and trucks had been substantially accomplished. The industry then looked forward to an orderly and rapid resumption of the manufacture of peacetime products. A year ago this time, there was considerable confidence that by April the industry would be back in its stride.

Impediments to Production

The industry's inability even now to attain capacity volume production primarily results from two things: the effects of interferences with business by government agencies, through regulations, allocations and priorities; and the interruptions occasioned by strikes and labor disturbances both in the plants of the industry and of its suppliers.

The automobile industry has reconverted its production facilities, but the "reconversion" of government from a wartime to a tolerable peacetime basis has yet to be accomplished. The results are very serious.

Materials in short supply, of which steel and lead are notable examples, continue to be largely under government control, and

(Continued on page 2901)

*An address by Mr. Hutchinson before 51st Congress of American Industry, New York City, Dec. 4, 1946.

Agricultural Group Of ABA Adopts Program

The Agricultural Commission of the American Bankers Association adopted on Nov. 16 an 11-point national program for 1947 to stimulate the 11,000 country banks of the United States to do a more constructive job in the interests of their farm customers. Three parts of the program announced by Commission Chairman Charles T. O'Neill which will be emphasized throughout the year are: the promotion of soil conservation, bank activities in behalf of farm youth, and educational projects to benefit both bankers and farmers.

The Agricultural Commission met for three days here at Louisville in the week ended Nov. 16 to discuss ways whereby banks will maintain their position of leadership in each community in activities to advance the welfare of agriculture. Meeting with the Commission were ABA President C. W. Bailey, who is also President of the First National Bank, Clarksville, Tenn.; Clyde D. Harris, Chairman of the Country Bank Operations Commission and President of the First National Bank, Cape Girardeau, Mo.; John N. Thomson, Chairman of the Subcommittee on Agricultural Credit of the Federal Legislation Committee; several delegations from State Bankers Associations; and Deans of Agricultural Colleges.

After two days of discussion to formulate a national program for banks for 1947, it was decided that the ABA would continue its research to inform bankers about such important matters as farm land price levels, agricultural credit, and particularly subsidized competition in that field, and banking services rendered in each of the states upon which the annual 1,000 point award is based.

Of particular interest to members of the Commission is the work being done in soil conservation in which bankers are taking a leading part; the programs being carried out in each of the states through the 4-H Clubs and Future Farmers of America in behalf of farm youth; and the agricultural credit schools which are being conducted in many states to inform bankers about farming problems which may be applicable in the extension of credit. There was a concensus of members of the Commission that banks everywhere must "take their services out to the farms." Of especial concern to members of the Commission was the welfare of veterans entering the farming business.

The 11 points of the 1947 agricultural program of the country bank, announced by Chairman O'Neill, who is also Vice-President and Trust Officer of the National Bank and Trust Co., Charlottesville, Va., follow:

1. Soil conservation. The Commission will urge each banker to know what the important soil problems of his community are and to follow conservation practices that have been proved sound. In this process the bankers will be encouraged to be prepared to make loans to finance conservation; 2. Outside farm programs. The Commission urges that banks through having an officer or employee devoting full or part time to a definite outside farm program will be able to "take their services out to the farm"; 3. Youth activities. It will be the job of the Commission to stimulate more banks to engage in activities benefiting farm youth; 4. Farm land prices. The Commission will continue to provide banks with current information as to farm land price trends until the danger of inflation has passed; 5. GI farm loans. Banks will be urged to cooperate with the Agricultural Advisory Committee in each county to render special service to veterans; 6. Credit files and merchandising farm credit services. The technique of how successful bank operations in this field are carried on will be brought to the attention of all banks; 7. Commodity loans. Studies will be made to improve the techniques in the field of commodity credit; 8. County key bankers. The Commission will urge the State Bankers Associations to hold key banker conferences and training activities to inform the county key banker of their responsibilities and opportunities; 9. Farm credit schools and general agricultural schools for bankers. The Commission will encourage the states to set up special schools on farm credit; 10. Subsidized competition. The Commission will aid country banks in competing against subsidized agricultural credit; 11. 1,000 Point Rating Program. The 1,000 point program has demonstrated its usefulness over a long period of years. Further improvement will be made in the manner of collecting the data upon which the results are based.

L. V. Bower Rejoins Harris Hall & Co.

CHICAGO, ILL. — Lahman V. Bower has resigned as Vice-President of Iowa Electric Light and Power Company, and has rejoined the investment firm of Harris, Hall & Co., 111 West Monroe Street, as Vice-President.

Glen-Gery Shale Brick Offered by P. W. Brooks

Public offering of 41,666 shares of $2 par value common stock of Glen-Gery Shale Brick Corp. was made Dec. 4 by P. W. Brooks & Co., Inc. The stock was priced at $7 per share. Proceeds from this financing will be used to restore in part the working capital which was expended in improving and extending the company's plant in Wyomissing, Pa. The corporation was incorporated in Pennsylvania in 1939 to take over the property, assets and business of Glen-Gery Shale Brick Co. The company is engaged in the manufacture of brick and similar products suited to practically all building requirements, residential, commercial and industrial, and covering a wide range of color, surface and finish. Net profit for the nine months ended Sept. 30, 1946 amounted to $162,910. For the calendar year 1945, net profit amounted to $46,079.

Rice Office in Palm Beach

PALM BEACH, FLA. — Daniel F. Rice and Co., of Chicago have opened an office in the Biltmore Hotel under the management of Charles H. Tuttle. Mr. Tuttle's affiliation with the firm was previously reported in the "Financial Chronicle" of Nov. 28.

Canadian Securities

By WILLIAM McKAY

Can Canada, which is still largely the economic shadow of this country, serve as the logical haven of U. S. refugee funds?

The free market for the Canadian dollar, in spite of the raising of its official parity to par with the U. S. dollar, has indicated until recently that the return to full parity was not clearly justified.

Now the renewed movement into Canadian funds stems largely from doubts concerning the effects of labor difficulties in the United States, which will adversely affect the domestic economy. This support for Canadian funds is also strengthened of course by the greater assurance, the more nearly the date for the fixing of the international parities is approached, that the Dominion will not depart from its decision to establish the official value of its currency at par with the U. S. dollar.

So closely are the Canadian fortunes tied up with those of this country, that should the disasters foreshadowed by the flight of capital to Canada ever materialize, it would be only a question of time before their effects would be reflected north of the border. Moreover, the impact on the Dominion could be more severe as Canada lacks the great shock-absorber possessed by the U. S. in the shape of an enormous domestic market for the absorption of its production and its independence of foreign sources of supply.

Moreover a major depression in this country would have its repercussions throughout the world. In such event the basic weakness of the Canadian economy, which lies in its undue reliance on foreign markets for the absorption of its tremendous surpluses of primary products, would be thrown into sharp relief.

As far as Canadian industry is concerned, its immunity from the harmful effects of any depression in this country is even less open to doubt. The Dominion's first major step towards industrialization originated outside its borders, as a result of the British tariff policy of Imperial Preference. As a direct consequence the great industrial interests of this country migrated to Canada to share the tariff benefits of firms established within the Dominion. Since then of course there has been a normal movement caused by the natural advantages offered by Canada to foreign industry but in the event of a world-wide depression this industrial tide would be arrested. Even without a major economic recession a further weakness in the Canadian industrial picture is the possibility of a reversal of the industrial tide from this country caused by the abandonment or modification by Britain of its policy of Imperial Preference.

Thus it would appear, that whether the economic barometer is set fair or foul a blind reliance on the greater security of capital funds in Canada as compared with this country can prove to be placed on an unreal basis even in the absence of the existing Canadian exchange restrictions.

During the past week the security markets continued generally dull. In the external section some interest was displayed in Saskatchewans following the satisfactory fiscal agreement with the Dominion. There was also renewed discussion concerning the possibility of a further attempt to market a City of Montreal refunding issue in this country. As a result of the subsidence of rumors concerning a further change in the parity of the Canadian dollar and the imminence of the fixing of the international parities in accordance with the Bretton Woods Agreement, there was a revival of the demand for internal bonds. Free funds in consequence improved sharply to 3½% discount. Internal stocks rallied to some degree with the gold and paper groups especially prominent.

With regard to future prospects there is still every justification for remaining on the side-lines pending the elimination of the many uncertainties which cloud the existing investment picture.

Edwin F. Cadiz Joins E. F. Gillespie & Co.

Edwin F. Cadiz has joined E. F. Gillespie & Co., Inc., 37 Wall Street, New York City, as Manager of the firm's trading department. Mr. Cadiz was formerly Vice-President and manager of trading department of G. A. Saxton & Co., Inc. He was with the Grumman Aircraft Engineering Corporation during and after the war in sub-contract and contract termination work.

Four New Members of Chicago Stock Exch.

CHICAGO, ILL.—Ralph W. Davis, Chairman of the Board of The Chicago Stock Exchange, announced the admission of four new members:

John A. Collett, of B. C. Christopher & Co., Kansas City, Missouri.

Howard F. Detmer, of Detmer & Co., Chicago, Illinois.

Alexander M. White, of White, Weld & Co., New York, New York.

Francis C. Woolard, of Kneeland & Co., Chicago, Illinois.

"The admission of these members," Mr. Davis stated, "brings to a new high the number of brokerage firms and corporations now members of the Exchange, totaling 150, and indicates the growing interest in The Chicago Stock Exchange and the Middle West."

The firm of B. C. Christopher & Co., established in 1878, has its home office in Kansas City, Missouri and operates branch offices in Atchison, Garden City, Hutchison, Topeka and Wichita, Kansas; Joplin and Springfield, Missouri; and Hastings and Omaha, Nebraska. B. C. Christoper & Co. has been a member of the Board of Trade of the City of Chicago for over 50 years.

Detmer & Co., one of the younger firms in Chicago and the 37th corporation to become a member, is headed by Howard F. Detmer who has been in the securities business on LaSalle Street for over 23 years and was formerly a partner of the firm of Dempsey, Detmer & Co.

The present firm of White, Weld & Co. is a successor to the firm of Moffat & White, a partnership formed in 1895. This firm has gradually expanded until today when it maintains a number of domestic and foreign branches. White, Weld & Co. recently opened its Chicago office under the managership of Henry W. Meers.

Kneeland & Co., established in 1931 is one of the better known national trading firms and has been principally known as a dealer in unlisted securities. Francis C. Woolard, who holds the membership registered for the firm, was quoted as saying: "The firm's decision to apply for membership in The Chicago Stock Exchange was prompted by the exceedingly interesting growth prospects of the local Exchange and the attractive trading and investing opportunities."

S. C. Reynolds, Jr., Is With Gude, Winmill

Gude, Winmill & Co., 1 Wall Street, New York City, members of the New York Stock Exchange, announce that Stephen C. Reynolds, Jr., formerly with Drexel & Co., is now associated with them.

Charges Wall Street Dominates Government

A. F. Whitney, President of Brotherhood of Railroad Trainmen, says Cabinet is dominated by men who strengthen hand of corporate interests.

"Big business now dominates the United States Government through its representatives on the Truman Cabinet," A. F. Whitney, President of the Brotherhood of Railroad Trainmen, charged Nov. 23 in a statement on an address by Commerce Secretary W. Averell Harriman before 1,000 New England business and industrial leaders on Nov. 21.


A. F. Whitney

Referring to Harriman's implied charge, made in commenting on the coal crisis, that the country must be protected against labor leaders because of the "undue concentration of power in the hands of any group," Whitney stated: "Secretary Harriman should list himself and several other cabinet members as outstanding examples of this concentration of power."

Whitney named Navy Secretary Forrestal, Secretary of War Patterson, Secretary of the Treasury Snyder and Interior Secretary Krug, in addition to Harriman, as men who seek through their official positions to "use the government against the people and to strengthen the hand of corporate interests."

Big business connections of these cabinet members, as listed by Whitney, are: Secretary Harriman, the "chief buttress" of Morgan, Kuhn, Loeb, who are "the real rulers of our mammoth insurance companies, railroads and commercial banks." Secretary Forrestal, head of the Wall Street Bank of Dillon, Read and Co., "prewar bankers for German and Japanese industry." Secretary Snyder, "hopeful and active candidate to head one of the large banks of the moneyed interests." Secretary Krug, "who is marking time in his government post while trying to make up his mind which of several large corporations he will allow to favor him with an executive position."

The text of Mr. Whitney's statement is attached.

Big business now dominates the government through its representatives in Truman's cabinet and in other government offices. Associated with Harriman in the cabinet are the following: Secretary of Navy James C. Forrestal, head of the Wall Street bank, Dillon, Read & Co., prewar bankers for German and Japanese industry; Secretary of War Robert Patterson, long-time attorney for the New York money ring; Secretary of Treasury John R. Snyder, hopeful and active candidate to head one of the large banks of these moneyed interests; Secretary of Interior James A. Krug, who is marking time in his government post while trying to make up his mind which of several large corporations he will allow to favor him with an executive position.

No labor leader has any power or influence, except when he gives voice to the accumulated misery and the just demands of the workers he represents. This human misery is the direct result of the paralyzing and monstrous abuse of the economic power for which Mr. Harriman now fronts.

Only in the last decade have American working men and women had the protection of statutory law in their basic democratic right to form and join organizations of their own free choice. Big Business is determined to destroy this right. To accomplish this end, Big Business interests have, for the time at least, dropped their philosophy of *laissez-faire* and have now maneuvered the government into serving their fascist ends of using the government against the people and to strengthen the hands of corporate interests.

Yes, Mr. Harriman:

"The rights and welfare of the people of the country as a whole must be protected against undue concentration of power in the hands of any group that can destroy our life and our democracy."

National Advisory Council Enlists FBI Help

At the instance of Under Secretary of State William L. Clayton, who expressed concern at last week's meeting of the NAC, that interdepartmental body has enlisted the assistance of the Federal Bureau of Investigation in protecting the secrecy of its documents.

Latterly the NAC has been unusually busy studying memoranda of its staff committee on the proper par values of the currencies of members of the International Monetary Fund. The American executive director of the Fund naturally has sought the guidance and assistance of the American Government, thus giving rise to much research activity in the five agencies which compose the NAC: State, Treasury, Commerce, Federal Reserve Board, and Export-Import Bank. In any case, the research staff of the Fund is too limited to do all the studying necessary within the restricted period ending Dec. 12.

It is therefore fair to assume that not the least cause of Mr. Clayton's concern is the fear that leakage of clues to the stand which the American executive director on the Fund is taking on any given currency's parity might lead to speculation in the exchanges before the Fund's announcement on or about December 12. Not only does the American executive director cast the largest national vote in the Fund, but for the reason mentioned above his position is likely to be so well buttressed with facts as to be very difficult to overcome on economic grounds.

What the FBI can do to insure all the various nationals connected with the Fund keeping its secrets is not self-evident. As pointed out by the writer at the time, one non-American appointee to high position in one of the Bretton Woods institutions brought along the reputation of being a heavy speculator in foreign exchange.

Stern & Co. Adds N. Friedman to Staff

Nehemiah Friedman is now associated with Stern & Co., 120 Broadway, New York City, members of the New York Stock Exchange. Mr. Friedman was formerly with Abraham & Co. and Albert Fried & Co.

Bailey & Selland Formed

FRESNO, CALIF.—Bailey and Selland has been formed with offices at 1157 Fulton Street, to engage in the securities business. Partners are John B. Bailey and A. L. Selland. Both were formerly with First California Company.

"Our Reporter on Governments"

By JOHN T. CHIPPENDALE, JR.

The downward drift in prices in the past week has carried some issues to new lows for the year. . . . This has not resulted so much from the pressure of securities seeking liquidation as from the quoting down of prices in order to avoid at this time the accumulation of inventories. . . . Informed followers of the government securities markets know that changes and readjustments in holdings will be taking place for the greater part of the month. . . . They also know that such conditions generally present a good buying opportunity. . . .

However, there is now, as always, the ever-present desire to buy securities as cheaply as possible, which means that until someone starts to pick up obligations at levels they consider attractive the market might move lower on light volume. . . .

Nevertheless, when this buying does take place, as some of it has in the past two days, it shows what a moderate demand, plus a thin market, can do to prices which were moved up rather sharply. This indicates that a decline, such as this one, that is due to temporary technical factors, can be followed by a quick and sizable recovery. . . .

BUYING OPPORTUNITIES

The shorter and intermediate maturities in many instances have gone through to new lows, and this will no doubt be welcomed by the commercial banks as a buying opportunity. . . . In some cases, it is being advised now that scale purchases be made with at least 50% of the amount to be acquired being taken on at present levels. . . . The 2s due June and December 1952/54 are being recommended as attractive for purchase at these prices. . . . Some of the income that will be lost in the Dec. 15 retirement has to be made up, and the longest taxable 2s seem to be likely replacements for the maturing 1½% notes. . . .

Aside from the partially exempt issues, which seem to be in a somewhat clouded position, because of the talk of tax reductions, there is very little that the commercial banks can acquire to keep up income. . . .

The 2½s due 1956/58, the 2¼s due 1956/59 and the 2½s due Sept. 15, 1967/72 are the only longer taxable bank issues that can be picked up to improve income. . . . The now eligible 2¼s due 1956/59 seem to be especially attractive to many money market followers and are being recommended as a replacement for the called 1½% notes. . . .

Factors influencing the market are Treasury financing, institutional year-end financial adjustments, the coal strike, talk of need for higher interest rates, as well as some selling of obligations to get funds that have been used to pay for corporate securities that were recently purchased. . . . It is indicated that there has been liquidation of government obligations in order to get funds that were used to pay for the purchases of the preferred stock of one of the country's largest industrial concerns. . . . The price was attractive, the issue went to a premium at once, and the insurance companies and other non-bank investors were large buyers of this security. . . .

STRONG MARKET FORECAST

There are many in the financial district who believe that there will be a much better tone to the market and considerable price improvement after the turn of the year. . . . The reasons for these opinions seem to be about as follows:

1. Business will tend to decline in the early part of 1947. . . . There is likely to be a falling off in sales, after the heavy Christmas buying, and the conversion from a sellers' to a buyers' market will have been about completed. . . . A prolonged coal strike would hasten this adjustment and might even result in a depression instead of a recession. . . .

2. A business decline would most likely end the rapid increase in loans. . . . It is believed that borrowings have about passed their peak and with inventory liquidation it is indicated there could be a rather sizable repayment of loans, which might amount to as much as $2 billions. . . .

3. War loan accounts will have been largely liquidated and there will not be the same need for liquidity as in the past. . . . With loans down, and not the same necessity to hold short-term obligations, against government deposits, it is quite likely that the commercial banks will be seeking longer-term government securities in order to maintain income, which has been impaired somewhat by higher operating costs. . . .

4. The debt retirement program will be much more effective in the future, because it will be either from taxes or refundings, and these will have a noticeable effect on the government securities markets. . . . Because of this it is believed that the Treasury will be much more deliberate in its debt management program during 1947. . . . Nothing will be done that will adversely affect the government bond market. . . . If business should decline, it is quite likely that there will be no debt redemption by the government. . . . There might even be some reflation to counteract the down trend if it should be severe enough. . . .

5. The return flow of currency from circulation after the Christmas period might amount to between $400,000,000 and $500,000,000 and while this will be offset largely by the open market action of Federal, it will no doubt bring some ease to the money markets. . . .

Year-end adjustments, window dressing, and Treasury financing will be completed this month and these favorable developments coupled with the usual demands that come into the market at the beginning of the new year should be the necessary ingredients for an improved government security market. . . .

DEBT RETIREMENT

While it is believed that future Treasury policy will be flexible in order to meet conditions as they develop, it is indicated that it will be definitely tied in with the business situation. . . . Debt redemption during 1946 was neither inflationary nor deflationary, because the deposits retired were not being used. . . . However, in the coming year it will be a different situation because debt redemption from surplus or trust funds will be anti-inflationary. . . . This would have an effect on the business picture. . . . Therefore, it seems as though the debt redemption program in order not to disturb the economic situation will be tied in with the volume of loans. . . . If loans should decline early next year and the peak is passed during February or March, it is quite likely that there will be no securities offered to ultimate investors. . . .

On the other hand, if loans continue to move up, and there is no let-up by March of next year, it seems to be a pretty safe bet that there will be an issue of long-term bonds to ultimate investors. . . .

The debt retiring policy in the future will be a much more effective quantitative credit control than in the past. . . . Too fast a redemption of securities would cut deposits too sharply and would be deflationary. . . . Loans and the velocity of deposits should be watched carefully for future action by the monetary authorities. . . .

LOAN DATA

The inquiry by the Federal Reserve Bank of New York into the composition of loans made by member banks, is one of the steps in the debt management program. . . . The Central Bank wants to know how much of these loans are for capital purposes. . . . These could be refunded through investment banking channels. . . . Seasonal working capital loans are important to the banks and the volume of these will have an important bearing on future issues of securities by the Treasury.

Production Outlook for Automobile Industry

(Continued from page 2899)

automobile production is arbitrarily restricted.

Strikes continue to hamper automobile production. The steel and coal strikes of last spring account for the loss of production of at least 1,200,000 motor vehicles. Strikes in the electrical industry have seriously interfered with the production of equipment vitally needed for the production of flat steel, which is most urgently needed.

In the automobile industry itself, in the 12 months ended Sept. 30, more than 73,000 man years of work were lost through strikes. This is substantially the equivalent of a full year's production of Chrysler Corporation. Even this incredible figure does not reflect production losses occasioned by strikes in the plants of vendors and suppliers to the automotive industry.

High absenteeism among workers, and excessive labor turnover, have both contributed seriously to reduced worker productivity. Indication of the high labor cost level currently prevailing is shown by factory employment as of the end of August, of 731,000 as compared with a peak in 1941 of 604,000.

Automobile Prices

Automobiles are currently being sold at prices approximately 50% over those prevailing in the immediate prewar period. Financial reports on the industry's operations for the first nine months of this year were unsatisfactory, and show substantial losses before credit for carry-back on excess taxes previously paid, a contribution to net revenue which will not be available next year!

Automobile prices can not be regarded as stabilized at current levels if costs are further increased by accession to labor's demands for additional increases in wages at this time.

While the demand for new automobiles appears firm at current price levels and under the prevailing conditions, the ultimate effect of further price increases on this demand will inevitably be restrictive. The market for automobiles has always been sensitive to price changes. It unquestionably still is. When the initial urgency of the demand has been met, the historic relationship between price and volume will doubtless reassert itself.

Whether or not a sustained demand for the capacity volume production of automobiles, even at prices currently prevailing, can be maintained is a question management, labor and the public should ponder. A continuation of the see-saw increase in wages and prices unquestionably will eventually bring about a limitation of production, and might easily be the occasion for touching off a deflationary spiral. No further increases in costs should be incurred until attainable volume returns a satisfactory profit.

Spare Parts Production

One bright spot is the magnificent accomplishment in the production of spare parts. Cars now have an average age of nearly 10 years, as compared with about 5½ years in 1941. The demand for spare parts to keep these aged vehicles operating has been unbelievably great. While the public has suffered some inconvenience, the fact that some 30-odd million vehicles of an advanced average age continue to operate is a testimonial to the success which industry has attained in supplying effective maintenance service to its customers of former years.

It seems anomalous to discuss the matter of used cars, but the prewar pattern called for the average car to serve about five users before it reached the scrap pile. The interruption to new car production occasioned by the war has disrupted this overall distribution system. A restored availability of automobiles in volume at all price levels, including the fifth-hand car user, depends upon the prompt resumption of volume production of new cars. At best, this day will be long deferred, because the interruption to new car production during the war period has cost the country a potential used car supply of something in the order of 15,000,000 cars.

In summary, the situation in the automobile industry contains may elements of strength—large pend-up demand, sizable consumer purchasing power, ample unused facilities to provide large-scale employment, and the potential for greatly increased production.

The danger spot is the labor situation. A new wave of strikes, interrupting production and inevitably causing price increases, would seriously threaten the continuing stability of the industry's operations.

The immediate problem is how to attain an increased productivity now which will validate past wage increases. Thrifty investors have provided magnificent plants, efficient tools and presently adequate working capital. Management has demonstrated the possession of the requisite "know-how." If industry fails to get going, the next great problem government, labor and industry alike are apt to face will be that of simple solvency, as has been on occasion before. Such an outcome would be the more a pity because this nation possesses all the material ingredients of success.

That 5-Day Week in Pa.

PHILADELPHIA, PA.—If affirmative recommendations by the Philadelphia and Pittsburgh Clearing House Associations may be regarded as signs of the times, it may be safely considered that a large majority of all Pennsylvania banks and financial institutions heartily favor the proposed 5-day week. Resolutions thus far adopted indicate a preference for a mandatory Saturday closing from May to September and permissive closing for the remainder of the 12 months. It is indicated that a bill providing enabling legislation will be introduced to the state legislature in January.

With Van Tuyl & Abbe

Van Tuyl & Abbe, 72 Wall Street, New York City, announce that Alfred W. Busby has become associated with their firm.

Securities Salesman's Corner

By JOHN DUTTON

If there is a business where constructive effort has a cumulative effect upon future results, it is the securities business. The trades you make today are the RESULT of the work you did yesterday. The people you know now are the people you met yesterday. The securities you are selling out today to establish tax losses, you learned about another day, and made it your business to remember. The new account that you opened last week, because some one of your old customers thought well enough of you to recommend them to you—this is the result of good work done in the past. The statement you uttered that turned an interview into a sale, even that too is the outgrowth of past learning and experience. Nothing we do today can help us tomorrow unless such an act is constructive. If we work intelligently today, even if we have no IMMEDIATE results to show for our effort, it will follow that eventually we will be rewarded. In this business it is true that "as ye sow, so shall ye reap."

This is such an obvious fact that it is strange that so many securities salesmen waste their time. When business is slow, such as it is now and has been for the past few months, there could be no better time to get out and MEET PEOPLE. Yet there are men who sit around their offices and bemoan the fact that they have nothing to do. If there ever was a time to get out and see some new prospects it is when business is dull. YOU CAN'T DO THIS WHEN BUSINESS IS GOOD—THEN YOU DON'T HAVE THE TIME FOR MISSIONARY WORK.

Last week the writer secured a list of about 20 prominent citizens who lived in a neighboring community, and went to work. In two days time he didn't make a sale. He didn't expect to make a sale. But he accomplished several more important things. He met about a half dozen QUALIFIED investors, who were pleased to grant him an interview. He got some cobwebs out of his head becaue he spoke to some new faces and acquired a new outlook. Next month when he has a promising situation to offer, he will have some new territory to work because he has already started to till the ground. He sharpened up his selling ability that had begun to get pretty rusty from lack of work. He got back some of his pep!

From now on until markets and retailing activity begin to pick up again, it seems like sound business to spend a day or two out of each week calling on new people. Twenty-five new prospects can mean a lot of difference in NEXT YEAR'S EARNINGS. But now is the time to start building up good will, not next year, then it will be too late. And don't forget, people are always ready to see another broker after the market has had a severe decline. People who buy securities always take the credit for their profits but if the market turns down and they have losses, it is human nature to blame their broker or their salesmen. Now is a good time for you to acquire some of my customers, and it is a good time for me to sell some of yours. This isn't funny—it is true after every market break. You are missing an opportunity if you don't try and pick up some new customers—you'll need them to make up for those which you are going to lose sooner or later. THE THINGS YOU DO TODAY PAY OFF TOMORROW!

Two With Schwabacher

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, CALIF. — Joseph F. Mazy and David C. Sherwin are now with Schwabacher & Co., 600 Market Street, members of the New York and San Francisco Stock Exchanges.

With Garrett-Bramfield

(Special to THE FINANCIAL CHRONICLE)

DENVER, COLO. — Garrett-Bromfield & Co., 650 Seventeenth Street, members of the Chicago Stock Exchange, have added Lloyd W. Hammer and Eugene T. Reel to their staff.

Harold S. Chase Opens

(Special to THE FINANCIAL CHRONICLE)

SANTA BARBARA, CALIF. — Harold S. Chase is engaging in an investment business from offices at 1012 State Street.

Joseph Wilder Opens

(Special to THE FINANCIAL CHRONICLE)

DENVER, COLO. — Joseph S. Wilder is engaging in a securities business from offices at 1101 Adams Street.

The Coal Strike's Impact at Home and Abroad

(Continued from page 2888)

trial process. Thus, a work stoppage involving the same number of workers in almost any of the industries producing final products would have consequences much less severe. For example, a shutdown of the automobile industry, the textile industry, or the construction industry, as costly as they would be, would not have the same immediate and pervasive effects upon the whole economy as will be the case with coal.

Three basic industries — railroads, electric power, and steel —account for about two-thirds of the total industrial consumption of bituminous. As these industries are dependent upon a continuous supply of coal, and as our industrial structure is dependent upon continuous operation of these three industries, the disaster involved in a prolonged coal shortage would be of almost indescribable magnitude.

The elimination of much of the coal traffic, sharp restrictions on passenger traffic, and the possible restrictions on freight traffic will stretch the railroad coal supply to some extent. But the evidence indicates that within 60 days the supplies of many carriers will be exhausted or so badly distributed as to create an unprecedented transportation crisis. A cessation of bituminous coal production for 90 days would require curtailment of rail transportation for all services except those absolutely essential to life and health.

Stocks of coal held by utilities vary widely. The most critical situation is in the states east of the Mississippi where industrial consumption is heavy and a high percentage of the electric energy is produced by coal. States in the east, north, central and middle Atlantic region particularly rely upon coal for electric power production with over 90% and over 75% respectively of the electric energy generated in those regions produced by coal. A complete stoppage of bituminous coal mining for a period of 90 days would result in the closing down of most of the electric utilities which use coal as fuel.

Due to insufficient coal supplies and the lack of transportation for materials, steel production declines immediately with the start of a coal strike. Bituminous coal accounts for 80% of the fuels and materials used. It is estimated that three-fifths of the plants producing steel will be forced to shut down after 60 days of the coal strike.

Production of bituminous coal has been increasing since the tie-up of last spring at a rate which has permitted some rebuilding of stocks, although both absolutely and in relation to the level of use, industrial stocks are lower now than they were last April. The data of the Solid Fuels Administration show that in all of the major classifications of users there are some plants with 10 days' supply or less, and that a very substantial segment of each group has 30 days' supply, or less.

According to the Department of Interior the total amount of coal above ground at the beginning of the present strike amounted to 75,850,000 tons.† At the September rate of consumption this is equivalent to 53 days' supply for all purposes assuming that no rationing measures are applied and that available supplies could be and would be redistributed.

Bituminous coal is not a homogeneous commodity, and not all coal is interchangeable for all uses. Stocks in users' hands are frequently adapted to their particular kind of operation. The coal that is commercially marketed consists of a wide variety of sizes, chemical constituents, and burning qualities. Coking coal is a specialized coal produced in a relatively few mines. Coal stocks outside the coke industry could not be shifted to coke manufacture in order to keep the steel industry going. The same is equally true of the coal that is used by city gas companies for manufacturing gas, and to a degree is true also of steam coal used by electric utilities.

Even a redistribution of stocks would not prevent widespread adverse economic repercussions developing long before the stockpiles were reduced to zero. Stoppages could be expected to occur very promptly in some segments of the economy—indeed, some already have occurred.

The stocks likewise are very unevenly distributed among industrial users, and any attempt at widespread shifting would involve machinery for so doing not now in existence, and the shifting would involve the use of transportation which itself will be critically hit by the stoppage of bituminous coal production.

The magnitude of rationing measures required and the actual task of redistribution in order to consume the last ton of coal available would pose an impossible administrative burden.

Overall Effects on Economic Activity

With only a small amount of production flowing from bituminous mines that are likely to remain open, with the need for conservation imperative in the light of the uncertainty about the resumption of mining, with the existing supply for some uses likely to be quickly exhausted, and with the uneven distribution of stocks acting as a brake upon industrial output and distribution, what is the effect of a prolonged bituminous coal stoppage upon the general economy?

It is not possible to speak with exactness about what must be a matter of informed calculation, since we have not had prior experience with a prolonged coal stoppage at this stage of production and consumption. But taking into account the rate of adjustment that occurred last spring, and applying this experience to the present situation, and evaluating relevant material of the relationship of coal consumption to the level of national output, we may secure an approximation of the serious and cumulative effects upon the general economy.

As accurately as they have been able, the technicians of the Department of Commerce have estimated that industrial production at the end of a 60-day period will be down about 25%, and will continue to decline sharply if the coal flow is still stopped.

By that time employment would similarly be falling at a rapid rate. Business would have to make adjustments in their operations, and it is calculated that the loss of incomes to workers would be at a monthly rate of over a billion dollars. This would mean enforced idleness equivalent to 5 million full-time workers.

These direct losses would be accompanied by incalculable harm to all parts of the economy. Profits cease in businesses which are shut down, and will be curtailed in others which will only operate under conditions of severe and increasing hardship.

The vast repercussions upon all sectors of the economic system of delay in settling this conflict can be summarized in terms of the national income. It is estimated that the annual rate of national income, now running at $170 billion, will drop to $150 billion after two months.

It is readily apparent that a prolonged coal stoppage would involve a major disaster to the economic system and to the welfare of the American people at any time. However, the present economic condition of the Nation makes industrial disruption at this moment of particular consequence. We have come through the greatest war in history with our economy badly out of balance and with very large accumulated shortages of many types of goods. Since the end of the war substantial progress has been made in reconversion, in decreasing accumulated shortages, and in moving toward a balance in supply and demand. Nonetheless, the Nation is still in an inflationary situation with dealers' stocks of many goods at low levels. Curtailment of production at this time will materially add to the distortions of the price system and introduce maladjustments into the economic mechanism that will not only be immediately disruptive and costly, but will require a long period to remedy.

Effect on Civil Aviation

It is appropriate to mention the effect of a prolonged coal strike on the operations of the Civil Aeronautics Administration and civil aviation generally. The operations of the CAA and airline operations will not be greatly affected by the coal strike if it does not last beyond 30 days. If the stoppage in coal production, however, should last beyond 60 days, power failures and the resultant collapse at critical points in the airways communication and air navigation system would bring to a halt airline operations and other civil aircraft operations in the areas affected. By the end of 60 days on the basis of best estimates available approximately 35% of all airline operations within the United States would cease; and, in addition, approximately 38% of all trans-Atlantic operations would be halted.

Damage to Small Business

Special mention should be made of the impact upon small business, which, with limited resources, will be less able to withstand the financial losses which are bound to occur. Not only will small producers be directly affected by the shortages of fuels, materials and supplies, but the small businessman in the distribution and service trades will suffer a progressive loss of income as his customers are forced to curtail their buying.

We had been banking on a very large rise in the number of small business undertakings to boost the civilian output above prewar levels. This hope is in a large measure being fulfilled by the numerous veterans and former war workers who have been going into new businesses. It is on the success of these new businesses that a good part of the post-war prosperity must be founded. However, the new businesses are in a very precarious position during their infancy. They started with limited financial resources and since the war have not had time to build up any major reserves. Even small businesses which have been in existence for some time have not built up strong cash reserves. Hence, any serious interruption in the output or activity of these firms will put a drain on their financial reserves. It can be expected that any serious drain on financial reserves at this time would substantially speed up the outright failure of small business enterprises.

The small businessmen are not unaware of the difficulties which face them. On the basis of a survey to small businessmen on Nov. 25 responses from small manufacturers, wholesalers and retailers showed deep concern about their business prospects should the coal strike last for any prolonged period. For example, 60% of the manufacturers, 42% of the wholesalers, and 35% of the retailers

† Exclusive of an estimated 10 million tons in household bins.

reported that they expected the continued coal shortage would definitely affect their employment by the end of January; 75% of the manufacturers, 82% of the wholesalers, 77% of the retailers reported that it would affect their sales. When asked what kind of effect the coal strike would have, 37% of the small manufacturers expected to shut down completely by the end of January. Another 37% expected that it would be necessary to lay off some 26 to 99% of their employees. Among the wholesalers, 21% expected to shut down completely and an additional 35% expected a decrease in employment of 26 to 99%. Among the retailers 19% expected to shut down completely and 40% expected lay-offs of from 26 to 99% of their employees.

In respect to sales about 26% of the manufacturers, 12% of the wholesalers, and 9% of the retailers expected a decline of 100% by Jan. 30; and over one-third in each category expected a decline in sales which would range from 26 to 99%.

Another survey of small business conducted on Nov. 26 also testifies to the damage expected by the small businessman. Interviews were held with 1,448 small manufacturing establishments in all sections of the country (each of them with fewer than 250 employees, in the aggregate employing 154,240 production workers). These small manufacturing establishments reported that if the coal strike continued, their production employment would be curtailed by 15% in 10 days, by 50% in 30 days, by 73% in 60 days and 82% in 90 days.

Injury to the Consumer

It should be recognized that in the long run the costs of the economic disruption indicated above will be largely borne by the consuming public. But more than this, the consumer will suffer immediate and, in many cases, irreparable injury. Approximately 55% of the households of the Nation are heated by coal, 38% by bituminous coal. Few of these households have, or could have, accumulated stocks of fuel sufficient to permit them to maintain adequate heat for any prolonged period. Many households, dependent upon coal supplies from local dealers, will have to shut down furnaces or stoves almost immediately.

Should the strike be prolonged, many additional homes — heated by manufactured gas or by oil burners dependent upon maintenance of electric power—will be unable to maintain heat. It must be urged that this means more than discomfort. It means lowered vitality, lessened ability to work, the possibility of serious illness and even death for many.

Perhaps the most serious threat to health is the possibility that the hospitals in the Nation will not be able to maintain heat. To this threat must be added the dangers which will arise when, because of lack of coal, necessary public utilities such as water supplies, garbage and sewage disposal, cannot be adequately maintained. At the same time, medical supplies will be impaired both because of the extra demand for these supplies and because of the inability of drug-producing firms to continue in operation without coal.

Finally, provision of most of the basic necessities of life for large segments of the population is dependent upon maintaining the supply of coal, either as a direct production factor, as an essential element in the production of needed materials, or in enabling the transportation of goods to the markets. Particularly in our urban centers where processed foods are so essential a part of the diet and where railroad and shipping facilities must be maintained in order to bring new supplies in from producing regions, will this pinch be felt, and felt hard.

Apart from the direct and immediate effects indicated above, a large segment of the consuming population will shortly find itself hard pressed to purchase even the supplies that are available as the spreading paralysis of the economy resulting from the coal shortage shuts down the industrial plants of the Nation and throws out of work—and out of income—the wage earners of the country. This loss of purchasing power will result in increasing inability of the population to buy the things it needs.

U. S. World Economic Position

The work of the Department of Commerce under its statutory obligation in the field of world trade and economic relations indicates that the stoppage of coal production will also seriously damage our economic and political position in international affairs. Not only will it prevent our meeting current commitments to foreign nations but it will hamper world recovery and thus threatens irreparable injury to the fundamental interest of this Government in security through the maintenance of peace by international cooperation in accordance with the principles and purposes of the United Nations charter.

In the first place, this government is committed to the furnishing of about 2 million tons per month of coal to European deficit countries. Since the end of the war, these countries have become largely dependent on the United States for coal. During the year ending July 1, 1946, 43% of the coal imports of the Western European countries, including Italy, came from the United States. This represents about one-fifth of their total consumption. Prior to the war their imports from the United States were negligible, and Germany and the United Kingdom were then large coal exporters. Without supplies from the United States, or with curtailed deliveries, these European countries, already hard hit by war and occupation, will not be able to sustain even a minimum economy. Since they have only negligible, or in some instances, no coal stocks, and their indigenous production is inadequate even for minimum needs, any curtailment whatsoever of expected and agreed imports from the United States would result in irrevocable human and property damage and as well a serious setback to their reconstruction.

Supplies of coal from the other exporting countries, namely, Germany and Poland, are already just as tightly allocated between the various deficit countries, so that there is no possibility of making up our deficits in our committed deliveries at this time. In other words, there is no flexibility by way of alternative sources of supply or possibility of substitution, so that there will be an immediate and irrevocable injury from any failure on our part to meet these obligations.

In addition, this government has commitments to deliver to certain European countries an agreed quantity of basic foodstuffs — largely bread grains and flour— without which the diet in those countries would be at a starvation level. As a matter of fact, we have already fallen seriously behind in our agreed deliveries, mainly on account of the recently terminated maritime strike, and we will be able to live up to our commitments only by increasing our deliveries between now and early next year up to the maximum capacity of our transportation system. The time element is of vital importance as it would not be possible to make up or alleviate the results of diminished deliveries in these stringent circumstances.

On the basis of information furnished by the Office of Defense Transportation as to the effect of the coal strike on the performance of our domestic transportation system, it is clear that, regardless of what priorities may be established in the use of transportation, bulk shipments of the size here involved—one million tons per month—will have to be substantially curtailed in the event of a continued coal stoppage with the immediate effects already indicated.

The foregoing observations cover the direct results of a stoppage of coal production and food deliveries taking place immediately and increasing in their impact with the duration. In assessing the impact of such a stoppage for a period beyond 60 days, certain indirect effects also assume very serious proportions.

We are committed to deliver abroad a great variety of operating supplies and producers' goods not only to further the reconstruction of war-devasted areas, but as well to support the production of commodities essential to our economy, e.g., tin from Bolivia, lead from Mexico, wood pulp from Sweden. The lack of coal and the consequent falling off of our industrial production, particularly of steel and finished goods made therefrom, will be reflected at an accelerated rate in sharply curtailed deliveries of the aforementioned supplies.

Finally, it should be pointed out that the aforementioned obligations are an integral part of this government's policy to seek our national security through international collaboration, as approved by the Congress in authorizing our participation in the United Nations and by approving the establishment of specialized international economic agencies involved therein and making funds available for them. Also, it is pertinent that the Congress has made large sums of money available directly, and through the Export-Import Bank, for necessary financing in furtherance of the foregoing objectives, and has authorized even after the cessation of hostilities the continuance of the President's war powers, including allocations, export controls, and the rendering of priority assistance, to be used, *inter alia*, for carrying out the aforesaid obligations. That is to say, we are concerned here with obligations of our government, determined by both the executive and legislative branches to be as valid and as vital to the public interest as the winning of the war itself.

Should the United States fail to make the shipments of coal and food referred to above, as will be the case if the stoppage of coal production in the United States is continued, chaotic conditions will inevitably develop in the countries of destination and the prestige of the government of the United States and its interest in national security through international cooperation will be irreparably damaged.

Truman Again Backs Jewish Homeland

The delegates at the 23rd annual convention of Junior Hadassah in Atlantic City, N. J., on Nov. 27 received a message from President Truman reaffirming that support of the Jewish National Home in Palestine and the admission of 10,000 Jewish displaced persons is the Government policy as well as his own and receives his full support. The President also declared, advices to the New York "Times" added, that it is most gratifying to find so many representatives of the generation which took part in the recent war taking a deep interest in the various public issues facing our country today.

Municipal News and Notes

Members of the municipal bond fraternity, particularly those in the underwriting departments, are not likely to have much time for Christmas shopping in view of the present substantial volume of business scheduled to develop over the next few weeks. As a matter of fact, the signs are that December will prove to be the busiest month this year for those engaged in the purchase and distribution of municipals.

Heading the list of important undertakings currently in view is the $46,000,000 Pennsylvania Turnpike Commission revenue refunding bonds, for which bids will be entertained on Dec. 17. Proceeds of the sale will be used by the Commission in the redemption of its presently outstanding $40,800,000 3¾s of 1968 and to provide for improvements to the highway facility.

Although payable exclusively from tolls, the projected new obligations are expected to prove attractive to investors, particularly in view of the demonstrated earnings capacity of the project. While revenues fell off sharply during the war years, as result of restrictions on automobile travel, the results since the relaxation of controls have been impressive and in keeping with original projections.

The outstanding 3¾% bonds, incidentally, are not callable until Aug. 1, 1947 at the earliest and the Commission, in deciding to negotiate the refunding at this time, evidently believes that the terms currently available in the money market will materially offset the temporary dual interest burden involved in anticipating actual need of the funds.

While the Turnpike issue tops the present calendar of impending sales, it will be preceded by a number of projects of substantial size. Chief among these, of course, is the $23,200,000 Baltimore, Md., issue scheduled to be awarded tomorrow (Thursday). This financing is entirely for new capital purposes and, in that respect, lends emphasis to the general belief that a substantial flow of new municipal borrowings is definitely in prospect. This is one of the factors (the other being the future value of the tax-exempt feature), that has exerted such a depressing effect on the municipal price level and market activity generally in recent months.

Investors, generally, believe that the twin factors of greatly increased supply and lower tax rates will result in a material expansion of yields. For this reason, they are increasingly disposed to remain on the sidelines, a fact that has been clearly evidenced in the difficulty experienced by underwriters and dealers in distributing new offerings and in reducing inventories.

With the Baltimore transaction out of the way, the trade will be required to center its attention on the series of substantial deals scheduled to take place during the week of Monday, Dec. 9. On that date the Canton City School District, Ohio, will open bids on an issue of $2,925,000. This will be followed by Tuesday's awards of $13,500,000 Los Angeles County, Calif., school district bonds and $9,450,000 rural credit certificates of the State of Minnesota. On Tuesday also, Fair Lawn, N. J., will assess tenders on an offering of $900,000 bonds. The calendar for Wednesday is, at this writing, highlighted by the $1,850,000 Euclid City School District, Ohio, offering. Thursday will mark the opening of bids on the $10,000,000 new capital bonds being offered by the Chicago Sanitary District, Ill.

Other substantial undertakings on tap for the month of December include the following: $8,500,000 City and County of San Francisco, Calif., on Dec. 16; $46,000,000 Pennsylvania Turnpike Commission and $2,000,000 Fort Worth, Texas, both on Dec. 17; $2,560,000 Richmond, Va., and $1,248,000 Trempelau County, Wis., on the 18th; $5,000,000 Philadelphia School District and $3,500,000 Louisiana State University and Agricultural and Mechanical College, on the 19th; and $2,500,000 San Diego County Water Authority, Calif., on the 20th.

It will be seen from the foregoing resume that no respite is in sight for the trade, despite the fact that the market is considerably less than active. Similar inertia in the past, however, has been quickly dissipated on the heels of a fast-moving deal and it may well be that such a stimulant may again be presented. Manifestly, such an occurrence would constitute the best posible Yuletide present for both underwriters and dealers.

Swan-Rowley Incorporates

JAMESTOWN, N. Y.—Swan-Rowley Co., Bank of Jamestown Building, is now doing business as a corporation. Officers are C. Lynn Rowley, President; C. L. Rowley, Jr., Vice-President; A. W. Swan, Treasurer; and T. E. Purcell, Secretary. All were previously connected with the predecessor firm, of which C. L. Rowley and Mr. Swan were partners.

American Industry Supports Worldwide Economic Freedom

(Continued from page 2899)

nomic Relations which formulated the position on cartels, intergovernmental commodity agreements, bilateral trade agreements and other impediments to a free, private economy, which I am going to talk about today.

The Board of Directors of the National Association of Manufacturers subsequently approved these positions. The National Association of Manufacturers is composed of over 15,000 manufacturers who are responsible for greater than 80% of our nation's production and who employ more than 75% of the manufacturing workers in the United States.

Cartels

American industry has taken a position against cartels. I should like to quote two succinct paragraphs from this position:

"The National Association of Manufacturers stands squarely against cartels of every description, both private and governmental."

"The United States Government and the great majority of its business men are opposed to the cartel system. We therefore propose that the United States Government should take the lead and seek to promote voluntary agreements with other nations to prevent the formation or operation of international cartels and should seek the abrogation of those already established."

Cartels are a defense mechanism. They are based on **weakness**; not on **strength**—a weakness born of a fear of competition. Cartelization is the antithesis of the free enterprise system, which is founded on the basic principle that competition is the life of trade. Competition assures the consuming public low prices. Cartels assure high prices. No group of men ever sat around a table and fixed low prices. Free competitive private enterprise is the only instrument that fixes low prices. If industry fixes prices, government will control industry in an attempt to protect the public. Those who advocate cartels must realize that this is merely a forerunner to nationalization of industry.

Nationalization of industries has been flourishing in Europe since the war. However, it is doomed to failure. Nationalized industries, plagued by political controversies with resultant inefficiencies produce nothing but high costs and are easy prey for the modern free, private enterprise system.

American business men know that cartels foster monopolistic practices. They are convinced that private cartels are bad and governmental cartels are worse. They are convinced that one of the most important reasons for the high standard of living our country produces is the legal restraint which we place on monopolies and cartels.

Competition stimulates all business to do its best, and insures for the consumer freedom to choose from an ever-more plentiful and more varied supply of the good things of life at progressively lower prices. Trade functions in this way when there is fair play and freedom from control. It cannot continue to bring more things within the means of more people when it is cartelized. Monopolistic practices always strangle business and short-ration the consuming public. Labor unions should be the last ones to support cartels. The very fact that cartels limit production means they increase cost. The laboring man as a consumer gets less for his wages; therefore, he automatically lowers his standard of living.

American industry is unalterably opposed to intergovernmental commodity agreements. Intergovernmental commodity agreements embrace the very essence of cartelization; they deny the fundamental basis of the free private enterprise system, the supremacy of the consumer. The consumers, by their buying or abstention from buying, ultimately determine commodity prices. The structure of prices determines the size of production in each of its branches. A profitable industry tends to expand, an unprofitable industry tends to shrink. Inefficient producers are forced to close down. Real competition makes industry keen and progressive. The efficient prosper.

Intergovernmental commodity agreements are uneconomic because they restrict output far beyond that which the automatic action of a free market would. They substituted monopoly prices for competitive prices. They fix these monopoly prices high enough to protect inefficient and submarginal producers. This raises the average cost of production and spells a higher price to the consumer, which results in a smaller volume of business, unemployment, and less profit to the manufacturer.

American manufacturers are in favor of multilateralism. They believe that goods should flow freely between countries unhampered by any restrictive barriers. They are vitally interested in promoting multilateral trade and putting an end to bilateral agreements involving quotas, other forms of quantity controls, foreign exchange restrictions, allocations, and manipulations, and all other artificial obstacles to trade usually associated with bilateralism.

A country that depends heavily on foreign trade—both export and import—for her economic welfare cannot afford bilateral trade agreements. Bilateralism reduces total foreign trade, and it is often based on pressures that extend far beyond mere economic needs of the countries involved.

There are many other barriers and impediments to a free, private economy. Time prevents my covering all of them. However, I am sure you would feel that I was evading an all-important issue if I omitted discussing tariffs.

Tariffs

Tariff, as you know, is a knotty problem and it continually confronts all nations. As the world's greatest creditor country, we in America have the responsibility for leadership in attempting to free international trade of its barriers. However, you must realize that we are faced with the fact that other nations maintain tariff barriers against us and some of them high ones, too. Furthermore, you must keep in mind that for more than a century our economy has developed under a system of tariffs. It also must be realized that tariff rates may not be as important as exchange controls, quotas, import barriers, etc. Of course, I recognize that there is a great deal of theoretical merit to the principle of free trade. I also am aware that it may not be possible in practice to eliminate all tariffs within any future which now can be foreseen.

For this reason, American industry recommends that the overall national policy of our government be one which will gradually reduce protective tariff duties wherever possible with net economic benefit instead of net economic harm.

In America, the free enterprise system has provided the largest market in the world. All nations are anxious to sell in this market and American manufacturers are anxious that they do—not, however, at fictitious prices which do not reflect true costs but costs adulterated by subsidies or other subterfuges. Nor do we want any goods sold in the United States which have been produced by literal starvation wages. That is not the way our economy was built up, but it is the way it can be broken down.

The end of the second World War has changed the world trade picture considerably, but it has not changed the underlying purpose of world trade. This purpose remains the same. It is simply to exchange goods and services between countries for mutual advantage. World trade vitally affects the living standards of all countries which take part in it. However, it can only raise the standard of living if the following are consistently recognized:

1. Foreign trade is a two-way street on which traffic out of a country must eventually be balanced by traffic into a country.
2. If trade is to be constructive and lasting, it must earn a profit for both participants. Need alone does not create or motivate world trade. Before trade can flow, there must be human initiative and effort, motivated by a chance of a fair and profitable exchange.

Role of World Trade

American industry recognizes the part that world trade plays in the establishment and maintenance of world peace and prosperity.

The role world trade plays in maintaining world peace is tangible and real. If the exchange of goods between two persons or two countries is on a friendly and profitable basis, there is no incentive or desire to change that basis. The prosperity of the world depends on not only the volume of world trade but the manner in which it is conducted.

American industry holds that competition and free, private enterprise is the only known economic philosophy that makes this prosperity possible. An economic philosophy that has produced the wealth and industrial achievement of our country cannot be disregarded in any plan for world prosperity.

Our American system of free, private enterprise speaks for itself. We have the living, vital proof; this is the best refutation possible for any promises the collectivist theorists can make.

Our standard of living is the highest in the world, and we enjoy more individual liberty, more educational advantages, more facilities for recreation, as well as more economic security than the people of any other nation in the world.

The American worker can buy more with the wage from an hour's work than any other worker in the world. We produce 77% of the world's automobiles. There is one automobile registered for every five persons in the United States; the four other most prosperous nations have one automobile for each 32 persons.

We have many times more radios, telephones, washing machines, vacuum cleaners, electric ranges and other conveniences per capita than any other country.

More than 14,000,000 families in the United States own the homes in which they live. This is a third of the total number of families. These homes are worth over 40 billion dollars.

More than 4,000,000 farmers own and operate their own farms worth more than 20 billion dollars; in addition, they own more than ten billion dollars of farm implements and live stock.

70,000,000 persons hold insurance; 40,000,000 persons have money in the bank; 75,000,000 own government bonds.

Now, I realize these statements sound very immodest and I also know Americans have a reputation for immodesty. However, they are facts and they are only offered as proof that free, private enterprise has actually produced more world prosperity than any other known economic philosophy. These are not promises, these are performances. We, in America, are proud of our history that the luxuries of one decade become the necessities of the next.

America's production is its wealth. Production is the best road to a high living standard. Our goal is to produce more goods for all the people rather than to divide the goods already produced.

A standard of living depends on individual productivity. We can hope for an improvement in the standard of living only if the cost of this production is progressively reduced. Our goal has always been to produce more for less.

America's war production record amazed the world. I have visited several of the European countries recently and everywhere people applaud not only the quantity but also the quality production record of American industry. There is an awareness on the part of all people that this production record could only come from a virile and dynamic economy. Free private enterprise has fostered and developed this virile and dynamic economy for the past 150 years.

American Manufacturers' Responsibilities

I believe American manufacturers have a responsibility to lead the way in achieving the maximum of world peace and prosperity. This is a responsibility which must be shared by all freedom-loving people of the world.

The challengers of competition and free private enterprise seem to forget that political freedom can last no longer than economic freedom. One cannot survive without the other. Any attack on economic freedom is an attack on all individual freedom—political, social, and spiritual.

Anything that leads to servitude leads to destruction. We have had the most destructive war in history in the past decade. This war was the result of the determination of a small group of men to make the individual subservient to the State. On Nov. 5 we had a political election in the United States. The forces of the right won an overwhelming victory. Governor Dewey remarked that he is convinced that our people want government that will serve the people without trying to become their master. We do not want another war. Economic freedom as well as freedom to express the genius and abilities of the Belgian people, the American people, and the people of the entire world is the best guarantee of peace.

It was with this idea in mind that the National Association of Manufacturers, under the guidance of its Committee on International Economic Relations, initiated the International Business Conference. This conference was held at Rye, N. Y., in November 1944. At this conference, Belgian industry was most ably represented by Emile Bernheim, Charles Fonck, Jacques Dupont, Rene Fribourg, Daniel DeGorter, A. J. Leenaards, Jules L. Roose, Alex. Salkin, and C. E. Schroeder.

The purpose of this International Business Conference was to bring together representatives of business organizations all over the world to discuss economic problems which affect the business interests of those countries and to help establish a better basis for world relations and world trade.

Free Enterprise Essentials

One of the sections of this conference dealt with "private enterprise." The consensus of opinion of that section was that the free private enterprise system was the best-known means to effectively bring about world prosperity and employment, to secure and maintain world peace, and assure thereby a higher standard of living for all peoples. It was urged that governments adhere to the principles of free, private enterprise, which are:

Equality of opportunity;
Equality under law;
Reward for initiative;
Privilege for thrift;
A tax structure that encourages incentive and risk;
Elimination of monopoly;
Abstinence of government from competition with private business;
Freedom of production and sales.

American industry enthusiastically endorses these principles. We have pledged ourselves to fight any and every attack of our free, private enterprise system.

We want to enlist the help of all peoples. We are convinced that this economic philosophy of freedom is the only way to achieve a maximum of prosperity and a lasting peace for the whole world.

In 1805 Lord Nelson sacrificed his own life while winning the Battle of Trafalgar. Then Belgium's recovery was rapid. William Pitt commented, and I paraphrase:

"Belgium by her own exertions has saved herself; by her example, she may help save the rest of Europe."

I should like to amplify this statement and say that once more Belgium by her own exertions has made the fastest economic recovery of any occupied country in Europe; by her example of fostering the spirit of free, private enterprise, she can help save the rest of Europe.

Army, Navy Budgets

Army and Navy chiefs conferred with President Truman November 14 on budgetary matters according to Washington dispatches of that date to the Associated Press. Present at the meeting were General of the Army Dwight D. Eisenhower, Chief of Staff; Admiral of the Fleet Chester W. Nimitz, Chief of Naval Operations; Major General George J. Richards, War Department budget officer, and Fleet Admiral William D. Leahy, Chief of Staff to the President. Two weeks earlier Mr. Truman had stated that no further reductions in Army and Navy expenditures were contemplated, and noted that he had directed in August that the War Department cut its budget from $9,000,000,000 to $8,000,000,000 and the Navy from $5,800,000,000 to $5,150,000,000.

Decontrol Board to Remain on Job

Signifying complete approval of Administration orders virtually ending price and wage control, the Price Decontrol Board advised President Truman Nov. 14 that its three members were prepared "to hold themselves available for any business which may properly come before the board for as long as the present price control law remains on the books." Announcing this, White House Press Secretary Charles G. Ross said, according to Associated Press Washington advices of that date, that the President does desire the board to stay and that he would advise members of the board accordingly. Mr. Truman's decontrol order removed all wage controls and all price ceilings except those on rents, sugar, syrup and rice.

German-American Trade Getting Under Way

(Continued from first page)
port exhibitions — slightly reminiscent of the Leipzig Fair — to show products which are actually available for export now, as well as those which shall be when raw materials are obtained.

To a very slight degree, exports have already begun to trickle out of Western and Southern Germany. While still being insignificent, they have shown a tendency to increase during the last months. In the U. S.-occupied zone, 3,000 tons of bauxite were recently sold to Sweden and Norway, $50,000 worth of electrical goods were exported to Austria and Yugoslavia, $10,600 worth of railroad switches to Norway, $450,000 worth of shuttle eyes and $1,400 worth of chemicals to Britain, $1,080,000 of Diesel motors to France and $11,000 of dyestuffs to the Netherlands; a substantial order for construction timber has been placed with Great Britain.

An import-export agreement between the American-British occupation zones and Switzerland, the first of its kind, has just been concluded, while trade with other countries is still tied by complicated barter agreements.

The determined policy of our diplomatic and military authorities to get German economy again into second gear is fully backed and promoted by U. S. business and financial circles.

"There is such a shortage of goods in the American market that what Germany would provide would be welcome," Mr. Haggot Beckhardt, economist for the Chase National Bank of New York, declared recently after he returned from a trip to Europe. His statement was backed up by Mr. Randolph Burgess, Vice-Chairman of the National City Bank of New York: "What now is needed is positive action to get things going with trade, to get exports to pay for Germany's food and other necessary imports." And Mr. Philip Reed, Chairman of General Electric Company, added: "If we could get the American importer and German exporter where they could meet, we could do business."

To do business with Germany again opens valuable prospects for American industrial and trade groups. The present evaluation of the U. S. dollar abroad puts the American importer in a bargaining position which is far superior to that of any foreign competitor. And the present high level of American prices makes the bulk of Germany's export goods easily salable on the U. S. home market.

What Can the U. S. Buy From Germany Now?

Undoubtedly, the prewar structure of American purchases from Germany will be thoroughly changed; and their volume will have to be cut sharply for many years to come. There are several factors which curtail and change the composition of our possible imports from Germany severely. First, the Potsdam agreement either prohibited or restricted the production of many German goods which were not considered necessary for peaceful economy; it so happened that some of them were continuous items on the German export agenda to this country.

Second, the Soviet occupation of Eastern Germany, and the loss of German areas to Soviet satellites excluded these parts economically from the world market. The production of these areas was and is either shipped to the Soviet Union and its satellites under alleged reparation titles; or the factories themselves were, and still are, dismantled and transplanted by lock, stock and barrel behind the Iron Curtain.

Furthermore, wartime destructions and dislocations had a very damaging effect on several industries. While 90% of the railroad transportation system in the American zone has already been reconstructed, the severe coal shortage and the serious food deficiency are most critically hampering the reconstruction of most industries.

Finally, the division of Germany's economic unity into four zones with different governments, plans, rules and an over-abundance of red tape supplies continuous curbs and restraints to the endeavor for economic recovery.

At least 10% of Germany's prewar exports to this country belonged to that group of "specific war industries" the production of which has been strictly prohibited by the Potsdam agreements and the subsequent resolution of the Allied Control Commission in March, 1946. This category includes not only arms and ammunition, but also seagoing vessels and aircraft which we imported from Germany to the amount of several million dollars every year; and in addition, ball bearings, heavy machines and specific chemicals.

On the other hand, at least 12% of our imports from Germany in the last semi-peaceful years belonged to what is definitely considered as "peaceful industrial production" by Allied agreements; the resumption and expansion of these "light exports" is encouraged by Military Government. Since most of these products are high-quality, high-priced consumer goods which had so large a share in swelling the U. S. imports of this year to record-size level, they fit well into our present import trends.

A survey shows that fully satisfactory substitutes for these German goods have hardly been developed on the U. S. market or in foreign countries during the past years while we were unable to buy them from Germany. Their value is mainly determined by highly skilled and tradition-trained labor on relatively low wage levels. This specialized German labor reservoir with its know-how and experience is still available, and a wide variety of their products are likely to satisfy urgent needs in this country.

The Revival of Toy Exports

One of the oldest items of German exports to this country will appear again in American retail outlets—toys, the main production centers of which are situated in the North Bavarian, American-occupied zone. Nuremberg, center of this industry, has already been visited by American buyers, and a first order of 11 carloads has been placed for the coming Christmas season. According to a communication of the Bavarian Secretary of Commerce from Oct. 18, toys worth 1,000,000 marks are available for export this year; the first American order amounting to 370.000 marks amounts to less than 4% of the value of our yearly prewar purchases of German toys. American dealers express the opinion that U. S. consumers would easily buy at least the prewar quantities again — especially dolls, Christmas tree decorations, artistic toys—as soon as they will be available, which may be during the next year.

More important in dollar terms are the German optical goods, radio cabinets and kindred items of high mechanical precision value. It is rumored that RCA and Philco are negotiating an order of 50,000 radio cabinets with German manufacturers. $86,700 worth of Leica cameras were sold in October to a New York company. Though the biggest plant of Germany's optical industry, the Zeiss Company at Jena, is situated in the Soviet occupation zone, and its full production claimed and taken by Russian authorities, there are several medium and smaller plants in the American-British zone which can supply badly needed items to our market which—before the war—absorbed over $5,000,000 worth of optical and precision mechanical German goods per year.

Old Handicrafts and New Industries

The situation is similar in the chinaware, earthenware and porcelain industry which before the war supplied over 200,000 tons a year to this country. Some major plants are in the Russian-occupied zone and heavily producing for the Soviet market, such as the famous Meissen and Dresden factories which are now turning out table sets decorated with Marshal Stalin's portraits. On the other hand, the Rosenthal porcelain working plant, the Nymphenburg factory and the many small manufacturers of the North Bavarian district, all of which delivered substantial quantities to this country before the war, will soon be able to produce again for export, American Military Government has concluded barter arrangements with Czechoslovakia for the importation of $1,000,000 worth of raw materials which are necessary for the production of approximately $8,000,000 worth of Bavarian china. At present, four-fifths of the Bavarian porcelain industry is working on American Military Government orders, a high percentage of their output being destined for export.

The value of American imports of jewelry, precious stones and imitations increased five times in the last decade. Although the imports of such goods from Germany were insignificant before the war, it may be assumed that they will grow now; for the old, highly skilled native German industry of non-precious jewelry in the Idar, Lahe and Oberstein districts has been strengthened by a sizable influx of refugees from the Sudeten in Czechoslovakia. They had formerly built up the Czech production and export of glass and kindred costume jewelry.

For the same reason, artificial flowers which America bought in substantial quantities from Czechoslovakia before the war, will probably be imported soon from Germany instead. The skilled flower-makers of the Sudeten district—almost all being of German origin — were also driven from their native country, and are taking up their handicrafts in Germany.

There is a large variety of other consumer goods which this country bought from Germany before the war, paying yearly from half a million dollars to two million dollars per item. Now, the imports of most of these goods can be resumed again soon. Among them are high-quality products of the leather working industry, especially ladies' handbags from Offenbach; special products of the woodworking industry; musical notes, books and art prints; other paper goods.

While the large-scale production of beer has not been resumed yet, some quantities of hops, and approximately 100,000 bottles of war-grown Rhine wine have already been sold to U. S. buyers.

"Critical" Peacetime Products?

The bulk of our prewar import interests in German imports, however, was concentrated on those industries which are considered "critical" by the Potsdam agreements, supposedly being useful for a war potential as well as for peaceful economy. While the Potsdam Declaration provided that these industries should be "rigidly controlled," the State Department subsequently interpreted this objective as a "drastic reduction" of these industries. At least 33% of our prewar purchases from Germany came from these industries of the "critical" category.

Our three top-ranking import items from Germany before the war originated from this group. In the order of their import value, chemicals, such as dyestuffs, ranked first; half-finished chemical products, especially potassium chloride, potash and nitrogen, came next; they were followed by machinery. Since the Stuttgart speech of Foreign Secretary Byrnes has buried the plans of Mr. Henry Morgenthau Jr. and his advisers to "pastoralize" Germany, it can be expected that at least parts of these prewar industries will be permitted to work again. The more so since their production in the Soviet zone has been resumed already a long time ago and is going full blast for delivery of the Russian market; and the more so since the U. S. as well as other countries who are potential customers and suppliers of this country are badly in need of these products.

While the United States is owning and developing a very small fraction of the world's potash reserves—hardly more than 2%—Germany is still holding the largest reserves in its soil. The American industry is interested in purchasing quantities from Germany since—as the National Planning Association stated in a report in 1945—"it is desirable that potash imports be resumed after the war as a means of conserving our limited potash reserves." While before the war the German-dominated potash cartel controlled the world market, a new form of international commodity agreement will have to be developed.

As an "effective way of increasing world food production," the immediate return of all nitrogen plants in Germany to maximum production was urged by the United Nations Food and Agriculture Organization in September, 1946. "For as long as the world shortage in nitrogen exists," the reported stated, the missing German nitrogen supplies are apt to retard relief from the existing food shortages, and to slow up economic recovery in general. This reasoning applies to most "critical" products; they are essential to international peacetime economies now, although the Nazis used them for their national wartime economy.

The Organizational Set-Up

German sales to this country are paid for mainly by deliveries of American foodstuffs desperately needed in Germany. Between August, 1945 and June, 1946, the U. S. Military Government delivered approximately 726,000 tons of American wheat, flour, cereals and crackers to the German civilian population. Since there is more than $10,000,000 worth of surplus American equipment available in Germany—mainly road-building machinery, vehicles and communication stocks, all of these articles without potential war usage—which deteriorate unless they are used, the army recommended selling parts of them to Germany on a reichsmark basis which would later be converted into dollars.

In this country, imports from Germany are handled through the United States Commercial Corporation, a subsidiary of the Reconstruction Finance Corporation, which has been named as the agency that receives, and disposes of, shipments from Germany. In Germany itself, the import-export section of American Military Government has to plan and organize the foreign trade in its zone which, since it has been united economically with the British zone of occupation, takes the shape of a major business concern. In that role, it also contributes indirectly to American business interests since most European countries will be better customers and suppliers of this country's industry after their own economy is strengthened by imports from Germany.

Under the leadership of George Allen, a $9,000,000 fund has been set up by the U. S. Commercial Corporation to advance German purchases of raw materials and prime the pump of German exports. Since October, progress has been made in organizing advances of raw materials to German manufacturers who re-export them in the form of finished products to this country. First successful operation in this line was the shipment of American raw cotton for processing into printed textiles by German plants, and the re-shipment of a percentage of the finished products to textile-needy America.

The following table compares some of our more important prewar imports from Germany with the possibilities in the near future:

Imported goods—	1937 in 1,000 tons	1937, in million reichsmarks	1947 and later
Chemicals of potash and nitrogen category	368	22.3	Substantial
Chemicals of dyestuffs category	172	29.1	Restricted
Raw potassium	99	2.	Substantial
Cellulose	69	7.	Restricted
Steel pipes	37	7.9	Restricted
Machines for leather, textile, printing & paper working industries	30	6.9	Substantial
Iron goods, cutlery	29	10.	Restricted
Beer, wine	4.8	3.	Substantial
Toys, Christmas tree decorations	2.8	5.1	Substantial
Paper goods	2.3	4.7	?
Musical instruments	2.	4.3	Substantial
China, earthenware	1.	2.2	Substantial
Optical goods, precision mechanics goods	0.5	14.2	Substantial
Hops	0.7	1.4	Substantial

Allied Military Government sources expect that the total value of German exports during the fiscal year ending next June 30 will come close to the target goal of $25,000,000. This compares with German exports to this country alone amounting to $92,000,000 in 1937, and $80,000,000 in 1936. If the present trend shaped by economic reason rather than emotional revenge will be upheld, and if Mr. Byrnes' Stuttgart speech rather than Messrs. Molotov's and Morgenthau's plans will guide our economic policies toward Germany, it can be assumed that our foreign trade with Germany will recover within 3 to 4 years.

Stock Exchange Functions and Over-Regulation

(Continued from first page)

Under such circumstances the seller knows within close limits what he will receive for his stock, and the purchaser knows within similar limits what he will have to pay. Hence liquidity, activity and close quotations between bid and asked prices should be provided by the New York Stock Exchange if it is properly fulfilling its function.

Too much emphasis can not be placed on the fact that the Exchange does not buy and sell securities. It merely furnishes a trading medium. Yet the Exchange is blamed for erratic movements in stocks and for wide spreads between bid and asked prices. Hence the organization has appointed specialists in all listed stocks, part of whose function is to create an orderly market for the advantage of nonmember investors. Since the specialist has more intimate knowledge of going prices than an outsider could possible have, it has been wisely provided that the specialist can only buy stock for his own account after others wishing to do business have been satisfied at the same price, with corresponding rules in connection with sales.

Enough has been said to indicate that the New York Stock Exchange was acutely aware of its responsibilities toward the public in providing an impartial, continuous, competitive, well-balanced mechanism for buying and selling securities at the highest possible price for sellers and the lowest possible price for buyers. Not only was a true and continuous auction market maintained, but the Exchange went much farther than corresponding organizations in other countries in concerning itself about the type of merchandise which was offered through its machinery to the public. Great progress had been made during the twenties in corporate accounting and reporting and also in connection with self-imposed restrictions and high standards of conduct on the part of Exchange members. One of the most convincing pieces of evidence that important results at self-policing had been obtained was provided by the stock market crash of 1929 and the ensuing depression. Only modest sums were lost by the public through insolvency or fraud on the part of members of the New York Stock Exchange, whereas banks were failing by thousands, with losses in billions. This part of the record sets forth one of the most brilliant jobs in Stock Exchange history. Many members lost their own fortunes, but with few exceptions they met all of their obligations to their customers.

So it is fair to conclude that the boom and bust in stock prices, rather than specific wrong-doing by the Stock Exchange or its members, was largely responsible for the government regulations which appeared in the thirties. Many persons in this country had lost money in securities transactions, much of it previously gained in like manner, and it was easier to seek a whipping-boy than to admit that their judgment of the market had been erroneous, both on the advance and on the decline. Once more it should be mentioned that there is no way a member of the Stock Exchange can force a customer to buy securities. This is a voluntary action on his part, for which he must take full responsibility. Since prices of securities can never be anything else than a matter of judgment, all that the customer can properly claim is accurate information on the part of his agent, the broker. It is the customer's money which is involved. He obtains the profit, if one eventuates. He must accept the loss, if this occurs. Hence the importance is apparent of selecting competent and reliable agents, in precisely the same fashion as is necessary in any other type of business transaction. Fraud is a punishable offense. Bad judgment could not be made a punishable offense, as then the entire population would be jail inmates, with no jailers and no public at large.

Quite understandably, Congress responded to the smarts and bruises resulting from the 1929 collapse and the ensuing depression. Organized stock exchanges were brought under full governmental control. Hence it is desirable to review and appraise the results of such control and then to discuss briefly a few major problems which now concern the New York Stock Exchange.

Basic to the new system of control is the registration of listed corporate securities with a government agency. This immediately raises the question as to whether such agency should be merely a repository of information or should attempt to determine the terms and conditions on which new securities should be offered to the investing public. There is no serious disagreement in regard to the desirability of requiring corporations to present full information on corporate history and practices to those who are contemplating the issuance of securities which may be offered on the market. Thus the Securities and Exchange Commission is justified in meticulously examining registration statements for the purpose of requiring that all relevant facts should be stated so that an investor who is willing to expend the necessary time and energy may have a comprehensive and accurate picture of the corporate security whose purchase he is considering.

But who is to decide what corporate facts are relevant? In actual practice registration statements and prospectuses which underwriters and distributors must place in the hands of investors have become almost a joke and perhaps a boomerang. For fear of omitting facts which the Securities and Exchange Commission or some court by whimsical decision might regard as pertinent, corporations have fallen into the habit of issuing bulky tomes which virtually nobody can or does read. It is not unusual for a prospectus to contain one hundred or more large pages of fine print. Since it would take many hours or perhaps days to become familiar with all of the information, common practice of investors is to pay virtually no attention to registration statements or prospectuses as at present prepared, whereas a succinct summary of major features in connection with corporate status or the position of new securities would undoubtedly elicit wide interest and close attention. There is even some suspicion that corporations which propose to issue securities of doubtful investment quality prepare ponderous prospectuses for the purpose of discouraging perusal by possible investors. Furthermore, the prospectus is ordinarily placed in the hands of the purchaser along with the confirmation ticket of his purchase. Hence the inherently sound idea of adequate information for investors in connection with new securities has become little more than a mockery.

Needless to say, elaborate registration statements and prospectuses are expensive. They require the services of accountants, engineers and legal counsel. While the cost of preparation of each new security for listing under regulations now imposed by the Securities and Exchange Commission varies, a fair guess is that the average is $25,000. Not only is this an appreciable sum, and not only is most of this expense unnecessary, but the relative burden becomes greater as the face value of the new security issue decreases. For this reason many corporations refuse to undergo registration and listing expenses. Either they refrain from new capital investments which are otherwise economically justified, or they make short-term loans from banks, or they resort to private placement in order to obtain new capital. As a result, social loss occurs. Desirable new issues are offered to institutional investors or to individuals of large wealth instead of being made available to the general public; corporations lose the advantage of a liquid market for their securities, and this always results in higher prices for new capital; the "small man" is damaged, whether he be a small corporation or a modest investor or an individual attempting to start or to enlarge a small business. No corresponding gains can be cited. Present costs and complexities of registration are bad. They smack of regulation for its own sake, rather than for the accomplishment of a desirable public purpose.

Another "reform" concerns purchase and sale of listed corporate securities by officers and directors of the corporations in question. Cases of abuse attended market operations of corporate officers and directors before 1933. Remedial action was highly desirable. But has the medicine contained in federal securities legislation been best adapted for accomplishing an appropriate purpose? Publicity for purchases and sales by officers and directors is desirable. Present procedures in this connection are satisfactory. A different conclusion must be reached in regard to securities operations of officers and directors in securities of their own companies. In the first place, corporations have lost the services of hundreds of competent men who are simply unwilling to become directors under existing legislation. This is a handicap to our economy. Second, existing regulations operate reasonably well while markets are in an advancing phase, but they have far-reaching adverse effects in periods of extreme market recession. By and large, officers and directors should know and do know the position and prospects of their own companies more accurately than the general public. In periods of demoralized markets many an officer and director would like to purchase securities of his own company. Not only would such purchases help absorb stocks and bonds offered for sale at prices below long term value, but confidence of officers and directors in the securities of their own companies would impart similar confidence to other security holders, who would then be less likely to dump their holdings. This also would relieve pressure, to the benefit of all concerned. Since, however, officers and directors assume tax disadvantages and certain legal liabilities for at least six months, they are deterred from giving the leadership which they should provide and which they would frequently like to provide. Publicity in regard to market operations by officers and directors thus offers ample protection to the public, aside from legal recourse which is always available in case of fraud and wrong-doing. In the interest of a stable economy and of investors in general other disabilities should be removed.

Credit manipulation is perhaps the keystone of the "new economics." Again acknowledging that credit was used in excess for speculative purposes during the twenties, accuracy also requires the statement that speculative credit excesses resulted directly from ill-advised policies on the part of Federal Reserve banks, which in fact if not in law are instruments of government policy rather than of industry and commerce. To be specific, the Federal Reserve Bank of New York lowered its discount rate in the Spring of 1927, at a time when such rate should have been raised. True, this was done for the purpose of preventing the flow of gold from Great Britain, at a time when this would have been inconvenient for the British treasury and the Bank of England. As so often occurs under "planning," the results were entirely different from those which had been calculated. In the case under discussion a credit spree and securities boom was touched off in the United States at the very time when a mild correction of business activity and securities prices was not only desirable but was actually taking place. Hence government, with the best of intentions, laid the foundation for the runaway markets of 1928 and 1929 and for the grinding depression which ensued.

In spite of this unhappy experience with government control of credit, Congress specifically delegated to the Federal Reserve Board authority to determine the amount of credit which, subsequent to 1934, can be employed for purchasing securities. In market terminolgy, power was transferred from banks, the New York Stock Exchange and brokers to decide whether and how much money on margin might be advanced for the purchase of securities, and this power was assumed by the Federal Reserve Board. Gradually, margin requirements have been increased until, beginning in January, 1946, neither banks nor brokers can legally loan money for the purchase of listed securities, except under special circumstances, like those which apply to underwriters and dealers. Successive increases in margin requirements and ultimate prohibition of purchasing securities with borrowed money were rationalized as part of the fight against inflation. With mere mention of the fact that purchase of securities on margin is a result and symbol of inflation rather than its cause, and that inflation is impossible so long as governments do not permit deficits nor expand money supply, it is desirable to state the practical effects of existing restrictions, or prohibitions, imposed by the Federal Reserve Board. A case can be made that market advances, such as prevailed from the spring of 1942 to the spring of 1946, were more orderly in kind and more restrained in degree than would have occurred without credit restrictions. These assumptions can not be proved, but they are reasonable. But what of declining markets? Competent market students have contemplated with real terror what may befall markets in case sharp or prolonged downward tendencies replace the great bull market of the war years.

A common practice of many sophisticated investors is to utilize their funds fairly fully during periods which seem to involve normal securities prices, then to turn securities into cash or to sell speculative securities and purchase higher grade securities, notably bonds, when markets appear to be advancing into dangerously high ground. In contrast, they not only use their liquid capital at times of severe market recessions and transform investment holdings into speculative or semi-speculative positions, but they also borrow funds to make additional purchases. As the market advances and becomes more orderly these borrowed funds are repaid and accounts placed on a cash basis. This occurred without intervention or direction of government.

One important reason for the economic, political and moral strength of the United States is the widespread ownership of property in this country. Virtually all students are agreed that sound public policy should encourage ownership of family-sized farms, of homes for occupancy and of securities in our basic industries. At present it is estimated that nine million persons in the United States own directly and many more millions own indirectly the securities of American corporations. Expansion of this number of owners is highly desirable. Experience has shown that in particular persons with modest incomes and of modest wealth who wish to purchase stocks favor those which are selling at comparatively low prices, say $25 or less per share. Accordingly, many corporations of the highest standing have taken action, such as stock splits, which will make their shares available to the small investor. They rightly believe that it is in the interest of the country and therefore in their own interest to have their shares held by a large number of stockholders, rather than merely by a few. Furthermore, it is difficult for those with small incomes to accumulate sufficient funds to make a start toward the accumulation of investment securities. In the same manner that farms, homes, automobiles and other expensive assets can be purchased on the partial payment basis, this convenient and perhaps indispensable facility should be available to those with small incomes, who wish to purchase securities. Otherwise our premier corporate assets will tend to be concentrated in the hands of a few. This is no argument for the abuse of credit, but the Stock Exchange is properly concerned about encouraging persons with no large means and little financial experience to become owners of our corporations, thus assuring a flow of capital, so as to make more and better jobs, to obtain a broad basis of ownership of American corporations, and placing earning assets in the hands of small investors, so as gradually to improve the position of such investors.

At present, however, those responsible for securities markets do not know where funds can be found for purposes of support in case of a bad break. Officers and directors of corporations are no longer available for the support which they formerly furnished. Existing stockholders and bondholders are prohibited from using their securities as collateral for obtaining funds for additional purchases, even if they believe that securities are selling at far below reasonable values. Advocates of credit restriction have argued that there will be no pressuer to sell since in the absence of borrowed money for carrying securities, no margin calls can be made. This has proved to be a superficial view. All stocks and bonds have owners, and these owners are constantly attempting to evaluate the prospects of companies in which their savings are committed. Nothing can be more unlikely than that persons who had the intelligence and the energy to accumulate capital which has taken the form of corporate securities would supinely hold such securities in the face of highly adverse economic developments. They will sell securities owned outright about as freely as those owned on margin. There may also be frightened and uninformed selling to the detriment of all concerned. Restrictions which narrow the market or reduce its power to defend itself against disorderly movements are unwise.

Another suggestion by the "planners" is that credit restrictions should be relaxed in times of falling markets. Most students believe that raising margin requirements and ultimately placing purchasers of securities on a cash basis accentuated market advances of recent years, since the restrictive credit policy of the Federal Reserve Board was interpreted as meaning that "the government believes that stocks will rise." So relaxation or removal of credit restrictions would be interpreted as meaning that "the government believes the market will go much lower." Since the "government" knows less than professional market students—who do not pretend to "know"—about whether the market is high or low, interference from that quarter in trying to effect market movements or even to prevent market movements can only be pernicious.

Short selling and the operations of specialists are probably the two most misunderstood activities in connection with trading in securities. Each is admirably adapted to the purposes of demagogues, and they have not missed their opportunities. All seasoned investors welcome a large short interest in the market, since the existence of such short interest is one of the best guarantees of an orderly market, particularly in case of weakness. By definition, the market has automatic support to the extent of outstanding short sales, since stocks sold short must eventually be covered.

Although there is a moderate short interest in the market, even under existing restrictions, much of this short interest is merely represented by arbitrage transactions against other securities held on long account. Thus these short sales did not express a judgment that the market was in danger of a decline but merely constituted one side of a transaction which was initiated for the purpose of obtaining the spread between the short and the long position. Obviously, short sales of this character have little or no effect in cushioning a declining market.

In recent years the Securities and Exchange Commission has made short sales increasingly difficult and unattractive. The folly of this policy has become fully apparent at the time of the market crash in September, 1946. Investment accounts were more solidly frozen than at any previous time. Hence there was no resilience in the market. Short selling was too inconvenient and complicated while the market was experiencing its four-year advance from May, 1942, until May, 1946. Thereafter, during the relatively good market of the summer of 1946, the requirement of the Federal Reserve Board that short sales had to be effected on the equivalent of a cash basis further contributed to the panic in September. One of the innovations imposed by the Securities and Exchange Commission is that a short sale can only be made on an "uptick" or "up-beat." This means that a short sale can only be effected at a price one-eighth higher than the previous long sale. It is supposed to force short selling to cushion an upward trend instead of to accentuate a downward trend. How it can be argued that a change in price of one-eighth represents a "trend" is beyond human comprehension. But this and other interferences by the Securities and Exchange Commission in the exercise of competitive investment judgment prevent the New York Stock Exchange from properly fulfilling its major function of an accurate expression of the views of investors in regard to the value of listed securities.

Under existing requirements by the Federal Reserve Board, no new loans on stock exchange collateral can be made from brokers for the purchase of listed securities, except that rights of stockholders and bondholders to subscribe for new issues can, under a recent ruling, be financed with borrowed funds. To be sure, every one except the Federal Reserve Board knows that loans on listed securities are being made, and that the existing restriction has merely created another black market condition. At present, however, it is enough to point out the unfavorable effect of this regulation on the liquidity of the market and on investors outside of metropolitan New York. Since listed securities are no longer of value as collateral with brokers, there has been a strong tendency to shift the former practice of carrying stocks in the name of a broker, or in "Street name" as it is called, and to issue such securities in the names of the actual owners. Thereupon it is becoming more prevalent for such owners to take physical possession of their securities, in order to avoid service charges and for other reasons. One major result is that the floating supply of stocks has been sharply diminished, and this has proportionately increased the difficulty and danger of short selling. In turn, the diminution of short selling narrows and weakens the market and has an adverse effect on our entire system for raising, applying and exchanging those capital funds which are the lifeblood of American industry. Second, additional delay, inconvenience and expense are involved by having securities physically distant from New York, where the transfer offices for securities listed on the New York Stock Exchange have to be located. Not only are expenses for insured and registered mail substantially increased without any countervailing advantage, but there has also been great expansion in "fail to receive" and "fail to deliver" securities, with their attendant costs, inconveniences and dangers.

A comical outgrowth of this government regulation is the reported development of the practice of pledging listed securities as collateral with pawnbrokers for the purpose of raising loans. Since member firms of the New York Stock Exchange, with an enviable record of integrity and solvency, are apparently not trusted by governmental regulators, their functions are in part being taken over by those whose symbol is three balls.

Another result of restricting the breadth and liquidity of the market is that the typical member firm has become more an investment advisor and less a broker. When margin trading is forbidden, when short selling is made difficult, when the operations of a floor trade are impeded, when specialists are so circumscribed that they are unwilling to take the risk of making a good market, and when short term capital gains are assimilated to ordinary income and long term capital gains are taxed 25%, then the decision to purchase or sell securities acquires a different aspect than was formerly the case. Not only does an owner of stocks consider long and carefully before he makes his decision to meet the costs and taxes involved in sale, and possible inability to make an alternative purchase because of the prohibition on margin trading, but most purchasers also have to think in terms of at least six months before they will enter an order to buy. As motivation under present circumstances has had to be greatly strengthened in order to effect either a purchase or a sale, the result has been sharp contradiction in the breadth of the market, as well as a disorderly and inefficient market, where both buyers and sellers are penalized because of the paucity of bids and offers. This is best exemplified by the extraordinary divergence between bid and ask prices, where a 10% spread or more is by no means uncommon in stocks in which trading is light. Potential sellers and potential buyers are both damaged, and the flow of capital to industry is impeded. Stagnation in new enterprises during the thirties can not be disassociated from restricted capital markets, which have been the result if not the purpose of governmental intervention.

Of equal importance, those devices which have been built up over decades for absorbing market shocks, particularly on the down side, have largely been removed or paralyzed. Liquidity, which is the principal service of the Stock Exchange to the American economy, has been seriously impaired. It now remains to be seen whether inability of the Stock Exchange to perform its function of liquidity, because of government restrictions, in the fall of 1946 will start a business recession or depression in the United States. For losses have been grievous and will profoundly affect business perspective. If depression comes because of government tinkering with the capital markets, it will be a high price for the country to pay for a practical lesson to the "planners."

As to the regulation of specialists, certain improvements were overdue. By reason of his knowledge of the "book," or the orders to buy and sell the stock in which he acted as specialist, he was often in a position to take advantage of bona fide investors. Hence it was appropriate to provide that other orders to buy and sell take precedence over the specialist's purchases and sales for his own account at a given price. Nevertheless, specialists are now hedged in by so many restrictions that the public undoubtedly loses more by the fact that these experts can no longer make a good market than it gains by obtaining preference over their operations.

In former years specialists with large means and wide knowledge of the companies in whose stocks they specialized were willing to accumulate many thousands of shares when for any reason buying orders were not in harmony with selling orders. This frequently happens, because of estate selling and at times of market breaks, when the public acts on fear rather than facts or judgment. Then the specialist prevented disorder or mitigated it and amply justified his reason for existence. Now he is "investigated" by government officials in season and out of season until the important function served by the specialist, until this basic safeguard for liquidity and orderly markets, has been seriously impaired. There are few corresponding advantages except the increase of "regulators"!

Rules of fair practice are difficult to formulate and difficult to enforce. Stock Exchange officials learned this by long and at times painful experience. Officials of the Securities Exchange Commission are now receiving their education. Thus far they have been unable to draft workable rules in regard to the amount of stock which is required for corporate control, in regard to market manipulation, and in regard to many other trading practices and corporate facts which have to be matters of judgment.

At the moment there are three problems in which members of the New York Stock Exchange are especially concerned. First, some government agitation has long existed for segregating the functions of broker and dealer. It is contended that a member firm which purchases and sells securities for its own account can not give disinterested advice to investors or act as an acceptable agent in transactions for them. This situation raises complicated philosophical problems. Suffice it to say that there is no such thing as unity of motivation either in the field of finance or in any other field. Instead of engaging in hypothetical evaluations of motive, a better approach is to inquire whether abuses have actually occurred and to devise remedies for those which may be found. Certainly it is proper for the customer to know when the broker has a personal position in the security which the customer wishes to buy or sell. In that connection it may come as a surprise to many laymen to learn that some of the most astute investors not only welcome purchases by brokers for their own account in securities which are recommended but at times even insist upon such purchases. It all adds up to the fact that an investor is unbelievably foolish if he does business with a broker whose integrity he does not trust and with an organization, such as the New York Stock Exchange, which has gone to great lengths to devise rules of fair dealing for transactions which it handles, along with severe punishment for infractions of such rules.

For many months the Securities and Exchange Commission has been considering the promulgation of rules under which free credit balances in the hands of member firms would have to be segregated. Theoretically, the correct decision turns on whether a broker occupies the relationship of debtor and creditor, or that of trustee vis-a-vis his customer. Practically, the decision should rest on whether customers would be more fully protected than at present and whether the inconvenience and cost of such dubious additional protection would be worth while. There is little more reason for compelling brokers to place free credit balances of customers in special individual accounts than in requiring the same action by banks for each depositor. Moreover, there has only been one failure of a stock exchange house since 1934 with loss to the public, and this was a case in which fraud was involved. Obviously, fraud would have been equally possible if segregation of free credit balances had been mandatory. In addition, there are numerous technical reasons why such a rule would create extra inconvenience and expense, without any corresponding advantage. Thus the proposal appears to be regulation for the sake of regulation and at a cost which the public would inevitably have to bear for a service which it does not want and does not need.

A question which vitally concerns the New York Stock Exchange and its members, but which has little to do with public policy or public regulation, is that of permissive incorporation of member firms. At present only partnerships with unlimited personal responsibility are eligible for membership. Advocates of permissive incorporation draw attention to tax laws which make it difficult for young men to make financial progress and thus be in position to accumulate capital and become partners of existing or new firms. It is contended that income of member firms, being fully taxable as personal income, could take the form of earned surplus if incorporation were permitted and that eventually the shares of such corporations would acquire increasing value and could be sold, with profits taxable at only 25% as capital gains. Advocates also argue that corporations have continuity and stability which may be lacking in partnerships.

Opponents of permissive incorporation reply that such tax advantages as might exist would certainly be promptly terminated by legislation or administrative action, that there is no dearth of capital for stock exchange purposes, that incorporation might permit the transfer of shares to undesirable or irresponsible persons, and that stock exchange business would eventually fall to corporations owned or dominated by the great banks, insurance companies and other fiduciary institutions. In short, opponents argue that proposals for permissive incorporation promise few or no improvements over the present system while involving substantial dangers and disadvantages. At present it would appear that the membership of the New York Stock Exchange is opposed to the innovation of permissive incorporation.

During the second world war, the New York Stock Exchange departed from character in one respect. Instead of merely maintaining trading facilities, it undertook to give advice in regard to investments. Without question the New York Stock Exchange should have made its machinery fully available for the purchase and sale of government bonds. But it went further and recommended the purchase of government bonds to the public. This was a mistake. For the Stock Exchange as an institution has no special competence in investment matters. There were compelling reasons why citizens of the United States should purchase war bonds, but the record shows that for four years, or from May, 1942, until May, 1946, these bonds were not good investments, relatively speaking. From the strictly financial point of view an investor could hardly have done worse than buy or hold war bonds during that period. In any case, the New York Stock Exchange as an institution has no valid opinion to express in regard to securities and should express no opinion.

In accurately appraising the New York Stock Exchange and the manner in which it performs its functions, there is too much tendency to search for specific things which the Exchange should or should not do and too little tendency to inquire as to whether an investor who wishes to put his savings to work can obtain intelligent advice, honorable treatment and satisfactory results in placing his funds. In like manner, it should be ascertained whether the executor, the trustee or any one else who wishes to place his capital in liquid form for reasons that are only of concern to him can do so at the best possible price and with the least inconvenience and expense. Instead of a pretentious program of regulation for the New York Stock Exchange, more modest, but productive examination should be made as to whether the Stock Exchange and its member firms are attempting to avoid injury to the investing public, are alert in searching for and adopting improved procedures and better protection for the benefit of all investors, whether existing machinery affords a free field and no special favors, and whether violators of the rules of fair trading are constantly sought and appropriately punished. On this basis the New York Stock Exchange affords a favorable record during the last quarter century, a desire to make progress, and actual accomplishment in performing its services with greater efficiency and fewer abuses. Like all other human institutions, the New York Stock Exchange is not perfect. Probably all that can be demanded is a desire to improve and a record of improvement. Both of these are clearly evident.

Editor's Note: Foregoing is second and concluding instalment of Dr. Cumberland's paper. Part I appeared on cover page of the "Chronicle" of Nov. 28.

RFC to Lower Loan Ceiling

It was reported in Washington on Nov. 13 by authoritative sources that after Dec. 1 the Reconstruction Finance Corporation will guarantee loans of only $100,000 instead of $350,000 under its "blanket participation" program with banks, according to a dispatch from the Associated Press. Under the program, started in April, 1945, to help small business, RFC guaranteed up to 75% of business loans made by participating banks. A responsible official is said to have stated that nine out of ten such loans thus far have been for less than $100,000. Total loans guaranteed by RFC under the program to date is said to be $600,000,000.

What Should the Investor Do Now?

(Continued from first page)
withstand the storm should it strike with its predicted fury.

There are many symptoms of trouble. In the past it has been wise and consistently profitable to adopt a more cautious policy when one observed, among other things:

1. Freight car shortages when business was already at a boom rate of production.
2. Inventories increasing rapidly after business had reached a boom level.
3. Agricultural prices commencing to crack after a steep rise and while consumers' incomes were at high levels.
4. Wages and prices of non-agricultural products rising rapidly, such as so often happens in the final phase of a period of prosperity.
5. A firming of interest rates and reversal in a long rising trend of bond prices.
6. The stock market completing a long extended and substantial rise before these "warnings" became visible.

These are unfavorable outward indications of business and investment conditions. Normally they lead to a bearish decision. But we have not been operating on the basis of "business as usual" or "markets as usual" since 1941. On this occasion I believe we must go much deeper in our analysis.

In the New Testament we are told the story of a foolish man who had built his house upon sand. The rains and the floods came, the winds beat upon the house and it was destroyed.

We know from experience that much was the insecure position of our economy at the beginning of the depressions of 1920-1921, 1929-1932 and 1937-1938. When we analyze credit conditions, commodity prices, inventories, demand for goods, international developments and other controlling forces, we can understand quite well what caused those readjustments.

However, when we analyze these fundamentals today, I am reminded more of the wiser man in this old story. He built his house upon a rock. Again the storm descended and beat down upon the house but it was not destroyed. It rested upon a strong foundation.

I do not wish to imply that as a nation, we have been wise. We have spent money like the foolish sailor and built up a government debt that would probably bankrupt anything less than the strongest nation in the world. We, as a people, have tolerated if not encouraged a destructive labor-management struggle that has left us out in the cold.

Nevertheless, and almost in spite of ourselves, the forces that in the past have caused depressions do not now appear to be present to a controlling degree. There are strong supports in the economy and I believe it can take a lot of abuse—staggering abuse—and still be depended upon to bounce back with vigor. This gives me confidence in the investment outlook. I anticipate that most of today's storm warnings will be taken down by businessmen and investors with regained confidence, and not blown down.

Credit

Credit conditions dominated the initial phase of the 1920-1921 depression. The money market had become strained by the early summer of 1919. Bank loans were increasing rapidly and member banks were borrowing heavily from the Federal Reserve Banks. The call loan rate had reached a high of 18%. These trends continued and in November 1919 the call loan rate advanced to a peak of 30%. This broke stock market speculation but unsound business expansion continued. There was heavy buying of commodities for speculation and the building up of inventories on credit.

By the late spring of 1920 member banks had increased their borrowing from the Federal Reserve Banks to nearly $2 billion. The reserve ratio had reached approximately the legal minimum of 40%. The New York Federal Reserve Bank rediscount rate rose to 7% and short-term commercial paper yielded 8%. The expansion of credit had gone to the absolute limit. The trend had to be reversed and the next year was one of severe, urgent and forced liquidation of credit. After security and commodity prices declined and business turned down and it was obvious that a depression was in the making, the fiscal authorities pursued a policy of credit contraction.

Most of us remember well enough the credit conditions preceding the 1929 crash. But lest we forget, it might be worthwhile reviewing a few figures. The Federal Reserve Bank of New York rediscount rate was increased to 6%. Commercial paper was also on a 6% basis, and the call loan rate had reached an extreme high of 20%. Loans on securities had increased to about $8 billion. Speculative use of credit was rampant throughout the country. There set in the longest and severest cycle of liquidation ever witnessed.

Credit conditions played only a minor role during the build-up stage for the 1937-1938 depression. Starting in the spring of 1936, the fiscal authorities became concerned about the inflationary possibilities of the tremendous supply of unused credit. On July 14, 1936 reserve requirements were raised 50%, effective Aug. 15. The adjustment to these increases involved little difficulty. The investments of banks were not reduced, loans continued to expand and bond yields continued to decline.

The large inflow of gold continued to increase the credit base and on Dec. 21, 1936 the Treasury Department announced a policy for neutralizing its effect upon the credit base. This was done by selling to the public an equivalent amount of U. S. Government obligations and by putting purchased gold in an inactive account. On Jan. 31, 1937, reserve requirements were again increased, this time by one-third. To give the banks time to make necessary adjustment, one-half of the increase became effective March 1 and the other one-half on May 1. These measures, which indicate how great was the concern of the fiscal authorities, finally brought reactions in the money market that were not anticipated and had a deflationary effect on the economy.

Within a few weeks after the announcement of the second increase in reserve requirements, and before the final increase became effective, high-grade bond yields had advanced between one-fourth to one-half percent. Short-term interest rates firmed moderately. Banks and others became sellers of government securities. Because of this pressure, the Federal Open Market Committee announced on April 4 that it "is prepared to make open-market purchases of United States Government securities . . . in such amounts and at such times as may be desirable." Following the announcement of this policy and the actual purchase of bonds, the money market stabilized. But commercial banks continued to sell government securities. In an effort to stop this selling and to "encourage them (the commercial banks) to employ their funds to meet the needs of agriculture, industry and commerce" beginning August 20 several Federal Reserve banks reduced their rediscount rates. For the Federal Reserve Bank of New York the change was from 1½% to 1%. However, a deflationary cycle had already set in.

Credit conditions at this time are in complete contrast with those of 1919-1920 and 1929. They differ from those of 1937 in two respects that may be of consequence. The fiscal authorities are guarding against the commercial banks becoming concerned about the outlook for interest rates and are attempting to avoid any strain on the banks that would cause them to restrict appropriate use of credit. This policy was reemphasized by a statement in the latest Federal Reserve Board Bulletin.

"Recent money market tendencies have not, however, altered basic easy credit conditions. The persisting large holdings by banks of Government securities, particularly of short-term issues, together with Federal Reserve policy of maintaining the prevailing level of interest rates on these issues, make it possible for banks to obtain at continued low rates any funds wanted to supply the credit demands of business and individuals."

This is a policy supported not alone with words and intentions, but with dynamic action. The Federal Reserve Banks purchased a net total of $552 million of government securities in one week during October to keep the money market on an even keel.

The second contrast with 1937 that may be of importance is the tremendous increase in the credit base. Between September 1937 and 1946, money in circulation increased from $6.5 billion to $28.5 billon. Federal Reserve Bank credit increased from $2.6 billion to $24.1 billion. Total deposits increased from $52 billion to $147 billion. In addition, industry's finances have been materially strengthened and private debts are relatively smaller. We are now in the early stage of an expansion in consumer borrowings as against the beginning of a period of contraction.

Current credit conditions work against any deflation or liquidation in the economy. To the contrary, they are strongly inflationary and encourage expansion. I believe it can properly be said that we have never had a major readjustment in business when money and credit were so plentiful, the speculative use of credit so limited, and the fiscal authorities so determined and apparently so able to maintain easy money conditions.

Commodity Prices

Commodity price deflation has been a major contributing cause to past depressions. From the 1920 peak to the 1921 low, agricultural commodity prices in general were more than cut in half. Wheat declined from $3 per bushel to less than $1.25, cotton from over 40c per pound to under 12c, and corn from about $2 per bushel to under 50c. These are important examples of what happened to agricultural prices.

Non-agricultural prices were also in a vulnerable position and had severe declines. For example, pig iron declined from about $48 per ton to $18 and crude petroleum in the Pennsylvania field declined from $6.10 per barrel to $2.25. Such severe declines in commodity prices meant big inventory losses that alone could cause a depression.

An outstanding feature of the 1929 boom was the fact that commodity prices generally did not advance. Nevertheless during the worldwide deflation, they declined seriously and this prolonged and deepened the depression. With wheat under 50c per bushel and copper below 5c per pound, only trouble faced the economy.

Commodity prices played an important part in creating the maladjustments preceding and intensifying the 1937-1938 readjustment. There were sharp rises in raw material prices between the summer of 1936 and the spring of 1937. It was generally felt that a sustained period of active business lay ahead and that inflation had at last really taken effect. During this brief period finished steel prices rose over 25% and copper went from 9¼c per pound to 17c, a gain of almost 85%. Commodity prices rose to vulnerable levels and when business prospects changed, most of them declined sharply. Quotations for wheat, cotton and copper, for example, were about cut in half.

This background should help us to appraise the current commodity price situation. Agricultural prices have again become seriously inflated. The government's defunct program to avoid inflation apparently contributed much to this. Fortunately, most of these high prices stand out as a sore thumb. They are above what might be called the level of equilibrium. Further reasonable declines in agricultural prices should do more good than harm to the economy as a whole.

The relative price position of non-agricultural raw materials is most important. In the past, these have been extremely sensitive to business fluctuations and have caused most of the inventory losses of manufacturers. Prior to the recent release from price controls, most of the industry raw materials were at relatively low prices judged against most standards. They were moderate against the increases in cost over prewar years. They were moderate against the supply and demand relationship likely to prevail for some time ahead. They were moderate against world prices. And they were moderate in relationship to prewar levels. As an indication, the average increase over 1939 approximated the increase from prewar 1914 to the level that prevailed after the severe readjustment in 1920-1921. The increases that have occurred since the end of OPA controls have not been excessive with possible minor exceptions.

In order to have a proper perspective on the important question of commodity prices we should keep in mind what has happened to the monetary side of our economy during recent years. There was sufficient success with price controls during the war to justify assertions that the nation was avoiding inflation. Many people watched the rise in money in circulation, bank deposits and government bond investments and concluded that we were becoming richer while fighting a war. Of course, this had to be fallacious. We were in the business of destroying and not building. People could only appear to be becoming richer. We now see that more dollars alone is not an indication of being really richer. In considerable part, the recent price rises are a delayed reflection of the inflation that has occurred. They show the ultimate effect of the government talking about avoiding inflation while the printing presses are working overtime. History reveals many methods by which governments created money to help finance extra expenses. The kings of many years ago occasionally reduced the weights of the coins and made more money with reclaimed metal. We did it in a modern, easier and more deceiving way by simply creating more paper money and bank deposits—on credit. But the long-term effect is the same. Our action has lessened the value of the dollar. It means you have to have more dollars to buy the same quantity of goods. This is another way of saying that prices are higher due in part to the sole fact that money has declined in value. This should be kept in mind when judging the price level.

Inventories

Speculative buying of basic materials at inflated prices was an outstanding feature that contributed to the business depression of 1920-1921. Large bank loans were created to carry these inflated inventories. Once the crest was passed, the resultant withdrawal of buying of raw materials and manufactured goods and the subsequent actual liquidation of these inventories intensified the deflation.

It was to be expected that during a boom like the late 1920's, inventories would be built up that would cause trouble once deflation set in.

Some students think of the 1937-1938 business readjustment as having been caused more than anything else by the necessary liquidation of overbought inventories. Starting possibly in October, 1936, there developed a general feeling that basic raw materials were going to be in short supply and that prices would advance. This led to a wave of forward buying and a building up of inventories which reached a peak in the early spring of 1937. Once business turned down, it became apparent that inventories were too large. Also, many began to reduce inventories because of the decline in prices and the expectation that inventories could be replenished later at lower prices. What happened to the steel industry is an extreme but not an isolated example of how this affected business. The steel industry operated at an average rate of 84% of capacity during August, 1937. The operating rate declined to 38% for November and 25% for December. During August, inventories were being built up and during the closing two month of the year inventories of steel were being liquidated.

One could not look at the current inventory situation without becoming anxious. During recent months there have been strong forces pulling in opposite directions. The first set of forces have encouraged the building up of inventories. These include:

1. The holding back of shipments because of unsatisfactory OPA prices and the growing prospect of relief.
2. The holding back of shipments because of possible decontrol. (It is only natural that many manufacturers would act in the same way that the cattle raisers did during the closing weeks of meat control.)
3. In many instances, there were built up excessive inventories of certain parts to retain quotas on suppliers' schedules.
4. Some materials were accumulated as protection against possible delays due to future labor troubles.
5. It can be assumed that some inventories were accumulated in anticipation of price rises and an inventory profit.

Offsetting these forces which encouraged the building up of inventories has been the inability to acquire much needed supplies because of shortages of such basic materials as steel, non-ferrous metals, building supplies, etc. Were it not for these shortages, the influences listed above would have caused serious accumulations. With price controls removed, most of the artificial reasons for accumulating inventories were eliminated.

These must be among the reasons for the sharp increases in inventories during recent months. There will be cases of excesses to be worked off. Taking the economy as a whole, however, our reports indicate that inventories are not a source of danger such as existed prior to past depressions. Excessive amounts of basic raw materials have been the cause of trouble in the past. Their liquidation undermined the economy, Today, these appear to be abnormally low considering current levels of business. The trouble is partly finished goods such as refrigerators without motors and school buses without seats. The liquidation of these inventories as soon as possible would be good for the economy. It would increase needed supplies, relieve price pressure and release tied up business working capital. Actually when it comes to individual manufacturing companies, their most serious problems continue to include shortages of certain materials and parts. There does not appear to be danger to the economy as a whole in the level of inventories.

The available figures on inventories should not be misread or one may be led to incorrect conclusions. Inventories of manufacturers, retailers and wholesalers may be called visible inventories. The Government gathers a considerable amount of data and makes estimates of these inventories. There are the figures commonly referred to and used as an index of total inventories. In addition, there are invisible inventories. These include new automobiles, new radios, full wardrobes of clothing, new homes, etc. These inventories have a very real effect upon the economy. When they are large, such as in 1929 and 1937, we are able to "live off our fat," as it were. Production can decline substantially and people will get along for a period of time. There is no practical doubt but that these inventories are extremely low today. There are shortages rather than surpluses. This is a strong support to the economy. It increases the prospect that when the producers of consumers' durable goods are able to increase the level of shipments, the consumer will be anxious to buy at competitive prices.

There is another approach to the inventory situation that is causing some students deep concern. The increase in inventories shows that production is exceeding consumption. For this to occur when business is at boom level, has in the past been a sure indication that trouble is in the making. The warehouses and retailers' shelves are soon filled with goods and then, still reasoning in terms of the past, it will be necessary to curtail production and a deflationary cycle begins.

To me this is another "business as usual" type of reasoning that does not fit current circumstances. It is true in some instances, for example, costume jewelry and maybe women's ready-to-wear. But try to buy a new home, an automobile, a refrigerator, a new suit, a good white shirt, or enough sheets and towels to replace the old ones. If you are a manufacturer, try to build a new factory or buy some machinery that you know will greatly reduce your cost of production. In these instances and for the economy as a whole, I believe it is a mistake of judgment to assume that inventories are being built up because the consumer has reached the saturation point. What is needed is greater production, not less. Many of our troubles of recent months have resulted from the demand for more goods than the economy is capable of producing. We must out-produce black markets, excessive prices and shortages that cause inefficent and high-cost manufacturing.

Demand for Goods

Probably the strongest support to our economy today and one of the greatest contrasts with conditions preceding the earlier depressions is the potential demand for goods. As you remember, World War I began July, 1914. There was first a period of hesitation, but from early 1915 until the United States entered the war in April, 1917, we experienced a boom supplying Europe with all kinds of goods at profitable prices. It was months after our entrance into the conflict before there was curtailment of goods for consumers and at worst the curtailment was only a fraction of what occurred during World War II. A review of the production and sales of various important items shows that the period of restriction, during which deferred demands were being created, lasted three to four times longer during World War II than on the previous occasion. In perspective it is reasonable to look upon the period from 1915 through 1919 as a boom with only an interlude during part of the period when we participated in the war.

During the five years through 1929 we produced nearly 20 million new automobiles. During the five years through 1937 we produced about 15 million new automobiles. During the five years through 1946 we will have produced about 2¼ million new automobiles. This is an extreme, but not a bad indication. Residential building was severely curtailed and the need for new homes is equally acute. The figures for consumers' durable goods generally are similar to those for the automobile industry. During the war the consumption of most consumers' goods remained at a high level. Nevertheless, the increased demand since the beginning of the year indicates that deferred demands of consumers had even a broader base than was generally expected. The demand for industrial machinery, to reflect conditions in another important segment of our economy, is very great.

Lack of demand and inability to sell a tremendous amount of goods at competitive prices is most unlikely to be the cause of serious business recession during the months ahead. In order to grasp the controlling importance of this source of strength to the ecomy one must properly judge two all-to-common causes of concern. I am referring to approaching competition and inability of consumers to buy at these higher prices.

Return of Competition

Many people have forgotten what good times are like. The return of a buyers' market is not bad; is not a sign of approaching trouble, and would not be the end of prosperity. It is a prerequisite for real prosperity.

Let us look back at conditions during the most prosperous prewar years. If we wished a new home, we could go out Sunday afternoon and select one out of a group that we would inspect, make a down payment and move in as soon as personal arrangements were completed. If we wished a new automobile, we could go to Detroit, choose the make, model and even the color we wished, watch the car come off the assembly line and drive it home. If we wished a new radio or refrigerator, we could go to the store, examine the various leading brands, select the one we desired and have it delivered promptly. If we wished sheets, towels, pajamas and numerous other items that are now scarce, we could go to the store and buy all that we wished to carry home or have delivered. A man could even buy a suit of clothing with two pair of pants.

Who should fear a return of these competitive conditions except the inefficient producer or those charging excessive prices for inferior merchandise? Surely, we as consumers and investors, if we own good securities, should welcome the change. It is normal and good to have buyers in control and not sellers or bureaucrats.

Buyers' Strikes

The average American is going through a difficult period. Prices have risen and the buying power of his money has declined. Many had hoped and some were misled to believe that they could have their cake and eat it too. That is, they could have much higher incomes, not matched by proportionately greater effort and efficiency, and continue to buy desired goods at prewar prices. Food prices have been advancing over an extended period and to a degree are accepted. However, the prices of consumers' durable goods have had to make most of the price adjustment during recent months and it has been disappointing. This has contributed much to the talk about buyers' strikes. Many are asking if the consumers will be able to purchase these goods as they come on the market at increased prices.

The biggest price increases have been in food. Retail food prices have risen since prewar more than 100%. This means that today you can buy less food with on dollar than you could have bought with 50 cents before the war. Here, we have much above average inflation, and more than average justification for consumer resistance. The truth of the matter is, however, that food consumption is running about 15% per capita above the prewar level.

The consumer is faring better when it comes to consumers' durable goods that are gradually becoming available. During 1939, it took about 1,000 bushels of wheat to buy a four-door Ford sedan. Today 600 bushels will pay for the same car, if you can find one. It took about 32 weeks at the 1939 average weekly rate of pay to buy this car and near 27 weeks today. Non-agricultural prices generally have risen over the prewar years considerably less than the gain in the average consumer's income. It should also be remembered that it is in respect to consumers' durable goods that manufacturers have the greatest leeway in adjusting the price of the product to what the market will take. If the 1947 models are too high priced, adjustments will be made in the 1948 models to meet the market. I think as consumers we have more reason for concern over inflation through lower quality than as investors.

We need buyers' resistance to high prices. We found that government price controls could not protect the consumer. Organized labor is asking and fighting for all it can get. The farmers want the highest possible prices. The cost of building a new home has become exorbitant because of shortages, black markets and inefficient labor. Buyers' resistance to high prices would be a good thing, especially until there can be restored a better balance of supply and demand. Only the buyers have the authority to force restraint. The more articulate they become, the more favorable the long-term business outlook, and the higher is the real value of our securities.

Can We Increase Consumption?

There is another concern that should be treated at this juncture. It is stressed by Government economists who predict trouble ahead. National income for 1946 is estimated at about $165 billion. Consumer expenditures are about in line with this level of income. In other words, the consumers are buying all that would be expected considering their current earnings. However, consumers are spending about $12 billion more on consumers' goods than they normally would, considering the current rate of spending and about the same amount less on consumers' durable goods. There is no question but that the consumption of consumers' durable goods will be increased as these things become available. The fear is that when consumers shift their spending, there will be a reduction in the demand for consumers' soft goods such as food and clothing. This, they reason, will set off a deflationary spiral. Prices of the consumers' goods will decline, and production will be reduced. This in turn will reduce wages and salaries. These industries will go further and cut back on their orders for producers' goods and in various ways it will adversely affect the entire economy.

I can understand this cycle of thinking in the same way that I can understand why a house may become warmer if you have coal to feed the furnace, but I fail to see its logic. For one thing, the prices of food and many other soft goods are excessively high and anything that will force them down may do more good than harm. Most manufacturers of these goods are aware of the extreme temporary demand. Few who have survived in business for any length of time are undertaking an expansion program that will bring their normal capacity up to the full level of this big demand. On the other hand, as the production of consumers' durable industries increases, there will be a greater demand for the labor and products necessary to make these articles. That will stimulate the economy. In fact, over the years it has been shown that the production and sale of an equal dollar amount of consumers' durable goods has a more stimulating effect on the economy as a whole than the production of soft goods. In connection with the increased production of consumers' durable goods, it is almost certain that consumer purchasing power will be created to clear the market. The increase in credit which will take place when sales are stepped up will add to buying power. It has always been a stimulus. We may not see at this time all of the details of the inner play between different parts of the economy, but it is unlikely that the increased output of consumers' durable goods will have a net deflationary effect upon the economy.

Foreign Conditions

This review of the forces that in the past have determined the economic weather would not be adequate without consideration of foreign conditions. They are of varied but some times dominating importance to the status of our economy.

Foreign conditions accentuated the most difficult problem during the 1920-1921 depression; namely, the deflation in commodity prices. The French franc, after declining nearly 50% during 1919, declined an additional 30% during 1920. The German mark depreciated almost three-quarters during 1919 and declined further during 1920. Most foreign exchanges depreciated in value.

The United States was not hurt too seriously in its own foreign trade with Europe. However, many other foreign countries lost temporarily their European markets. As a result, South America and Asia shipped vast quantities of commodities to the United States that would normally have gone to Europe, particularly during the second half of 1920. This added to the glut in our already over-supplied markets and intensified the readjustment.

A worldwide depression began in 1929. While conditions in the United States hurt the world economy, it is also true that our depression was made worse by the worldwide deflation.

Foreign conditions had a mixed effect upon our economy during the 1937-1938 depression. Many incidents pointed to the approaching war. Japan was fighting China. The war in Spain had taken on all the characteristics of a major conflict between European political systems fought on Spanish soil. These were depressing incidents to investors. Their disturbing influence was moderated, however, by the stimulated worldwide demand for basic materials.

We are now witnessing the difficult adjustment to a new Europe. This will take time. There will be prolonged dickering and developments along lines generally not to our choosing but probably moving toward some kind of stability. In the meantime, our foreign trade prospects are quite definite and stimulating to the economy. The elminiation of Germany, Japan and Italy and the shrunken status of some other countries for a few years as suppliers of materials and equipment puts a big demand on the United States to help supply world needs. Surprisingly large funds are available with which to make payment. In addition, credit arrangements are being made. Europe is starving for food and clothing to meet her immediate needs and from the longer term point of view, machinery and equipment to rebuild her industries. Hence, it appears reasonable to expect large net exports for a period ahead.

The Plague

From this review you can see why I conclude that the forces which in the past have caused depression do not now appear to be present to a controlling degree. There are many strong supports that should sustain the economy and by past standards would indicate an extended period of prosperous times.

But people are deeply concerned. Things are going poorly. A plague has been upon the land. Could this create a depression? The plague has been government controls and irresponsible labor unions. It has taken the form of paralyzing strikes, acute shortages of materials, high manufacturing costs, unpredictable earnings, disruptive price relationships that may limit the buying power of many consumers, and impair confidence.

Death of the OPA and many other government controls could mean new life to the economy. Many of the bottlenecks that have held back production and created inefficiency should be overcome. The experience of the leading food company, Corn Products Refining, tells a hopeful story. Their raw material is corn. When it was under government control it was impossible for the company to purchase enough corn to have steady operations at a reasonable level. Corn was removed from price ceilings and immediately jumped to a high level and then settled back to about 10% over the old ceilings. However, at this high price for corn the company was able to purchase all it needed to operate at capacity and without interruptions. The result was a reduction in production cost that made possible the granting of a wage increase, the lowering of selling prices up to 15%, and satisfactory profits. The recent experience of the steel industry shows that operations can be put on an efficient basis once the companies are able to produce at satisfactory levels and without interruptions. The industry is now producing steel with fewer man hours of labor per ton than in 1941. It is likely that there will develop hundreds of similar examples.

The relaxation of government controls increases the prospect that consumers' durable goods output will increase by the time there might be some decline in the demand for consumers' goods. This should smooth the transition to more normal conditions and lessen the dangers of serious trouble in business during 1947.

The movement away from government controls appears to reflect a favorable change in political thinking. Our experiments in government planning may have passed the extreme. If history repeats itself, it is likely that we will keep most of the social good that has developed since the early 1930's but throw off much of the bad. Once again the time may come when the realist may speak more effectively than the theorist. Once again being a successful businessman may be an honor.

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What Should the Investor Do Now?

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Once again we may have a government of law and not of men and when it will not be front-page news for the government to attempt to enforce the law. Once again the accumulation of savings out of earnings in order to take care of oneself may be more dignified than poverty and old age pensions. Once again a balanced budget may be viewed as favorable rather than feared as deflationary. Almost all of our past progress was made during periods of a balanced budget.

There is even room for hope that we may again learn how to be prosperous. We must desire to produce and be willing to work as much as we desire to consume and are willing to spend. It is as important to create an environment that encourages production as it is to have a high level of national income, and adequate savings and borrowing power.

The labor situation continues bad. The ability of a few labor leaders completely to paralyze business breeds uncertainty. It hurts the businessman and the worker and in turn everyone as consumers. Fortunately, this part of the plague may at last have reached the culminating crisis. The old Administration appears to be changing its labor policy. The newly elected Congress can be expected to take steps that will be constructive to labor-management relations. It is better for the average American and the investor that from this crucial point we take the rougher road that may have success at the end than to follow the apparently smoother road that may lead us only into another graveyard of despair.

Conclusion in Terms of the Stock Market

The business fundamentals have strength that should support the economy through the difficulties with which we are now besieged. They could lead to a sustained period of good business and earnings. There is reason for hope that the plague that has been upon this land may have come to the turning point.

Common stock prices are now low in relation to earnings and dividends. A selected list of good issues will yield 5% to 6% in contrast to investment grade bond yields of 2½% to 4%. Stocks are selling at prices that reflect fear and discount a considerable amount of trouble. They are selling ex-confidence. The significance of this should not be under-emphasized. If an individual stood on a busy corner and offered for sale ten dollar bills for five dollars, at first few, if any, would likely be interested because of lack of confidence. However, if it became generally known that he was selling real ten dollar bills, there would be a rush for what he had. Rays of hope are breaking through the mist and a restoration of confidence in the longer term outlook could have a similar effect upon the attitude toward common stocks.

The risk of further decline in common stock prices appears moderate. The return for holding good stocks is generous. The long-term possibilities for appreciation appear substantial. This suggests that the hunting season is here for those desiring good investment opportunities.

When Will the Bear Market End?

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policies and action, and our inflationary potentials, count for so much in the stock market.

My first major assumption is that business will decline rather sharply next year, especially in the second and third quarters. The basis for this expectation is largely the maladjustment between prices of such important things as automobiles and houses and the income of the average consumer. You cannot maintain a free enterprise business boom in this country without a healthy participation by the automobile and construction industries. Normally, nearly 75% of the consumer income in the United States goes for food, clothing, shelter, and automobiles.

It is not necessary to envision another round of wage increases to reach a conviction that the prices of automobiles and homes are too high for the average buyer. The damage already has been done. In 1939, a Master De Luxe Chevrolet in New York City cost $785. Today, after the recent $100 increase, the price is $1,304.25, or $519.25 or nearly 65% above the 1939 level. These comparative prices are exclusive of accessories which now cost about $300. The purchaser of this model Chevrolet today on the instalment plan would pay one third down, or $435.25, and the balance in 15 monthly instalments of $69.58 each. In 1939, the instalment buyer would have paid $261 down and $40.71 a month for 15 months. So today, in the first year, an instalment buyer of this Chevrolet pays out $520.69 more than he would have in 1939. This excludes all accessories. If he buys the the accessories, and you assume these are only 50% higher than in 1939, then he has to spend $620.69 more for his fully equipped car. Remember these figures are for one of the lowest priced cars on the market. No doubt, within a few months automobile credit terms, just as in 1939, will be extended to 24 months. On that basis the purchaser today will spend in his first year of ownership $504.53 more for his fully equipped Chevrolet than in 1939.

The Price Squeeze

Now the average hourly earnings for production workers in all manufacturing industries as reported for July (the latest month) by the Bureau of Labor Statistics was $1,093, and the average hours worked per week was 39.6. Using a year of 50 weeks, this spells an annual wage of $2,167.50. Out of this a wage earner with a wife and two children would have to pay $85 in taxes, leaving a net wage of $2,082.50. This is practically 70% above the comparable annual wage of $1,227 received by these workers in 1939. From a percentage standpoint wages in manufacturing industries have increased somewhat more than the price of the Chevrolet between 1939 and today. But that is not too illuminating because whereas these wages have increased $855 annually, the price of this car for the first year of ownership has advanced $620.69, or $504.53 if you use a 24 months' instalment plan. So after buying a car now, or within the next few months, this wage earner has $234 to $350 left out of his increased wages for the next year to pay for all the increased cost of living items, such as food, clothing, rent furnishings and equipment, recreation, education, etc. There is no adequate index of the cost of living increase since 1939. The Bureau of Labor's index has been based on ceiling prices. That we know has not portrayed actualities. However, its latest index figure for August was about 44% above the 1939 average level. If we assume that the increase is more probably 60%-70% at least, then the typical wage earner in the highly paid manufacturing industries has to spend today, excluding expenditures on automobiles, between $1,800 and $1,900 just to live on a scale comparable with 1939. This leaves him with $182 to $282 of excess funds for buying a low-priced car requiring down payments of $620.69 or $504.53 during his first year of ownership.

To put it another way, the typical manufacturing wage earner is getting around $175 a month. If he buys this Chevrolet he will have $105.42 a month left to live on, or $128.73 with a 24 months' financing plan.

Income Disparities

We all know that in a period of spiraling prices, the incomes of all classes do not advance uniformly. This is the principal reason why the delicate economic machine gets badly out of adjustment in such a period. A recent report based on Bureau of Labor statistics shows that over half of all wage earners in manufacturing have not yet received a post-V-J Day increase of as much as 18½c an hour. Strange as it seems, some 21% have not received any wage increase at all, and 13½% have received only an increase of between 5c and less than 10c an hour. Coming to the non-manufacturing trades this report reveals that in the wholesale, retail and service trades, some 48%, 63%, and 67% of the workers, respectively, have received no wage increases whatsoever.

A Government study for 1936 showed that of the automobiles bought that year, 21.1% were purchased by those with incomes over $5,000; 19.2% by those with incomes between $3,000 and $5,000, while over half of the cars purchased were by buyers with incomes under some $2,500 plus. This shows the importance of the mass market to the automobile industry. Of curse there probably will be a substantial demand for cars for some months. Those in the upper income brackets can afford them. Then, too, they are a necessity for many businesses and services. The pinch will come when these demand sources are satisfied and sales become much more dependent on the large mass market which normally absorbs probably about half of the output.

The Home Construction Field

In the home construction field prices are even more out of line with the average pocketbook. It is common knowledge that the $5,000 house of 1939 costs at least $10,000 today. Undoubtedly scarcity of materials has been a contributing factor. But now that wage controls are effectively off we may expect to see some rather large new wage demands in the construction industry. The peak of real estate prices probably has been seen until the next boom. Already there has been some tightening of credit terms or an insistence on more conservative appraisals. The buyer of a $10,000 house can't secure much more than a 70% loan which means he must put up in cash $2,500 to $3,000. According to a Government Survey earlier this year the bottom 40% of the spending units in this country have practically no liquid assets (only $40 per unit) and the next 30% of the spending units above the lowest 40% only have on the average $700 of liquid assets per unit. So here again we see an industry that is pricing itself out of its mass market. What has happened in the construction industry this year is not particularly significant. It has had a spurt due to necessitous buying, speculative building and buying by those who had the money. But you hear of numerous instances of large operators quitting because of the difficulties or the inability to build a house cheap enough to comman a broad market.

In the coming depression there will be substantial cushioning expenditures to ease the decline. Our Federal Government is spending at the rate of about $41 billion a year which is nearly 40% of our 1937 national income. Federal and State public works and housing programs probably will increase. Unemployment and veterans' benefits will rise. Then, too, promised price supports to certain farm products may become effective. In previous depressions these factors were not present at all, or not to such an extent.

Our High Production

There are certain general comments to be made about the present level of business activity which should help to give us perspective. Never before since 1919 when the Federal Reserve Board Index of Industrial Production was started has this indicator of our physical volume of business been as high for any full month in peacetimes as the latest reported level for last August. It is 45% above its peak level in 1937 which in turn was only 6% above the previous best level of 1929. Since Aug. 1945 for twelve months this Index has averaged 65% above the average level for 1935-1939 and 36% above the previous peak in 1937. That is a long time. Business rarely maintains such boom proportions for an extended duration. In fact the longer such periods of boom activity have lasted in the past, the longer or deeper were the ensuing depressions.

Taking The Cleveland Trust Company's index of business activity since 1790 we find that not since the period from Jan. 1836 to March 1837 (15 months) has that index averaged higher above a computed normal for so long as it probably has (September and October estimated) during the last 15 months. In that earlier period this index averaged 17% above normal for 15 months. Since V-J Day the index probably has averaged at least 12% above normal for 15 months. Now these statistical indications by themselves are not necessarily conclusive but they should have a sobering effect. Business very rarely proceeds at such a high level in peacetimes as it has in the past 15 months. When it does, invariably it has been a red light signal.

Today we are witnessing the largest volume of peacetime business in our history. Never during this century at least has a bear market ended while business was at or near the top of a boom. In the last nine bear markets since 1900 the Dow-Jones' Industrial Average never made its low until a substantial part of the business decline which it forecasted had occurred. In eight of those bear markets the average precentage of the total decline in business which had materialized when the bear markets ended was 85.5%. The short 7½ months' bear market in 1923 culminated about 8 months before the end of that short business recession and while only about 35% of the business decline had occurred when the bear market ended, still stocks showed but little rallying power until business began to recover in 1924. Generally stocks do hit bottom before business in a depression, but not by a wide margin.

From the high last May 29 to the low on Oct. 9, the Dow-Jones Industrial Average declined 30%. Never in the history of this stock price index has there been such a large percentage decline in a bull market.

If we had to work out of our present situation by reducing prices, costs and wages as in the 1919-1921 period, I would judge that this bear market would not end until sometime in 1948. Unfortunately, for over a decade we have travelled far from a social system of rugged individualism and free enterprise. Our people have learned to lean on the Government during emergencies and difficulties. I feel almost confident that this trend will continue. Come unemployment and even a taste of hard times, the Government, like a beneficient father, will be called upon to do something about it and will act. This is my second important assumption. It is a factor which increases immeasurably the difficulty of forecasting the bottom of this bear market. It seems reasonable because of this outlook that this bear market will end months earlier than the decline in business does.

The Inflationary Background

It is not simply the probability that the Government will begin another spending or subsidizing program or will in some way ease credit terms that alone matters. It is the projection of such action against an inflationary background that is highly important. That is, once it becomes apparent that we must go through another period of large budgetary deficits, we should be worried about the possible psychological effects. Remember our people never yet have been through a currency inflationary period. Just imagine what would happen if the holders of our huge liquid assets began to desire property or equities instead of cash or bonds. More than ever before, I think they are going through that mental change within two years. With the Republicans in power a general fear of the value of our dollar probably will not arise as soon as it otherwise would have. But it seems to me quite unlikely at this late stage that the Republicans or any party can command the self-denial and sacrifice necessary on the part of our people to maintain a balanced budget for long.

I recently had the privilege of reading an unpublished book entitled "Inflation and How" by Thomas M. McNiece, formerly an economist with the General Motors Overseas Operations. Mr. McNiece has spend several years in the preparation of this book. While I have read many works about inflationary periods in European countries, this manuscript dissects and summarizes the inflationary experiences in those countries and appraises the probabilities in this country better than any other source that I have seen. There was one table in this book which I think should interest you. It gives the ratios of national debt to national income and national wealth for various European countries for 1922-1923 and the subsequent depreciation in

Ratios of Debt to Income and Wealth

	Date	Debt as of Income	Per Cent of Wealth	Percent of Currency Depreciation From 1914 Parity June 1923	Dec. 1927	Sept. 1939
Belgium	1922-23	180	34.1	72.0	85.6	90.6
France	1922-23	267	32.2	67.4	79.8	92.2
Italy	1922-23	192	30.7	76.3	72.5	84.6
England	1922-23	245	35.0	5.2	0.0	48.6
United States	1922-23	47	6.4	0.0	0.0	40.9
*United States	6-30-1945	257	80.0			
*United States	1-31-1946	275	86.0			

*Estimates based on Federal debt, normal income trend and no inflation above price levels of early 1944.

the currencies of those countries at various dates up to Sept. 1939. It gives similar data for the United States and brings the ratios for this country up to last January.

Mr. McNiece arrives at this conclusion: "Since our ratios of debt to income and wealth are far greater than those indicated in the foregoing data, it seems possible by comparison the dollar ultimately may decline by as much as 80% and possibly more below its 1914 gold parity or to 20c compared with the present 59c. If so, the cost of living in terms of paper money would finally reach about three times its present levels."

Inflation in France

The record of stock prices in France during the recent war is a striking example of how potent the fear of money can be in the stock market. Here was a country overridden, despoiled, practically without foreign trade, plagued by scarcities, lacking in transportation facilities and harassed by production interruptions. In 1944, industrial production in France was as low as 20% of its 1938 level. I have not the facts, but it is reasonable to suppose that numerous companies must have passed their dividends because of no earnings or the uncertain outlook. Yet what do we find? Why, the index number of the market value of 300 industrial shares in France as published by the League of Nations advanced from 134 in 1940, to 222 in 1941, to 431 in 1942, 486 in 1943, 495 in 1944, and declined to 405 in 1945. The latest monthly figure available for this year is for August when the index stood at 518. The base (equal to 100) for this index number was the first six months of 1939. Our Dow-Jones' Industrial Index averaged about 138 in the first six months of 1939. It would have been at about 714 last August if it had matched the performance of the French stock market. In one generation the French people have witnessed a very drastic depreciation of their currency. Consequently, the French have been imbued for years with fear as to the value of their currency. I remember talking to the manager of Lloyd's bank in Paris in June, 1937. In came a clerk to tell him that there had been a rush to buy English pound notes that day and they were all out of them. Nothing like that has ever happened in this country. If we had the same distrust of our currency as the French have had in recent years, it would seem probable that our stock prices would be much higher. I do not necessarily imply that we should have. All I am attempting to do here is to point out how powerful an influence a rapidly depreciating currency can be on the stock market. I do think our dollar will depreciate much more in the next five years and, if so, this process will be the most dominant influence in our stock market.

Expectation of Inflationary Financing

What will be the news or developments over the next few months which may arouse investors with their very large liquid assets to the danger of a depreciating dollar inherent in our huge national debt and inflationary potentials? If we appraise these correctly as they come along it will help us to time the bottom of this bear market more accurately than any other consideration. In general I would say that news or developments suggesting that we are about to enter another period of budgetary deficits will be sufficient. Now the Republicans are committed to reduce Federal expenses and taxes. It looks as though they would do this in the first quarter of next year. It does not seem reasonable that after having taken such steps they would turn around immediately in the second quarter and vote a spending program. The third quarter probably is the earliest we should expect news or action involving subsidies, a new spending or relief program or guarantees to ease credit terms. But other developments could happen which might have a similar effect. There are approximately $49½ billions of U. S. Savings bonds outstanding. Suppose that through a desire to secure income to combat the high cost of living or for necessitous reasons the monthly redemption of these bonds begins to exceed sales by a wide margin. This would portend a drain on our Treasury and it might not be so easy then to sell 2½% Government bonds to the public. Suppose, because of our business recession, there is a rush to withdraw foreign funds and dollar balances out of this country. Suppose the dollar begins to decline relative to other currencies. We can't be too positive just what development may occur that suddenly will activate investors to begin turning cash into equities, commodities or property. But, to repeat, it is some such development as this which probably will supply the key for opening the door to the threshold of our next big bull market. It is quite conceivable that our next bull market will exceed all previous peaks in our stock market, with the possible exception of 1929.

Summary and Conclusions

Let me summarize my remarks. It seems highly probable that there will be a substantial business decline next year. In part this will result from pricing ourselves out of the mass markets for such goods as automobiles and housing. I could have cited industries, such as textile and radio, which already are at or near the stage of over production. Our unprecedented inventories also should be a cause of concern, particularly since prices generally are out of line with average incomes. If the background over the next year involved only a healthy depression in a country with a small debt and no important fiscal problems, the task of a stock market prognosticator would be fairly simple. But I have tried to emphasize that this is not the case at all. We are in the midst of a period in which our currency is depreciating constantly. This trend will be accentuated by a depression due to the unwillingness of our people to submit to a balanced budget and a reduction of our huge debt. Consequently, the conclusion is reached that the stock market will not follow the business trend down until the bottom of the depression has been nearly seen as it generally has in other bear markets since 1900. Rather it is expected that developments forecasting or recording an unbalanced budget, fiscal difficulties or a depreciating dollar will signal the end of this bear market. To repeat, that signal is likely to be raised well before business ceases to decline. As far as one can judge now it does not appear probable that this bear market will end before the second or third quarter of next year.

Our Outlook at Home

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if there is a recession there is more of a likelihood that the familiar concourse may be repeated.

Today, as contrasted to 1928 and 1929 when everyone was assured we were on a new "plateau," everyone seems to hear the ominous clatter of the Four Horses of the Apocalypse. It may be that they are already here.

One thing you find in looking back over the business cycles is that many times happenings have occurred unnoticed which were the distinct forecast and forerunners of what was to come.

It may easily be that the "lassitude" of the stock market, to describe it gently—and the break in cotton will at some future time to some almanac reader be the indicators of a coming recession.

I am not going to make a forecast myself. That is partly because I am a burned veteran. You know it was not that the singed cat would not sit on a hot stove again. The cat would not sit on any stove.

What I found in looking back over my almanacking was this: That the only times I have been correct have been those times when I was overwhelmingly convinced.

When I made a projection, by necessity, I found that I was only likely to be 55% correct, and at least 5% in there represents self-pride and egotism.

I can tell you what a group of forecasters—business, government—seem to think about the contour of next year.

A Forecast of Next Year

First, there is likely to be, despite the strikes, a temporary increase in activity running as much as 5% in volume. It may look by the dollar sign to be 10%.

Second, that we are very likely to have a final whoosh in prices, sort of the final gyration.

Third, that the needs of American business are such that inventory will continue to accumulate.

And fourth, that with the rise in prices and production coming at this special time, there will be a decided gap between what is offered of goods in the market and the consumer's ability to pay.

In the early days of control, what was happening was that consumer income, represented by wages, was increasing at a faster pace than prices or goods that were available in the market.

In recent months there has been more of a classical example of inflationary trend in that the price tags on goods have been increased while at the same time the take-home pay has declined.

In recent months there has been a turn up, however, of the average weekly income, as represented by workers in manufacturing industries.

The consensus of these forecasters is that there will be at least a temporary resting period by the middle of the year, and sooner if the coal strike produces a paralysis, and then will come a period of readjustment—a period of readjustment of prices and certainty of inventory.

The big question is whether that recession is to be a normal period of readjustment or whether it turns into a depression.

My own impression is that this will depend very, very largely on the wisdom of joint political decisions.

If I were a marketeer instead of just an idea peddler, I would not be so much interestd in the 1947 quarterly estimates of G. N. P. I would be more interested in what are likely to be the forces operating in 1947 which dominate and produce the shifts in business activity. I would like to list these major forces and minor forces as I see them and then discuss them individually.

The Dominating Forces in 1947

First, I think that the "boom and bust" psychology is the dominant force at the present time.

Second, I think that the price gyrations which are taking place now and are on the make are of almost equal importance.

Third, I think that labor's economic power and how it is utilized is a controlling item.

Above all, the composition of a $30 billion budget is of high rank.

And fifth, certainly the Republican victory and the Republican program.

As minor forces I would list the bad timing potential of surplus disposal, the coming controlling decisions on monopoly by the Supreme Court, and the possibility of new political alignments before the year is up.

Now, on boom and bust. I do not want to claim complete title to the phrase, "boom and bust." I would like to say, however, that it was the heading of a memorandum which I produced in February, 1937 for Mr. Roosevelt, and so I have been interested to find out that it has been absorbed into the shorthand of economic observers.

The Business Still Present

One outstanding or basic thing is the realization that the savagery of business cycles has not been eliminated and the factors which bring them about have been highly accentuated. The banker today, at least some of them, talks about the high degree of instability and then tightens up on credit. The investor ignores record profits—the last quarter profits of this year will be the highest that peacetime or any other time has ever witnessed. He ignores stocks earning this year, ten to twelve dollars and selling between thirty and forty dollars, and wonders what he can do to protect himself against inflation.

One of the most curious phenomena to be observed is that the standard recommendation for protection against inflation has been the investment in equities. That person who in March invested in equities has lost in his dollar account and by reason of the price movement has lost in his buying account.

Thinking of this high degree of instability, the political agitator adopts the old technocratic thesis that there will be boom and bust with increasing amplitude and frequency and prepares to make the most of it should the occasion come to seize power during a breakdown.

The foreign governments are acutely conscious of the export of unemployment potential, and their dealings on international matters and the question of whether they shall buy now or later are decidedly colored by it.

The individual, by taking thought, may defer the buying of a house or a consumer's durable which represents a substantial down payment and continuing large payments.

The corporation, partly because funds are tied up in inventory, partly because it is impossible to get materials for building, and partly also because the market for new securities has not been particularly good, may defer building and the additions to capacity. Then, too, that great buyer in the market, the government, is seriously thinking of changing its forward commitments, which is an amphibious way of talking about the Republican platform.

Now, whether or not the forecasters are correct about the 1947 mid-year decline, that old devil Boom-and-Bust will sit in on every important decision affecting business activity and so I think that the boom and bust psychology is something that needs to be reckoned with.

Speaking of price gyrations, we have made a national decision to abide by the free market, which means that you can buy today a $1,750 automobile for $2,750.

Some wholesale prices are on the way up and some of the prices are on the way down. In other words, you have a familiar experience of this period in the whole cycle where you have deflationary and expansion factors at work. I believe that we could have a price flurry, and I use the word "flurry" because I feel there are restraining influences, some of which will be evident after Christmas, which will prevent the rise from attaining extraordinary proportions.

We are now in the second and third rounds of price increases. With the taking off of controls, many companies advanced their prices to what they felt were the proper prices and then coming in back of them were substantial increases on raw materials and components.

Taken together with the scramble for certain kinds of snort inventory items, you can get in o a spiral such as we have not witnessed in the entire pre-war, war and post-war periods to date.

So far, however, and I think this is of extraordinary importance, there has not been a flight from the dollar and there does not seem to be anything in the picture that would produce a destructive inflation of the character that Germany experienced or what Hungary has gone through with the pengo recently, of what China and Greece have experienced. That is because we finished the war with our industrial capacity not only enhanced but intact—that we had found proportionate sources of raw materials like copper and other items, that we have no real balance of external debt, and that we have a greater degree of knowledge about our own inventories and possibilities of supply.

There is not as much ignorance in the market today as there was in 1920, and a serious question among observers is whether or not there do not come periods when the superior knowledge of markets and trends decidedly contributes to a thrust forward or downward.

Our Inflated Price Level

But we cannot escape the knowledge that we are at an inflated level. One of the things which I believe every person dealing acutely with business activity ought to do from an almanac standpoint is to go back to what the price level was at the beginning of the European war, what it was in 1940 and what it was in 1941.

For the most part, I should say that it was in the mid-seventies at the time of the formation in 1940 of the President's National Defense Advisory Committee. It rose to the eighties in 1941 and then was approximately one hundred about the time that Pearl Harbor came. That is roughly what it was.

There always have been ideas that the American economy could operate full blast at something less than par in prices. The interesting thing about this Bureau of Labor Statistics concoction known as the "Wholesale Price Index" was illustrated by the fellow who asked the porter what was the average tip he received. He said, "One dollar." The fellow thought it was a little high, and when he got off he gave him a dollar and was profusely thanked. The porter said, "You are the only one who has been up to the average for a long time."

Except in periods of war and post-war, the American economy has operated on less than the 1926 average, which is 100.

Now, the real danger of inflation—the real harm that it does—is by the inflation which it occasions. I would say that the price level is now around 138. There has been an increase of over 40% in the wholesale price index since V-J Day.

It has never been possible for this economy to make a transition of a magnitude of much more than 20% without a serious dislocation.

I do not want to say what is a proper price level as a result of long study. I will give you a rule of thumb. I would say that something between 110 and 120 is a manageable wholesale price level and if we could have kept at that until we had met the post-war demands, our transition would have

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Our Outlook at Home

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been a much easier one. That did not seem to be possible.

But there is a real danger in what happens to markets with a violent decline. I can see a picture of this flurry in prices and some spiraling bringing the wholesale price index up to perhaps 144 before there is a turning. Then, accordingly, there will be readjustments of individual prices which will tend to pull the index down.

When that index has been pulled down substantially, it will affect the prices of other commodities and you will get a downtrend in practically all prices.

I can conceive of that as being a course of probable price action. One of the difficulties about the descent is that even though 115 were a good magic level at which business management could adjust over a period of time, on the way down prices will not stop at 115. You will go through that and take the familiar rebound before you have established a new basis of operation.

But the difficulty with the current price level is that there are all sorts of distortions that come from the excessive use in the war period of certain very precious raw materials, plus the fact that at the high level such as we have been operating recently, we are not completely in balance on all types of equipment or raw materials.

I am not predicting that the price level will go through the roof. I am saying that we are already at a very, very high level and one that it is not possible, in my opinion, to contemplate as a workable, manageable level, and I do not believe that from this level we will make the transition without disturbance.

On the matter of inventory, it is quite clear that, first of all, though we have upwards of $32 billion of inventories, that is not out of line at all with the volume of sales. Very properly, I think, you could conceive of a $36 billion level of inventories as related to the current rate of production, particularly as you have got enormous amounts of semi-processed and processed items rather than the big inventories in the warehouses and on the department store shelves.

Inventory Difficulties

The great difficulty with inventory, of course, is this: It is possible to lose more money with a broad price change than you can make in any year, and increasingly, managements will have to consider this in taking on additional business commitments.

Another is the question of how much borrowed funds are actually used for inventory purposes. Without making a plug, I think it was "Business Week" that had a very vivid chart recently of the General Motors position and which indicates the necessity of going to the market as they did today for additional funds.

One of the outstanding pieces of interrogation that we did during the TNEC was to establish that most major corporations, and General Motors was included, had had no real need for a long time, and that stretched back to the pre-1929 days, for going to the market, that most of their expansion had been made possible by internal funds.

Above all, there is an item having to do with price and inventory and demand which seems to me is often overlooked. On the way up, as you see it typically and familiarly in houses, you become conscious of a tremendous unsatisfied demand for houses and the prevailing impression gets abroad that that is a firm, fixed market. Buyers will follow up for a while and then you get the same pyramid whereby price has equated demand by eliminating some demand. Then when the price breaks and you would expect it to come down and find again other strata of demand, those have completely disappeared.

The person who was interested in an $8,000 house is not interested in even a $7,000 house or a $6,000 house. In other words, there is no great reliance ever, in my opinion, to be put on what is indicated as pent-up demand. Demand is a function of the earning power and willingness to lay down a certain amount of investment and to take on obligations for installment payments that can come only from a certain degree of security about the continuance of the pay envelope.

Come now to the third item. That is labor's economic power. I believe that if we can rely on the economic almanac that the second round need not necessarily be as vitiating as the first round.

But here is something I have thought of. There is no existent political power of labor to support the kind of bold operation that John L. Lewis has undertaken and there is certainly no kind of active fascist or communist power or threat of taking over in case we get to a tight situation.

The Labor Situation

On the other hand, we have a completely new condition in the demonstration of industry-wide strikes with a potential of sympathy strikes. I believe we make a mistake if we think that the labor matter is completely solved by amendments to the Wagner Act and the passage of things like the Case Bill. I believe that you could find a greater and wider use of the economic power.

I want to talk again about something which seems to me the predominant political matter of the next several years at least. That is the $30 billion budget.

In many periods of our history we had a small budget. The revenue was derived from import duty collections.

The Tax Outlook

Given a $25 to $30 billion expenditure by the government, the central political question gets to be—who pays the taxation and what is the type of taxation. Is it incentive taxation? Is it the kind which stimulates markets or is it a type which is of a favoritism class? And secondly, for what purposes the money is spent and the timing. I believe that as we go forward our dominant political controversies will center around the budget.

I wish I had time to discuss that. I want to say that I do not believe we will have a 20% across-the-board tax cut. I think when the pencil sharpeners get to discovering what that means in terms of the furthering of consumer sales there will be a decided readjustment.

One of the things which has interested me, as a person who had to defend the question of whether the debt was of high importance or not, is the fact that very, very little attention has been given to reducing the debt. It has all been directed toward the reducing of taxation.

It is always interesting to see that an early faith has been justified. I feel more like a statesman every day that I see how the Republicans are treating with indifference the question of that terrible, devastating debt.

I am also interested in this problem of cutting the budget down. Well, there are several intriguing questions here. It is possible, of course, to take off that $5 billion interest on national debt, and that without repudiation of promises at all. If you are interested in economy, there are a number of bills in Congress—Jerry Voorhees has one—whereby you can save $5 billion. I might predict and guarantee that they do not do it.

Then there are the veteran pensions and benefits. In looking forward to 1948, I will give you a bet they do not cut that much. Then there is the refund of taxes. That is a matter of contract through legislation passed by Congress itself.

Then there is an item running up to about $15 billion for national defense. Looking forward to the prospect of this almanac downturn, I think when you look it over and see what a substantial amount of backlog that would constitute, and it be on a very high level of principle, glorified public works and WPA, it will seem desirable to have that maintained. In addition, $15 billion for national defense would enable us to take a strong position against some of these countries that are pushing us a little too far in foreign affairs.

The total frozen budget runs up to about $25 billion. International finance may run to $3 billion.

In addition, there is agriculture. That's a "honey." As a recall it, the price bill specifies that we will guarantee certain payments and levels of prices to farmers for two years beginning with the January after the year in which the war is officially declared over. That is going to run to 1948 also.

Public works runs about a billion dollars too. That is a pork barrel item. Your guess is as good as mine on that.

Then you get down to the regular departments and bureaucrats. There are a number of fellows here—I can see them along here and out here—who if they were in Washington today, would be mad. There is nobody who makes a better bureaucrat than a businessman. You can make a bureaucrat of him overnight. It takes a little longer with a professor, but by God, with a businessman you can make a bureaucrat overnight. If they were in Washington today I believe Mr. Tabor would be hearing from them so I am not at all optimistic about a great deal being done about this item in the budget.

As for this little dispute on higher economic terms about balancing the budget that Messrs. Truman and Snyder got into, as a matter of fact, I think if John Snyder published the exact intake and out-go you would find he is saving a few dollars. He has a few items on his books, like setting aside a little money for further loans he has to pay, and he has some money he set aside for appreciation in the "E" Bonds, but I bet you Snyder is a deflater right now but of such a small magnitude that you do not have to worry about it.

What you may have to worry more about is a flight from the dollar in case this flurry of prices that I talked about should generate as it has in other countries and decide not to stop after the second and third round.

What Pre-Bust Planning?

The central question, however, as I see it, and with which you must be familiar, is what will be the planning or program for the anticipated bust. I think we will call it "programming" for "planning" is a nasty word. They abolished it in Washington.

There was a conflict in the thirties over two basic ideas of how to handle a large unemployment situation. That conflict was not resolved. That issue will likely come up, if the boys in the back rooms are right, about the mid-year—it will come up long before as a party the Republican group has been able to make a well solidified and well ordered statement of their position. It will come up before Mr. Truman has completely made up his mind whether he can follow everything that his Council of Advisors tell him. And so one thing that everybody must be watching is whether we make plans or programs of some kind, whether it is by the so-called deficit financing, whether we use the elasticity there is in the pay-as-you-go taxation, or whether we rely entirely on the free market. A quick decision one way or the other would be helpful—delay can destroy us.

A minor matter is surplus disposal. Another matter is a very serious one and that is the trend of decision as to monopoly. In the lower courts and increasingly in the Supreme Court this question of what to do about monopolistic competition and concentration of business organization is up.

If the court follows the general meaning and trends, say of the aluminum and tobacco cases, then we will have precipitated at the onset, the unresolved TNEC problem of what do you do about duopolies and oligopolies in American competition. We have seen how that can come up when there is a ruling on insurance. We have seen how it can come up when there is a ruling on railroads. Each time new legislation is offered.

I could predict, but I will not, that we will have a period when the labor laws will be amended, that the minimum wage bill will not pass. There will be price gyrations. There will be new opportunities for merchandising.

I could easily predict there will be more business failures next year because there were more starts this year. I could predict that we will shift very largely from the high degree of non-durable consumption to a greater amount of durable.

I could predict that the present housing scheme will break down.

But I won't predict these. I will try to get around it by saying I will not predict, but I will just mention them to you.

I come back, however, to this: it is not what somebody has projected from a past trend which should be of major concern. The hope of continuance of high level of production is tied up with two very, very important items, one of which is this: Boom and bust and what to do about it, and the second is how we manage what the government does as to its in-take and out-go. If you are looking to your own adjustment, I suggest that all of you are going to have to become not just marketeers but budgeteers.

The Outlook for Business

(Continued from page 2884)

bers, employed in purely war industries, to reemploy in peacetime jobs.

We did face the problem of demobilizing upwards of ten million men from the armed forces and reabsorbing them into peacetime employment.

The Federal budget was going to be cut by about $60 billion, with a corresponding drop in demand from what had come to be our best customer — the Federal Government.

It is certainly no exaggeration to say that never before in our history had we been faced by such an impressive combination of discouraging circumstances.

Nevertheless, the much-feared transition depression did not, in fact, occur. Unemployment never reached 3 million. National income payments, running at an annual rate of $173 billion in the peak month of Dec. 1944, declined to a low of $145 billion in Feb. 1946, and pushed rapidly upward to wartime levels.

Even more impressive: A chart of retail sales covering the last eighteen months does not conclusively reveal just where our postwar period began. The war's end and the subsequent, deflationary influences, which I have already mentioned, apparently made scarcely a dent in consumers' willingness to spend.

II.

Now these are impressive facts. They pose some important questions. Why did predictions of an immediate postwar depression miss the mark? What important elements were omitted from the picture? It seems to me they were roughly four in number. First, the technical problems of reconverting our industries from war to peace proved to be much less difficult than we feared. The war machines were moved out and the peacetime assembly lines were reconstituted with astonishing speed. Both production and employment, therefore, remained at unexpectedly high levels. This unquestionably was one of the greatest single breaks which came our way.

Second, the backlog of demand in certain critical areas was real and it was enormous. A few years ago I made some calculations about the postwar demand for automobiles. At that time I came to the conclusion that automobiles on the road would number ten to twelve million below normal.

Now the automobile industry must produce at least 2 million cars per year to fill the replacement demand. Until production pushes above this figure the accumulation of deferred demand continues to grow.

All of these figures suggest that the automobile industry could produce cars at an annual rate of six million cars per year for four years before saturating the demand. The peak prewar year's production would have to be increased by almost 30% to achieve this level.

The accumulated shortages and the acute demand for housing are obvious in every community. Here we are reaping the harvest of a bulge in family formation on the one hand and a legacy of low-level production for the better part of a decade and a half on the other. During the war houses were not produced because materials and labor of necessity went into war production. Prior to the war residential construction was one of the few important industries which never recovered during the Thirties. Thus we must now struggle with a heritage of heavy demand, on one hand, and output deficits of fifteen years when the industry's new construction did not keep pace with normal requirements. One student of the housing problem has concluded that we ought to build 1,250,000 homes a year for the next ten years. This is almost double the number that will be completed this year.

Third, consumers were in a position to make good on their demands. Incomes had been high and were destined to drop less than many feared. Furthermore, the wartime era of high incomes and low supplies of goods placed the average consumer in a better balance-sheet position than he had ever enjoyed in his history. He had more money on deposit than ever before. For the first time many families held substantial amounts of savings bonds.

More importantly, consumer debts in the form of instalment credit and personal loans had been reduced to low levels. Even with the pronounced tendency for these liquid assets to be concentrated in the hands of the relatively few, it still seems evident that the typical consumer was in a better cash position than he had ever been before. All of these developments meant that heavy potential demand could become heavy real demand. The purchasing power was there.

The fourth development was the one that finally cast the deciding vote. It was also the one which was inherently least predictable. People, in fact, were willing to spend their money.

III.

Recently, however, we have become pessimistic; somewhat skeptical. Warning signals have appeared. They raise certain questions. Has V-J Day's sixty-four-dollar question been finally answered after all? After a lucky break in getting through the transition period, are we destined now for some sort of major readjustment? If so, what kind will it be? When will it occur? How long will it last? These are serious questions. You bankers know there are no simple answers. You also know that it is the particular responsibility of the bankers to be aware of the soft spots in a business situation.

The first red flag of substantial proportions was the break in stock market prices which began in August. You will recall that during the last week in May the stock market reached the peak of a bull market which began four years and one month earlier, a bull market of considerable longevity. After May 29 the stock market wobbled along somewhat uncertainly, exhibiting, however, a definite downward trend. In the latter part of August a break of more serious proportions occurred. There seems to be no conclusive evidence yet of any major revival.

Second, many agricultural economists within recent weeks have been suggesting the possibility of a decline in farm prices, perhaps to support levels, by the latter part of next year. Since agricultural prices in general are substantially above these support levels, a considerable decline could occur. Furthermore, wheat is usually mentioned as one crop for which the long-range outlook for demand relative to supply is particularly weak. In our agricultural area this is a red flag of particularly momentous importance.

Third, we have become progressively more discouraged with our inability to find the answer to the baffling problems of industrial relations. After a fortunately quick technical reconversion, heavy industry has ground down to low levels because of at least four separate major work stoppages. This was a development of considerable significance. It involved a problem in which our experience as a nation has been limited.

On a related issue I am personally optimistic. The pessimistic conviction is often expressed that the efficiency of our labor force is low and seems to be increasing slowly, if at all. Thus costs are forced up. Here some degree of optimism is justified. This development was to be expected. The productivity of our labor force depends on the smooth meshing together of the complex cogs that constitute our highly intricate industrial economy. This we have tended to forget. Forcing our economy into the mold of war production involved a major operation. It was hardly to be expected that the peacetime design could be effected quickly. Even after each individual plant was technically reconverted a long process of threading our supply and marketing lines was bound to ensue. The uneven flow of materials and parts, bottlenecks of all kinds, production by fits and starts — these frustrations were to some extent inevitable, even after peacetime production began to grind ahead. But all of them tended to hold down the capacity of our economy, and our labor force, to produce.

Our experience after the last war is illuminating. During the decade following 1919, there is evidence to suggest that the efficiency of our industrial labor force increased by an average of 5 to 6% per year. But in each of the second, third, and fourth years after World War I, productivity experienced a yearly increase of almost 10%. I see no reason why a similar performance may not be ahead of us in the succeeding decade.

The fourth red flag has been raised in the form of inventory accumulation. During July the book value of business inventories, according to the Department of Commerce, rose $1.3 billion, and in August $1.1 billion. Preliminary evidence indicates that inventory expansion is continuing at about this $12-$14 billion annual rate, a rate of inventory accumulation which if long continued would be enormous. The major part of the 1921 and the 1938 recessions (both exceedingly sharp) was sparked by previously heavy accumulations of inventories. The question, therefore, arises as to whether this current inventory expansion may not presage a similar development in the months ahead.

On this inventory question one cannot be doctrinaire. It is true that total inventories are at a much higher level than they were before the war. It is also true that the current rate of inventory expansion cannot be sustained for any considerable period of time. On the other hand, the *aggregate* volume of inventories does not yet seem to be materially out of line with the current volume of business activity. Inventories are also spotty. In some lines they are excessive. In other lines, particularly durable goods, they are low. Some increases are involuntary and occur because goods in process are held up for lack of parts.

It is not easy, therefore, to draw any conclusions about the inventory picture. This much seems evident. While in general the current *total* volume of inventories does not seem to be excessive, the rate of increase taking place is at a pace which cannot be indefinitely sustained. Whether a smooth liquidation of excessive inventories in some lines can match a continued increase in currently scarce lines is highly debatable.

Fifth, the current inflated values of *urban* real estate seem to be well on the road to taking the place of the same difficulties which occurred after World War I with respect to heavily inflated and heavily mortgaged *farm* real estate. A survey which we conducted three months ago revealed that on an average urban real estate was selling in Minneapolis for prices about 96% higher than at the outset of the war. Lower-priced units were up about 120%, and higher-priced units by somewhat less. A substantial amount of these transactions involves borrowing. While it is probably true that the lending institutions are still generally protected by substantial margins, any considerable readjustment of values will drastically affect the equity which current buyers now have in these properties. Nor is the new builder in a much more favorable position. When his house is begun he knows neither when it will be completed nor within even broad limits how much the completed structure is going to cost.

IV.

What does this all mean? Are we living in a giddy paradise, an era of unprecedented prosperity, yet one with warning flares popping all around? Without in any sense attempting to predict the shape of things to come, these comments seem to be in order.

First, the prediction of a major recession does bump squarely into the very real accumulated demands for automobiles, houses, and commercial construction. In none of these cases is there a possibility that the backlog of demand can immediately be liquidated. It is difficult to see how a recession of any substantial proportions can occur if activity continues high in these crucial industries.

As a matter of fact whether a recession within the next twelve to eighteen months will be of serious proportions will be determined in a very substantial way by what develops in the immediate future. There is real danger that the very intensity of the demand in these crucial industries will induce further price inflation. This would be regrettable. It could only make more certain not only that a break would develop but also that it would be of more serious proportions when it arrived. In other words, our major immediate problem is still to minimize the further advance of costs and prices. Even the intense demand for critical durable goods could be choked down if this strong upward cost-price spiral should continue. The traditional cold douche of a sharp recession would then be the inevitable conclusion.

Second, the soft spot which, in my judgment, bankers would do well to watch very closely is the rapid rise in inventories. There is danger that we shall be misled by the very real shortages in some lines, and a total volume which does not yet seem excessive, into overlooking some lines which even now are unduly high.

Two points merit emphasis. First, the current $12-14 billion rate of expansion of inventories cannot be sustained. Second, on the upswing inventories seldom seem too high. It is only in the cold, grey light of a business decline that they become excessive. It is also well to remember that while "inventory recessions," such as 1921 or 1938, have tended to be short, they have also been quite sharp.

V.

What can be made of all this? My own feeling is that in the immediate future the price level will rise still further. When the rise will be halted is impossible to foretell. Unpredictable and capricious events often pull the trigger on an unbalanced economic situation.

On the other hand the next year should see a large proportion of the nondurable goods industries concluding the task of filling the pipe lines. This means that customers will have to take as much stuff off the counters as currently plus the volume of goods now going into inventories—or total demand will be inadequate. But just at this time there is every reason to expect that an increased flow of durables will also be competing for the consumers' dollars.

This to me suggests one conclusion. Lagging demand for nondurables will mean price declines for many types of products within the next twelve months. It can occur in two ways. First, an outright price reduction; second, a substantial upgrading of quality.

Such a price decline in nondurable goods could induce an echo weakness in the prices of durable goods. First, it would inevitably induce considerable uncertainty and caution on the part of both businessmen and consumers. Second, a price decline for nondurables will make the relatively high prices for durables seem higher and will further induce postponement of demand. But it is doubtful if price declines in the durable industries will be as pronounced because of the large unliquidated deferred demands which still face many of these industries.

This conclusion seems to emerge out of the welter of argument: A price recession next year is a possibility. How sharp it is depends heavily on how much higher we go. And its duration will be short.

* * *

It is, I trust, not inappropriate to conclude these remarks on a somber note. A recession within the next year, though it could pose difficult problems, is not our major battle. That will come when we attempt to solve the perplexing riddle of how economic activity can be sustained when our new houses are finally built and each with a new car parked in front. After we get through the current difficulties, this process may well require the better part of a decade. To what then can our productive energies be turned in order to sustain business activity and employment at reasonable levels? Toward the latter part of the coming decade this will be the major question with which business statesmanship must come to grips. There is little evidence yet that we are very far along toward the answer.

Survey Reveals More Optimism Among Purchasing Agents

(Continued from page 2887)

items increases have been moderate. There is no indication of a runaway market.

With OPA controls removed, some markets became rather hectic but, generally, buyers are not too alarmed. It is expected that prices will level off within a few months, and then declines may be expected. Some reductions are already indicated.

Inventories

Inventories in the last 30 days were climbing. There is an increase of 100% in the number of reports indicating higher inventories. More merchandise is being received. However, an unbalanced condition continues. Raw materials inventories have not increased proportionately with supply items that are finished products.

Buyers, however, are trying to reduce and balance inventories. Stocks are being combed to reduce wherever possible. Many unfilled orders of long standing are being canceled.

The inventory question becomes increasingly important as we pass from a period in which it was impossible to build up inventories, because of shortages of materials, into a period where at one and the same time the possibility of building inventories and the danger because of the price situation must both be considered.

Buying Policy

Little change in policy among industrial buyers is reported; if any, it can be summed up in a word, "caution," and more caution.

Buyers are beginning to tighten up, and will carefully watch the trend from here on. High prices will further a hand-to-mouth policy. Many are expecting price decline protection on long-term commitments.

Industrial buyers are gradually returning to the old fundamentals which allow market conditions, production needs, inventory and sales to control the purchasing policy.

Specific Commodity Changes

Following the end of OPA controls, many notices of price advances were received. Buyers, however, feel this is a temporary situation. Many major items remain steady despite decontrol, and it is expected this stabilization will improve after a brief burst of uncertainty and will help the over-all purchasing situation.

Scrap prices have risen rapidly, and it is felt that many badly needed items will now reappear on the market in a more satisfactory supply.

Special steel sections advanced $5 per ton. Further steel advances are expected. One steel company has announced further advances on pipe; others are expected to follow.

Nonferrous products are higher due to copper, lead and zinc advances.

Manufactured items of steel, leather and paper have advanced 15% to 20%.

Paint prices are up 20%. Alcohol, soap and rosin are up.

Stationery, office furniture, steel files and miscellaneous office supplies are up 20%.

There is very definite evidence that the marginal products, some of which have been carried for many years on practically a non-profit basis, are going to be lifted into the profit brackets on the crest of the current wave of price advances.

Some very drastic prices are, of course, reported. Glycerine is probably the outstanding example, indicating better than a 300% increase.

Basic farm commodities (cotton, corn, wheat and rye) have experienced considerable price recessions caused by inflated price structures.

In Canada little change in prices is noted, except in the case of imported items.

Employment

Lack of help is reported as a drawback to increased production. Many jobs are available that cannot be filled. Office employees and skilled workmen are scarce. There seems to be more unskilled labor looking for jobs.

Little change is reported in the West Coast situation. In Canada reports indicate strikers are returning to work, which tends to make more work for others.

General

In general, business is good. However, purchasing agents are becoming more cautious about prices.

Demand and production remain high, but the scarcity of some materials and the fear of strike interruptions make conditions very uncertain. A general improvement in industrial business would follow if the uncertainty of labor conditions were removed.

Purchasing agents are beginning to function as professional buyers with the old "buy at any price" practices becoming exceptional.

Merchandise buyers in some lines are reported cautious to the point of limiting commitments and canceling unfilled orders.

Chester Terrell Now With Westheimer & Co.

(Special to THE FINANCIAL CHRONICLE)

CINCINNATI, OHIO — Chester T. Terrell has become associated with Westheimer and Company, 326 Walnut Street, members of

Chester T. Terrell

the New York and Cincinnati Stock Exchanges. Mr. Terrell was formerly manager of the trading department for L. W. Hoefinghoff & Co., and prior thereto served in a similar capacity with Field, Richards & Co. and Edward Brockhaus & Co.

M. C. Woodward With Henry Dahlberg & Co.

TUCSON, ARIZ. — Malcolm C. Woodward is now associated with Henry Dahlberg & Co., 9 East Pennington Street, as manager of the municipal department. Mr. Woodward had formerly been connected with Stifel, Nicolaus & Co., Inc., of Chicago, since 1931.

Dangers of Centralized Big Government

(Continued from page 2897)

that proposition. Indeed, how could they? We are told that these are "fine ideals"—the ideal of home rule, the ideal of a flourishing community and state government. But following close upon this disarming prelude we are told that the complexities of modern living make this older ideal merely nostalgic. Our technical society, so they say, has made it obsolete and unworkable. The airplane, the telegraph, the telephone, swift transportation both within the United States and throughout the world make it necessary — though regrettable — we are told, that the older ideal must give way to the facts of modern life. Over and over and over again the story is repeated of the complex interrelation, the intricacies, the interdependence of American life. The nation has become a most complex skein, a fabric quite beyond the comprehension of the ordinary citizen, a complicated fabric that is no longer separable and hence national in its every aspect. What happens in Sacramento, California, affects a transaction in Portland, Maine, and so on. I need not repeat the familiar thesis.

This is all true enough. But observe what conclusion is drawn from this familiar picture! It is this: That since virtually every problem has become a national problem, therefore every phase of our life must inevitably be administered nationally from Washington.

Since—as the argument runs—local administration or state administration is obviously impossible where national interrelation is so complete, therefore Big Government is inevitable. We are told, in short, that Big Government is the price that must be paid for the wonderful technical development of this nation.

Those who are trying to persuade us that Big Government is inevitable rarely if ever defend centralization. Their tack is quite a different one; they deplore centralization just as much as any of the rest of us. They usually admit that remote administration from Washington is not desirable. They will even agree with you that the withdrawal of more and more decisions out of local communities and out of the state into bureaus in Washington is unfortunate and corrodes our democratic institutions. But they say we must bow our heads before the inevitable trend toward centralization. They tell us that we must submit to it because the nation has developed technically to such a point that centralized administration is the only means whereby a complex modern national economy can be governed. It is that or chaos. They assert that we must trust our public administrators in Washington with more and more power of decision, with better and better tools of government. Why? Not so that those in Washington may reverse this unwholesome trend. Not so that they may decentralize and delegate to the agencies of the states and the communities. Not at all; but so that these central government administrators may make centralization of administration more effective and efficient—more nearly uniform in its nationwide applications.

At the outset of such a discussion as this an important distinction has to be made. It is not a new distinction. But it is one that is often overlooked. It is fundamental to the proposition I am here submitting, namely that Big Government is not inevitable.

Local Administration of National Policy

Many of our problems are national. Nothing could be more obvious. Problems that once could be dealt with as a matter of local policy or state policy now definitely require a national policy. The central government must through Congressional action determine such a national policy. Problems once predominantly local in their scope and effect now have repercussions on other parts of the country — and the whole world for that matter—that did not exist in an earlier stage in our development. These often require the enunciation of a national policy and expenditure of Federal funds.

But because the central government through the Congress must and should determine upon a national policy in a particular field, it does not by any means always follow that the administration of that policy must also be on a nation-wide basis, must also be centralized. This distinction between a centralized or national policy and the decentralized or localized administration of that national policy, is a distinction of fundamental importance. And it is a distinction the apologists of Big Government so frequently and persistently overlook. It is a distinction which unless observed and respected by corrective action in the way of decentralized administration of national policies can lead to the progressive atrophy of most local and state governmental functions.

The distinction between authority and its administration is a vital one. For a long time all of us — administrators, citizens, and politicians — have been none too clear on this point. We have assumed that, as new powers were granted to the government with its seat at Washington, these powers therefore must also be administered from Washington. We have taken it for granted that the price of federal action was a top-heavy, cumbersome administration. Clearly this is not true. The problem is to divorce the two ideas of authority and administration of authority.

It is at this point that many of us as public administrators are falling short of our high profession of democratic faith. Effective techniques of decentralization—not better ways to centralize—should claim our first attention. The very first question we should ask ourselves is: "Why cannot there federal activities be decentralized; if not in whole, why not in part?" The problem of first concern we must ever keep in mind is: does this or that federal program really have to be centralized and to what extent? Here is the real job to which our students and experts in public administration should be addressing themselves. And it is a continuing, day-by-day task requiring the focus of administrative attention upon every opportunity for decentralization as it comes along.

Example of TVA Administration

The TVA is a concrete demonstration that ways and means can be devised to decentralize the administration of many of the functions of the central government. Indeed, one of the public's chief interests in TVA these days is as practical, living proof that despite the interrelation of our vast country, despite the need for national policy on many matters heretofore local, the administration—the actual carrying out of those national policies—can effectively be placed in the hands of local community and state agencies and instrumentalities. TVA's methods of decentralized administration may well prove to be one of the most important, if not indeed the most important product of that experiment in the Tennessee Valley.

Bear in mind that the TVA, a public development corporation, is an agency of the central government. It was created by Congress. Its charter is a national charter. Its responsibilities and its powers derive from national powers defined in the Constitution of the United States. The responsibility of TVA, as defined by Congress, is to develop or aid the people of the Valley to develop and to utilize their natural resources in a region of substantial size, embracing parts of seven states of the Southeast. These functions and these responsibilities of TVA for natural resources and their development are in general, and taken one by one, familier and long-time responsibilities and functions of the federal government. They deal with navigation, flood control, electric power, the problems of our soils and forests, and research.

Here then are characteristic federal functions. Nevertheless in virtually every aspect of the TVA's activities, TVA's management has found it possible to carry out such clearly federal functions and policies through the medium of local community or state agencies and instrumentalities.

TVA is decentralized in more than one sense. First, it is a federal corporation directed not from Washington but from the Tennessee Valley. It is not incorporated within any Washington bureau or department. This is the first step of its decentralization.

But there are other steps, made possible by the first, but of even greater importance. The TVA has by persistent effort delegated and thereby decentralized its functions so that most of them are carried out not by federal employees at all, but by local and state personnel. This is effected by scores of contracts setting up joint partnership between TVA and cities, towns, counties, state boards of health, state conservation commissions, city power boards, farmers' cooperatives, county extension services, state agricultural colleges, state geology departments—I could continue this list almost indefinitely.

To sum it up let me say this: that there are few functions of the TVA which could be executed by state or local agencies and personnel where that has not been the course chosen. TVA's policies are national. The execution of its policy is largely in local and state hands.

During a period of American history when centralization of administration in Washington has increased at a rapid rate, the fact is, I believe, beyond challenge that in the Tenessee Valley state and local functions of government have grown, in diversity and strength, more rapidly than in any other region of the United States during the same period.

The record of TVA's more than 13 years demonstrates that in the broad federal field of development of natural resources—of river, land and farm, forests and minerals—there is a reasonable and workable alternative to centralized administration from Washington. The widespread approval of the TVA among the people of the Tennessee Valley region is attributed by the people themselves largely to this method of decentralization.

A few illustrations of TVA practice will make the point clearer. Agricultural development and control of water on the land, for example. The TVA has a responsibility in respect to the development of the land of the Tennessee Valely, as one of its basic natural resources. Part of that statutory responsibility arises out of the use Congress required TVA to make of the great laboratory and production plants at Muscle Shoals. These plants, built during World War I for munitions purposes, (and incidentally they again rendered service as munitions plants during World War II)—these munitions plants TVA was directed to turn to the benefit of agricultural development in the Tennessee Valley, and elsewhere. This meant soil nutrients—chiefly the strategic soil mineral of phosphate.

It was essential that there be made extensive practical tests and demonstrations of the value of new phosphate fertilizers we were developing in those laboratories. Such testing, demonstration, education on farms and among farmers—all this was called for by TVA's federal mandate.

But to carry out this responsibility TVA did not set up a large central staff. It did not send federal employees into the communities and onto the farms of the Tennessee Valley. TVA rejected the method of further centralization and adopted a quite different course. We entered into a joint program, a single program, with the state colleges of agriculture, the state extension services, the county agent system—existing agencies. Under this arrangement it was agreed—and there is now more than a decade of experience under these arrangements — that the state extension services, the county agent system, and the state colleges of agriculture would undertake to carry forward the actual demonstration and testing program, together with the agricultural education aspects involved, within the counties of the Tenensee Valley. Thus a federal program and state and local program became one program, manned by and directed by the local agencies.

In this federal activity of TVA the experts who deal with the farmers are not federal employees. They are members of the staffs of the state colleges of agriculture and of the state and county extension systems. They are selected by those state and local agencies, not by TVA. The TVA agrees to reimburse the local agencies for the salaries and expenses of these local experts who are carrying out a national policy and responsibility.

Operations of TVA Power System

Another illustration is afforded by the TVA's power system. TVA has a system of more than 20 dams on the Tennessee River. Those structures carry out familiar federal responsibilities—the development of navigation and flood control on an interstate river. These are multiple purpose dams. They provide a navigable channel now being put to extensive use by the barges of commerce and also a measure of flood control unprecedented in this country. The same structures through their control of water generate huge amounts of electricity.

Congress directed that that electricity should be sold. It is customary in private utilities that electricity be generated, transmitted, and distributed to the homes and farms and factories by a single company. That is the customary way. But in the Tennessee Valley the disposition of electricity is divided up. The TVA, a central agency, operates the generating plants and 6,000 miles and more of transmission lines that carry the electricity over an area as large as Great Britain. But the distribution of electricity is decentralized. One hundred forty locally owned, locally managed, locally financed distribution agencies carry the electricity from the city gates where TVA delivers it wholesale in bulk to the ultimate consumers.

Here again an alternative was found to centralized administration. An agreement between TVA, the federal agency, and these 140 cities, towns, rural cooperatives, fixes broad general policies, of accounting, of general financial policy, of tax payments, and determine the level of rates subject to mutual adjustment. But the administration of electricity supply has been effectively decentralized.

Let me present another illustration of how in the Tennessee Valley federal policies, federal functions, federal responsibilities are carried out through local and state agencies. Part of the TVA's task is to aid in the development of private industry through research and exploration respecting the natural resources of the region so that they can serve in raising the level of income and the level of economic activity of the citizens of the region. This, too, as everyone knows, is not a novel function of the federal government. One recalls the Department of Commerce, the Department of Agriculture, the bureaus of the Department of the Interior, and others have had comparable objectives and responsibilities for a considerable number of years.

These research and resource development activities of TVA are as fully as possible carried out by a combination of TVA sponsorship with actual execution in whole or part by various state agencies. As a matter of legal authority all such activities could have been carried out by the TVA directly.

A further illustration: When TVA began to harness the river by building a series of dams, many communities along the river were directly affected in many ways. The flooding of lands wrote new boundaries in place of the old trade areas; in many instances bridges, schools and churches had to be relocated or reappraised in their usefulness to the families which remained in the unflooded areas. Nearby TVA construction camps brought large numbers of people into counties whose health and school services were inadequate for the heavier load.

TVA did not view these problems as isolated bits and pieces of local disruption. We urged the communities to see these problems as an opportunity to replan their facilities as a whole in the light of a new physical setting. But TVA did not want to make plans for a community. We brought communities together with their state planning boards—and where they didn't exist we suggested to the state that a planning board be set up to assist the local communities. TVA provided modest financial assistance through contracts with the state boards and encouraged the communities in turn to establish local planning boards to work with their newly created state agency.

These arrangements, as you will see, brought community planning into the hands of the local people with TVA standing by for technical guidance and advice through the state, and then only when invited to do so.

One measure of the effectiveness of these contractual relations is the financial support given these agencies by their state legislatures. In 1935 there were no state appropriations for this purpose either in Tennessee or in Alabama. In 1946 the state planning agency appropriations in these two states amounted to about $200,000. And in these two states alone there was an increase in the number of local planning commissions from two in 1935 to 35 in 1946.

State Participation

These relationships with state planning commissions have yielded other results. In several of the states where the development of industrial resources is a function of the state planning bodies, cooperative studies with TVA have uncovered new industrial opportunities based upon the special local resources of the region.

In a similar way several of the Valley states are now showing leadership in recreation development from which a whole new industry is emerging. The Tennessee River is now a chain of beautiful lakes abundant with fish. As dams were built many towns and counties suddenly saw an unprecedented opportunity for water-front, park, and water recreation development. To assure the public—the taxpaying owners of these beautiful lakes—the fullest opportunity to enjoy them, the TVA worked with the State Departments of Conservation (and in some cases helped the state establish such departments) to assist the communities in exploiting the recreation possibilities of these new Great Lakes of the South.

A final illustration: TVA's special function as a regional agency in the field of mineral resources development has been to focus attention on the efforts of the small minerals operator and manufacturer. TVA has helped to mobilize all of the state and local facilities for minerals development and to draw upon the broad national fund of knowledge and services available from federal minerals agencies. In connection with one minerals project, TVA enlisted five public agencies, none of which could have done the job alone, and helped to demonstrate that native green mica properly prepared could serve as well as imported ruby mica in the manufacture of radio and other electrical equipment. This will help keep hundreds of mica mines operating in the Tenessee Valley. And the experience in this instance, gained by the state agencies, equips them to advise these private mine operator in a helpful productive way.

Now, in pursuing these decentralizing methods, the TVA has encountered plenty of resistance. There are those who would direct one or another phase of TVA's job from some centralized specialized bureau—in the interest, we are repeatedly told, of uniformity. As though uniformity were an end in itself, regardless of the diversity which is one of the great sources of our national strength. But note, too, that the centralizer's control rests on a double assumption: not only that uniformity is desirable as an end in itself; but also that similar practices can be obtained only by direct centralized supervisory control. Neither assumption is self-evident.

Temptation to Over-Centralization

Over-centralization is to many attractively tempting. It has a special appeal to the administrator who quite conscientiously sees the complexity of his job in a coast-to-coast responsibility. The over-simplifications, the uniform rules and regulations, which centralization encourages, are convenient for him, however inconvenient it may be for the public.

Again, there are those managers who honestly doubt whether they can discharge their own vast responsibilities for nation-wide programs if they should rely upon units of governments over which they do not have the authority to hire and fire.

But it seems to me that as against the folly of centralized administration the risks involved in delegations and agreements with state and local agencies seem clearly preferable—indeed, these risks are implicit in our democratic faith.

Nor should we overlook the deeper question of how we can help our state and local government gain in competence and in capacity. Surely we should not encourage state and local government to escape from its duties or abdicate its responsibilities to Big Government, for this process merely perpetuates the local weaknesses.

If we turn administration of localized problems over to Washington on the ground that thus we escape the inefficiencies and political shenanigans of state and local communities, we are fooling no one but ourselves. A more likely result of centralization in such circumstances is merely to transfer the political pressures in administrative matters from local into federal political channels. Moreover, centralization to avoid unsavory local influences surely deprives the people of the chance to draw their issues locally and to clean up their own local inadequacies.

Clearly, the fundamental solution is to crowd more, not less, responsibility into the community. Only as the consequences of administrational errors become more localized, can we expect citizens to know which rabbit to shoot.

Most people, as I say, give lip service to the hazards of over-centralization of administration. Most people are concerned about the trend, the way in which cities and states have lost functions to the Federal Government. Now, fiery speeches about states' rights and local home rule are easy to make. Finding workable alternatives is harder and less showy. What is needed is not emotional outbursts but rather a clearer recognition of the dangers of over-centralization and persistent ingenious efforts to find particular ways and means of administering national policies through local and state instrumentalities.

Over-centralization a Hazard to Freedom

For over-centralized administration is not something simply to be made more palatable, more efficient, and better managed. It is a hazard to democracy. It is a hazard to freedom. And for those interested more in results than in method over-centralization is a bungling way to do a job. Centralization at the national capital or within a business undertaking always glorifies the importance of pieces of paper. This dims the sense of reality. As men and organizations acquire a preoccupation with papers, they become less understanding, less perceptive of the reality of those matters with which they should be dealing: particular human problems, particular human beings, actual things in a real America—highways, wheat, barges, drought, floods, backyards, blast furnaces. The reason there is and always has been so much bureaucratic spirit, such organizational intrigue, so much pathologic personal ambition, so much burning jealousies and vendettas in a capital city (any capital city, not only Washington) is no mystery. The facts with which a highly centralized institution deals tend to be the men and women of that institution itself, and their ideas and ambitions. To maintain perspective and human understanding in the atmosphere of centralization is a task that many able and conscientious people have found well-nigh impossible.

Many of us, as administrators, recognize this simple truth. But we are so prone to accept Big Government, to improve and refine it at the center to the sad neglect of the periphery where the people live and work, that the federal administrator who tries to reverse the trend is hailed as the exception to the rule. I cite one newsworthy illustration — would that there were many more: Speaking in the Northwest recently, the Secretary of the Interior, J. A. Krug, urged with forceful words the creation of a regional agency, decentralized and autonomous, to aid in the unified development of the Columbia River Valley. In explaining the decentralizing consequences of this proposal Secretary Krug said: "Final decisions would be made here (in the Northwest) instead of in my department in Washington. Contrary to the charges frequently made of federal officials, I desire this. I would like to give up some of my power and authority exercised at Washington and see it exercised here." In such a spirit of self-imposed restraint as this lies true democratic statesmanship, and the road to a workable alternative to Big Government.

Centralization Reduces Efficiency

The cumulative effect of over-centralization of administration in a national capital is greatly to reduce the effectiveness of government. It is serious enough in itself when, because of remoteness and ignorance of local conditions or the slowness of their operation, laws and programs fail of their purposes. We are threatened, however, with an even more disastrous consequence, the loss of the people's confidence, the very foundation of democratic government.

When confidence of the community gives place to uneasiness, fears develop that the granting of further powers may be abused. Ridicule of the capriciousness of some government officials takes the place of pride. Democracy cannot thrive long in an atmosphere of scorn or fear. One of two things ultimately happens: either distrustful citizens, their fears often capitalized upon by selfish men, refuse to yield to the national government the powers which it should have in the common interest; or an arrogant central government imposes its will by force. In either case the substance of democracy has perished.

We face a dilemma; there is no reason to conceal its proportions. I do not minimize the complexities and difficulties it presents. We need a strong central government. This is plain to every one who sees the changed nature of our modern world. But I have deep apprehension for the future unless we learn how many and which of those central powers can be decentralized in their administration.

Every important administrative decision need not be made in Washington. We must rid ourselves of the notion that a new staff, with every member paid out of the Federal treasury, has to administer every detail of each new Federal law or regulation. We who believe devoutly in the democratic process should be the first to urge the use of methods that will keep the administration of national functions from becoming so concentrated at the national capital, so distant from the everyday life of ordinary people as to wither and deaden the average citizen's sense of participation and partnership in government affairs. **For in this citizen participation lies the vitality of a democracy.**

Big Government is not inevitable. True, the growth of our vast central administrative machines needs no encouragement from anybody. Big Government does get bigger and more highly centralized unless there is a conscious, continuous, creative administrative effort to reverse the trend. The community's impulse to hand its local problems over piecemeal to one remote agency after another, feeds this hazardous push toward Big Government. The surrender of local responsibility for a part of the community's function generates further local weaknesses which furnish the reason for yet another surrender. Local communities and State governments can help by resisting these temptations to take the easy way out. They can help the administrators of Federal programs to work out the methods of decentralization case by case. Local governments can resist surrender constructively by raising questions wherever the community or the State is able to do an executive job which the advocates of Big Government want to do themselves.

It will take a lot of such questions and a far greater awareness of the heavy price which centralization exacts before Federal administrators and the management experts will find ways to decentralize. Here, indeed, is a great area of neglected administrative study of fruitful experiment. In this vital field of public management lies great opportunity for administrative ingenuity, a challenge to the joint interest and efforts of the experts in local, State and Federal operations. The methods applied in the Tennessee Valley, and the results achieved there by the working partnership of public agencies engaged in a resource-development job, are not inconsiderable proof that Big Government over-centralization need not be inevitable.

Behind the Iron Curtain

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this, and then make our own political, economic and military plans accordingly.

This expression, "the Iron Curtain," was first used by a correspondent in the days of Adolph Hitler, but it has become widely associated with Soviet Russia since Winston Churchill on Aug. 16, 1945, spoke to the House of Commons about the blacked-out areas of eastern Europe. Mr. Churchill said:

"Guarded accounts of what has happened, and what is happening, have filtered through, but it is not impossible that tragedy on a prodigious scale is imposing itself behind the iron curtain which at present divides Europe in twain."

Mr. Churchill's statement at that time—shortly after I left Russia—was highly unpopular with perhaps a majority of people in the United States and England. In fact, his attitude toward Russia largely contributed to his defeat as Prime Minister.

But now we are witnessing in the United States a fateful struggle between two viewpoints on this self-same Iron Curtain.

The one viewpoint has come reluctantly to Mr. Churchill's warning, that behind this screen of secrecy, enforced by the guns of secret police, communism, totalitarianism, in fact the very essense of fascism, is being crammed down the throats of helpless millions.

The other school, which besides communists embraces many thousands of well-meaning, peace-loving theorists, feels that the western democracies are vaguely responsible for Russia's strange suspicion, and that Soviet Russia is still pioneering democratic social reforms. I'd like to comment on this from the observations of an ordinary American who went into Moscow neither pro nor anti-Soviet and if anything filled with admiration, as I still am, for the heroism and sacrifice of the ordinary Russian people who largely won this war.

Rigidity of Russian Surveillance

In the first place, I was amazed to find—almost from the first hours of entering Russia—that ordinary social contact between Russians and Americans or any foreigner in Moscow is rigidly prohibited. There is a small group of writers and propagandists and bureaucrats who are allowed to talk to us at official functions, and we are able to employ secretaries and translators who are first approved by the secret police, and of course make regular reports on our activities. But plain friendship—dinner in a restaurant, a night at the ballet or a visit to a private Russian home—is out. Even our Ambassador, Mr. Averell Harriman, had not a single Russian friend whom he might invite to dinner at the embassy.

If our government ever labored under the delusion that the Soviet Union had accepted us sincerely as full wartime allies, then we were indeed in grievous error. We Americans, British, Free French, Czechs and even their Yugoslav and Polish puppets in Moscow, were treated with the same hard suspicion which the Kremlin has for all outsiders and even their own people.

I would like to make quite clear that I am not anti-Russian, and to hope that you will feel, as did nearly every American in Moscow, that there is a clear distinction to be made between the Russian people and their Soviet masters. This secrecy and suspicion is an official attitude. All of us had the feeling from rubbing with people on the streets, chance meetings on trains and subways, that the ordinary Russian would like nothing better than to be genuinely friendly. But the guns of the secret police are everywhere, and the Kremlin's fear of its own people is so deep, that there is, in my opinion, no possibility of change outside a complete collapse of the Soviet totalitarian system. So it is the height of naivete for people, who might be lumped into the Henry Wallace school of thought, to beat and castigate themselves because the Soviets do not trust us. The Soviet government will not and in fact cannot afford to have normal, human relations with the outside world. We must understand this thoroughly, or tragedy will ensue.

Who Loses by State Socialism?

What do the Soviets wish to hide? Since living inside Russia it is incredible to me that the opposition to communist or totalitarian standards comes in this country chiefly from the wealthy and the so-called reactionary classes. Actually these classes—as classes—have almost nothing to fear from state socialism—but the working man, the union member, the clerk, the scientist, the professor and the artist have everything to lose: freedom.

State socialism has proven in communist Russia, as it did in state-socialist Germany, that the great executives, the monopolies, the politicians and even capitalists can come to terms with almost any regime. I thought of the Krupps under Hitler, when last spring in Rumania the communists assured me that the Bratianu family, the great bankers of Bucharest, would not be liquidated. Said Madame Anna Pauker, the Moscow-trained chief of the Rumanian communists, "We need the capitalists and eventually they will be happy to cooperate."

There are bureaucrats and executives and monopolists in Moscow who are capitalists in the most unbridled sense, for they own not only the machines and their products but the very lives of the men who operate them. This capitalist class, these reactionaries, own palatial apartments and summer homes; they ride in luxurious bullet-proof cars; their wives wear furs and silks and drink Crimean wines while hunger stalks the streets outside; their children go to private schools, have private doctors and ballet instructors. It's great to be a communist in Russia — for less than six million of them rule and personally own a nation which has now passed the two hundred million mark.

Workers' Freedom in Russia

The ordinary working man in Russia is told where he may work, under what conditions and how many hours. Of course he must belong to a union, to which he must pay dues and which takes its orders from the communist or group of communists at the top. It was and is a criminal offense for a man to change his place of work. The skilled workers of Leningrad, for instance, were transferred with their factories to the primitive towns behind the Urals. Their families had to remain behind, to starve and endure the seige of Leningrad, because there was no transportation and no housing in the Urals. They are still separated, because there is still no housing in the Urals and the Soviets are too busy with war production to build homes for ordinary people.

I knew a Soviet union man—a coal miner who had injured his back in the Donbass and who was allowed to take a job as translator for a British news agency. Since he was permitted by the secret police to do this work, over a period of weeks we became friendly and sometimes late at night he

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would come into my office for coffee.

One night we commenced talking about America, and he was amazed when I told him that our depression and soup kitchens and bread riots were not the normal thing in America. But he felt the Russian working man had it better because in his own case he was sent to a hospital when he was hurt in the mines. I said he would also get hospital attention in America, that we had a workman's compensation law and social security for the sick and aged.

Then I asked him, rather critically, about the degree of freedom and democracy in Russian trade unions. He admitted there was close supervision and sometimes graft by the union leaders who were members of the communist party. But he said that graft was punished when discovered, and told how his brother had unmasked a grafting communist in his factory.

"Well," I said, "perhaps this question of freedom or democracy isn't too important to the average working man who has no political ambitions, but how would you feel if some night the secret police came to your door and took off your wife, or some close relative?"

My friend looked at me for a long time. Then he said:

"I know what you mean. They took my brother."

I won't continue with this story of punishments and constant fear, which to the American mind is so incomprehensible, except to say that during my time in Moscow, in our small circle of acquaintance, three people "disappeared." One was a secretary who was giving Russian lessons to me and to Admiral Olsen of the US military mission. Admiral Olsen and, I think, Ambassador Harriman, also protested her arrest, but the Soviet Government seemed to think anyone important enough to get Harriman's attention was certainly a spy, and they bundled her onto a boxcar and took her away.

Of course no outsider knows how many "disappearances" or deportations to Siberia occur, but the usual estimate is an annual turnover of one million political arrests. There are said to be 10 to 12 million Russians who are constantly held in concentration camps. Arrest doesn't always mean barbed wire. Some of the engineers who were taken during the 1936 purge are still working daytimes at their same old jobs in Moscow factories or offices. But they are always guarded and at night the NKVD takes them back to Lubianka prison. Sometimes whole families are taken and the youngsters spend their entire youth behind the fence with their arrested parents.

The Right to Work

Now with regard to the Soviet citizen's much publicized "right to work," this is assuredly true. For, if the Russian citizen doesn't work where, when and as his government directs, then his food card is taken and in the normal course of events he will die.

So the average man will choose to work under whatever conditions, and in order to arrive at some comparison between American and Soviet wage and hour scales several things must be considered: Russian food cards, salaries and hours, and finally the price of commodities.

The salary is secondary in Russia. What really matters is which class out of about 20 food and clothing cards the person receives. This is a classification by amount and quality which ranges from the communist party member's top allowance, an ample amount, down to the unskilled worker or dependent aged who during wartime received about half enough to keep alive. I have the official figures, which are too detailed to recite here, but what it boils down to is that high-production workers, the Red Army, children and bureaucrats were fed . . . to continue the strength of the nation and particularly the communist party. The sick and aged, the wounded war veteran, the lowest forms of labor, had to beg, steal, sell whatever possessions they might have . . . or die. It was a survival of the fittest, recognized by Soviet Law.

Rule of Human Utility

This rule of human utility is a constant factor in Soviet society. It was merely exaggerated and made more vivid by the pressures of war. But if you could go to the peasant market in Moscow today you would see this "rule of utility" in operation. The Central Market is one of the places where beggars are allowed to work and it is always crowded with old people, ragged and dirty children, and men in Red Army uniform who are asking alms or selling a few cigarettes, a lump of sugar or some incongruous thing like a pair of pliers or a cup which was evidently taken from their homes. Some of the old people are former bourgeois, who have been disenfranchised and should be dead by this time . . . but are not. And the soldiers, I learned, were begging because Soviet military law recognizes only wounds which are caused by "mechanical forces" . . . that is a bullet wound or a bayonet stab. The soldier who contracts a bad heart, kidney disease or some psychiatric ailment is simply turned out on his own. The militant Soviet system has no further use for him.

So everyone must struggle for a high category food card, and out of this a national scandal sprang up. Not only the party members and Red Army and top production workers held one or two or five food cards, but their friends and relatives rolled in comparative luxury, while the average family, the unimportant Ivan without political influence, languish. On a national scale, it is not at all unlike the arrogant and foolish capitalist who hands largesse to his friends and relatives, and in that favorite Soviet expression "grinds down the workers."

What Russian Wages Buy

Here are some wage scales which throw some light on the subject. They are official figures, and I might add that Russians work regularly a six-day, 60-hour week. Anything over 60 hours is overtime.

Here are some monthly salaries: draftsman $50 to $60; engineer $70 to $140; university students $30 to $40 depending on their grades; janitor $25 to $30; chemical technician $85 to $160; shop directors $100 to $115; office workers up to $80; Red Army general $450; ballet dancer $160 to $600 depending upon her political benefactors. An outstanding man on piecework or a peasant who exceeds his normal can also make up to $400 a month, so the scale is not necessarily measured by graft or favoritism. It can be done by gruelling speed-up labor.

And what do these wages buy? As I've pointed out, the food card is of first importance because with it the worker can buy his black bread and fats in government stores at low prices. But this does not include such luxuries as shoes, a coat, socks, a toothbrush, a water glass or a frying pan. These luxuries, and believe me they are luxuries in Russian eyes, must be purchased with big money in the so-called commercial stores, which are also government-owned. I went through one of these stores—the Mostorg in Moscow—at Christmas in 1944 and here are some prices: women's cotton stockings $6; men's cotton shirts $80 to $100; woolen gloves $23; toothbrush $1.20; small electric heater $50; children's soap cake $14; face powder $8; lady's skirt $34; brassiere $13; wristwatch $400 to $700; high heeled shoes imported from Rumania $300. Bill Lawrence of the New York "Times" and I bought a clay figure of Father Christmas and a few tree lights for $75, and it really hurt to see the crowd of worn, pinched women eyeing the fantastic prices and carefully calculating what child's present they could afford. "My God," said Bill, "this government is black-marketing on its own people."

In other words, it might take an office worker his or her entire salary for six months to buy a cloth coat, or perhaps a year to buy some imported leather shoes. So the difference between wages and the price of commodities must be and is made up from devious forms of graft: in stores between clerks and favored customers, by bribing and stealing rents in apartment houses, all sorts of petty thievery which inevitably follows a program of scarcity and government control. In the sense of graft and squeezing Russia is remarkably like China. In both countries it is a chronic, national condition.

Russian Opinion of the Octopus

What do the Russians think of this octopus which has hastened upon their lives? Because of the Iron Curtain and because Russia has always been one of the most backward countries of Europe, I think no outsider is qualified to give a pat answer. I should guess—and this is a guess—that the Russians dislike their gruelling, shabby lives and would change things if they could. I think people are never quite as stupid as their political leaders assume. It doesn't take a very smart man to know when he is hungry . . . or to resent the secret police who may rap on his door at midnight.

But I can tell you something about a small group of former Americans and Britishers in Russia—people who went to the Soviet Union in the flush of idealism over communist reform and became Soviet citizens. Some of them were bailed out by wealthy relatives in America, but there remain in Moscow about 200 of them, chained to their passports, unable ever to leave that country.

They are a sad community. In the days before the purges they were treated like citizens and allowed to associate with Russians. But now they are outcasts because they are foreigners—native Russians fear to be seen with them, and they fear to be seen with Americans temporarily living in the country. They are a tight, sad little group . . . who mostly eke out their living by translating documents into English, teaching, or working for newspapers and radio where a knowledge of English is needed.

At Moscow Radio, from which I broadcast, one of the engineers was a former American from Brooklyn, and his proudest possession was a moth-eaten camel's hair coat he had bought in Detroit 16 years ago. There was another girl who was once an honor student at the University of California in Berkeley. Her job, in addition to two censors who stood over me while I broadcast—watching to make sure I did not change or deviate from my written script, her job was to listen to my voice . . . and report if by any inflection or tone I should indicate irony or sarcasm for their Soviet regime. It was rather uncanny and at the same time amusing to broadcast under such scrutiny and Paul Winterton of the BBC and I often debated about what would happen if we should suddenly shout out: "To hell with Stalin."

Needless to say, that never happened . . . but the night before I left Moscow, as I was packing my bags to board Mr. Harriman's special plane for the San Francisco conference, there was a rap at my door. It was the girl from Berkeley. She was doing a very dangerous thing . . . visiting a foreigner, with a letter for her mother and father in California. She pleaded with me to conceal it under my woolen underwear or in my shoes . . . and in no circumstances to let the Russian censor see it. I insisted upon reading it myself . . . and it was just a letter home, a cheerful letter saying that her health was good and that she needed for nothing.

She said this was the first letter she had written home in seven years. I said I would try to visit her parents, since my family also lived near San Francisco . . . and so she said: "Please tell them not to write to me. I'm afraid."

What Russia's Policy Means

What does all this mean to Americans? To Finns, to Germans, to Rumanians and Poles, and Bulgars, to people of the captive little Baltic states, it means hunger and fear. And to Americans it is inseparably connected with every domestic problem which we face: labor differences, lack of housing, faltering production . . . and most decidedly the decay of moral responsibility. And all these in turn are intimately related to the Kremlin's constant, cynical campaign to produce world unrest, poverty and thereby revolution.

Can any thoughtful person believe the Soviet Union has renounced its dream of world revolution? Can anyone think that any fundamental condition was altered when Hitler ruptured his friendship agreement with Marshall Stalin and cast the Soviet dictator on our side? I would like to read a remarkably frank statement which was made long before this war by a Soviet leader to a British diplomat in Moscow. This statement comes from the book "Memoirs of A British Agent," written by Bruce Lockhart and first published in November, 1932. The Soviet leader said to Lockhart: (page 239)

"Our ways are not your ways. We can afford to compromise temporarily with capital. It is even necessary, for, if capital were to unite, we should be crushed at this stage of our development. Fortunately for us, it is in the nature of capital that it cannot unite. So long, therefore, as the German danger exists, I am prepared to risk a cooperation with the Allies, which should be temporarily advantageous to both of us. In the event of German aggression, I am even willing to accept military support. . . ."

Who said that? Stalin? No, it was not Stalin. It was Lenin who said that . . . in 1917, during the first World War. It was Lenin, the first dictator of the Russian proletariat. It was Lenin, whose words are still the holy bible of the Soviet Russian Government.

The Public Controls

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appeared to admit that our old fashioned system of free enterprise might work after all.

I use the term "in the main" because some of the controls were not removed and, what is equally important, the bureaucratic habit of finding new ways and means of intrusion into private business is still very much in evidence. There are still many men in the government who will go to extremes to convince the Administration of the political expediency of their special type of sophistry and they will do everything in their power to retain their right to meddle—and will stubbornly exercise that right regardless of the damage to the welfare of the American people.

No Time for Relaxation

Of course, we are grateful for this long-awaited opportunity to move again in the direction of free enterprise. Now, let us go over this subject of controls and be sure that we all understand what we are guarding against and what we still have to do. In the first place, this is no time for relaxation.

It should be said that even a small group of people must have a few rules of conduct and relationship to remind them now and then where their rights end and where the other fellow's begins. But there is a vast difference between the policeman who walks his beat with his mind on the occasional violator, and the pompous official who rings your doorbell morning, noon and night with a list of questions and injunctions regarding your behavior, your financial condition and your plans for the future. In the latter situation, the government is the trespasser. Well, such dispensation of justice became reminiscent of the Gestapo, and the people decided to call a halt.

The American people are the most sensible and the most governable people in the world, so long as they are using their own senses and governing themselves. They are willing, in an emergency, to suspend some of their private rights, in addition to giving their blood and treasure, but when the emergency has passed they want those rights back without any unnecessary delay.

During the war we submitted to every rule and regulation and abridgement that our chosen leaders considered essential to the war effort. Being firm believers in the orderly processes of law, on the whole, we settled our own differences quietly within the wartime rules, and at the same time cooperated to the limit of our energies on the job of turning out the materials essential to the winning of the war.

We were 140,000,000 people with a single purpose, and we accomplished that purpose. Now we have another purpose—the full rehabilitation of the "American way."

We went into the war with very little more than the modest peacetime equipment of a peace-loving nation, which was practically nothing compared to the armament in the hands of a well-prepared enemy. Starting from scratch, we built up the most powerful war machine in the history of the world. We broke every known record of speed, efficiency and quantity. Now, may I ask you, how did that happen? It wasn't an accident. It wasn't Yankee luck. We were not depending on horse shoes and rabbit's feet. It was the inevitable result of our training, of our know how, of our free enterprise.

In the many years that preceded the war, what was going on? Genius was free to develop. There were no limitations placed on the development of skill. Invention was given every encouragement. The years of flourishing free enterprise gave tremendous power to our production line as a weapon of war. The brilliancy of our wartime performance was the natural result of personal and economic freedom. We went under controls cheerfully to attain a single result, and we threw everything we had accomplished in the way of vision, imagination, free thought, inventiveness and energy into the most gigantic achievement of all time.

We served our apprenticeship for the big job in an industrial atmosphere unfetted by government controls. That is how we were able to liquidate Hitler and Company, Limited.

Do you think our wartime production record would have been possible, if we spent those many years as the "regulatee" of a dozen or more bureaucrats on each and every detail of our business?

Do you really think we would have been able to accomplish the miracle of production and win the war if we had spent our 170 years under the tutelage of Wallace, Pepper and Bowles?

Is there anything in the record to show that rules and regulations handed down from administrative agencies would have given us those qualities which have activated our phenomenal development? Can the government give us courage, initiative, enthusiasm, vision and imagination? Can anybody get anywhere on the advice of someone who is constantly telling him what he cannot do?

Job to Get Rid of All Controls

Our job now is to get rid of all controls, as fast as they can be removed without damage to our economy. It is our job to see to it that controls do not remain in force a single day longer than necessary. We must beware that we do not take one more drop of medicine than is essential to our complete recovery. We must remove at the earliest possible date everything that slightly resembles an economic straitjacket, and get back to the full freedom of enterprise, that made us what we are.

Now it seems in order to ask this question. What assurance have we that controls will not be put back from time to time? The fact that the war is not officially over and that the power to re-establish controls is still in existence makes it possible that pressure applied in the right place could bring some controls back. You may be sure that those who want them back are not asleep—in fact, evidence of their activity is quite apparent. They are working underground and hoping that we will relax.

There are approximately 500 war and emergency acts still on the statute books. Those emergency statutes whose termination depends on the official end of the war, hostilities or the emergencies, deal with a wide variety of subjects some of which directly or indirectly affect many phases of our economy. Until the war is officially at an end, those emergency statutes will afford the bureaucrats many opportunities to interlope and meddle in the affairs of private business. We should not be too much encouraged by the fact that some of their activities have been curtailed by the suspension in certain controls. As long as the authority is intact, we cannot be sure that we have the full and unhampered right to individual initiative. Candidly, it is my belief that the battle to retrieve our lost liberties has just begun.

On the other hand, there are considerations involved in the abolishment of wartime controls which do not meet the eye. We have a military establishment spread throughout the world. We have foreign relationships, political and commercial, which have grown during and since the war, which might be seriously disturbed by an indiscriminate termination of certain wartime authority. In removing remaining war and emergency controls, consideration must be given in each case to the influence of decontrol on our international amity, our foreign trade and the operation of our military establishment in safeguarding our national security.

Journey Back Is An Uphill Pull

Our journey back to the American Way will be an uphill pull. We must not forget for a moment that a large portion of our population spent its formative years in an atmosphere of paternalistic propaganda. Day after day they heard and read beautifully turned phrases, slogans and punch-lines—gold-plated rhetoric and prophecies that could only be realized by the substitution of magic for work.

Now let me say something to those who are inclined to adjust their thinking to the effusions of false prophets. There can be a very painful difference between a political promise and a practical performance. What you get for nothing is worth exactly what you pay for it.

Those dead-end collectivist kids have a technique. Watch for it. It is just as subtle and dangerous as that of a thief in the night. They exaggerate our minor defects and our temporarily unsatisfactory conditions to the point where they appear to be of perilous proportions and call for a general overhauling of our national economy. They picture a gust of wind as a hurricane and a sneeze as an epidemic.

Perhaps we have been guilty of a common mistake — the assumption that a man can think as well as he can talk. Too many of us have been sold on the idea that the man who can make a good-looking promise to solve our economic problems has, *ipso facto*, the ability to do the job.

Too many of us have been going to the polls and handing over the custody of our sovereign rights to men, without giving the question of their ability and sincerity as much consideration as we give to the employment of an office boy.

We are in this trouble because we asked for it. It's our fault and, therefore, our business to clean it up.

Must Act Fast

If we don't act fast in driving home the facts to all the people, we cannot escape a regimentation which will mean mediocrity or decadence for all of us. And then I can visualize two lads, leaving school some afternoon 100 years from now after finishing their history lesson, and hear one say to the other, "I wonder if those old so-and-sos fooled great-grandpa back in those Alice-in-Wallace-land days."

We have touched upon the value of free enterprise in peace and war. We have heard many times that America's great material wealth is the result of free economy. But we have also heard complaints about inequitable distribution of its benefits—that some of us get more and some of us get less than we deserve. The members of the legal profession have been searching for centuries for what is called perfect justice. That is the judicial means of giving every man exactly what he is entitled to under the law. The greatest legal minds of all times have thus far failed to find it.

Economic justice has been the objective of many men in many places for many years. It has not yet been found, but here in the United States, in spite of our shifting inequalities, we have more nearly approached it than has any other place in the world. The answer is simple and clear. Our system encourages the full utilization of our resources and, therefore, America has more to divide among its people than any other nation.

Many other areas in the world have great natural resources. Why is America the champion of production? How did we bring about the most thoroughly equipped nation in the world? The answer is in our encouragement of individual initiative. The process of meeting our own competition accelerates technological improvements, by which thousands of men can attain profitable skill in a few weeks training. Skill that would otherwise require years of low pay apprenticeship. It is the prospect of profit that encourages the enterpriser to invest his money in mechanical experimentation and costly tools designed for the rapid and extensive development of skill. It is the certainty of his property rights, the right to his share of the reward that keeps him going on and on to higher achievements.

What I am about to tell you, many of you already know. I dislike to burden you with statistics, but it never does harm to remind ourselves of what we have done what we are. Remember we have only 6% of the world's population. We have 59% of the world's telephones, the product of our ingenuity, and a perfect symbol of our desire for free speech and exchange of opinions. We have 49% of the world's radios, the instrument of communication which in typical American manner renders the double service of distributing thoughts and merchandise.

When you get that car you have on order, we will have more than 75% of the world's automobiles. It is especially interesting to note that our 32 million families have 45 million savings accounts. It speaks well for our system when so many of our people find it necessary to use the services of a bank to take care of what they have left over. And, one more: You can get more goods and services in exchange for an hours' work in this country than you can get any place else. If you get less than you think you are entitled to, of course, you have a right to squawk. You also have a right to do something about it.

If you are an employee, you can tell the boss what you think of your job and what you think of him. You don't even have to bother about facts. There is no law against free speech when you are telling the boss where to head in.

But if you are an employer, all you can do, just now, is to blame everything on yourself, keep your mouth closed and go back to work. There is something lopsided about our free speech, right at the place where people are in the greatest need of frank consultation. Here certainly is a situation we've all got to do something about.

What Free Enterprise Means

There is no substitute for work in the production of goods. And there is no substitute for experience in the management of business. You cannot acquire experience by reading press releases from Government agencies, and you cannot manage a business successfully if your authority is not equal to your responsibility.

Let me make this clear. The term free enterprise does not mean "every man for himself and the devil take the hindmost." Freedom in this country includes protection against those who would destroy it. As I said in the beginning of my remarks, we must have rules and regulations just as we have fences and traffic signals—to discourage trespassers and avoid encroachments on our rights and liberties. When you put a bunch of men together with a bunch of money, sooner or later someone will show up with a five ace deck or loaded dice. Trickery and skullduggery are not of American origin. The art of trimming has been in existence ever since the beginning of human nature.

If we are to preserve free enterprise, all of us must be constantly on guard to protect it against those who would restrict or destroy it, whether by bureaucratic intrusion or monopoly or restraint of trade. The man who curtails production by monopolizing the labor of human beings is just as reprehensible as the man who corners the market on materials essential to business. America to remain free must be protected against any unmoral forces of business, labor and government.

The proposition is clear. The man who tampers with the principle of free competitive enterprise is working toward the destruction of his own right to make a living. A government that promises to give you everything you want will soon become a political gang that will tell you how little you can have.

We who live now in the greatest and most vital country in the world would do well to examine the past for a better understanding of the forces that made us what we are. We will then note that the economic prescription of those vigorously constructive days that brought us to our present size and strength contained no deteriorating and discouraging controls—no hand-outs of bureaucratic wisdom—no imported ideologies. Let us apply our constructive experience of the past to the building of the future. Let us from now on take counsel in the authentic voice of American tradition.

"Have We Learned Our Lesson?"

The big question in my mind just now is "Have we learned our lesson?" Will we profit by the mistakes we have paid for? Are we convinced that free enterprise and competition have and will continue to give us the kind of life we Americans desire and deserve?

The amazing thing to me is that there are still many otherwise intelligent people who can't let go of the idea that they can be successful and prosperous without doing anything about it themselves. When they find they are not getting any closer to the dream that some clever showman painted on the sky, they blame their failure on the men who have succeeded, and then they join the ranks of those who seek to destroy what they themselves have failed to attain.

Perhaps you have noticed that Democrats and Republicans are alike in at least one respect. They both have to make a living. It may also be noted that the Republican likes to live as well as a Democrat, and vice versa, so it should be possible for them, in view of their common interest, to do what they can, jointly, to remove any barrier to our economic expansion.

But, we cannot have a balanced economy with politicians, looking solely toward perpetuation in office, providing laws whereby small groups of citizens defy the courts—can be above the law that applies to you and to me and by their very selfishness hamstring America and work untold hardships on all of us.

Let us understand that everybody is a partner—everybody has a financial interest in our over-all result. No one ever gets to first base when he is thinking, working and scheming only for himself. Our success has always been in proportion to the friendly cooperative spirit of our customers, our fellow workers, our suppliers and our stockholders — our realization that every one of us is a component of the force that makes prosperity for all. America is never going to survive in an atmosphere of Marxian class warfare.

It is entirely possible to win a battle and lose a war. In our thinking from now on, we will be on the safe side if we regard the decontrol to date as nothing more than a preliminary skirmish with signs pointing to future possibilities.

We dare not become complacent. We must make it our business to keep the situation under constant observation.

I have said before, and it will bear repeating — there are five hundred war and emergency acts on the statute books. Some of them can give us a lot of trouble. We must keep the latter under microscopic scrutiny.

Of course, we don't have to worry about the law that permits the use of butter substi utes in St. Elizabeth's Hospital in Washington or those other acts which are of little or no consequence. I have in mind those regulations, the administration of which ge into the hands of men who have a flair for tearing the heart out of bus.ness enterprise. Now, we can thank our lucky stars that we have the National Association of Manufacturers to provide us with centralized attention, constant vig lance, quick and thorough action.

An adequate discussion of the principles of action which we Americans employed in building our great nation over a period of one hundred and seventy years cannot be compressed into twenty minutes. But I have had time enough to remind you that our progress was not a product of Alladin's lamp. That it did not come for the asking. That it was not achieved without resistance and interruptions.

We should remind ourselves, too, that we will not keep what we have gained by merely hoping that it won't get away from us. We must continue our efforts in the same spirit, with the same high ideals which inspired our forefathers when they wrote those immortal words, familiar to you all, yet worthy of daily repetition: "In order to form a more perfect union, establish justice, insure domestic tranquility, provide for the common defense, promote the general welfare, and secure the blessings of liberty to ourselves and our posterity."

New Posts in SEC for Lobell and Kelly

The Securities and Exchange Commission announced on Nov. 21 the appointment of Nathan D. Lobell, formerly Special Assistant in the Opinion Writing Office, as Adviser to the Commission. In that capacity, Mr. Lobell will serve as a special consultant to the Commission on policy and operational problems. At the same time the Commission announced that William M. Malone had resigned as Administrator of its Baltimore Regional Office, and that E. Russell Kelly had been appointed as his successor, effective Nov. 27.

Mr. Lobell, who has been with the Commission since 1939, is a graduate of the Columbia Law School. Prior to his joining the Commision staff he tutored in law, was assistant to A. A. Berle, Jr., at the Columbia Law School in the field of corporation finance, and was a member of the staff of the Temporary National Economic Committee which participated with the SEC in its study of corporate practices. Mr. Lobell has served as an attorney on the legal and opinion writing staffs of the Commission.

Mr. Kelly was first appointed to the Commission's staff in February, 1939, and has since served as an attorney in the Baltimore office. He has participated in some of the Commission's most important litigation cases arising in the enforcement of the fraud prohibitions of the securities laws. A graduate of the Georgetown University Law School, Mr. Kelly was engaged alternately in the private practice of law and in government service, including two years' service as Assistant United States Attorney in Washington, D. C.

Appointed to the Commission's staff as an attorney in November, 1934, Mr. Malone became supervisor of its Washington investigating staff in November, 1935 and Administrator in charge of the Regional Office in April, 1942. He is a resident of Denison, Texas, where he expects to engage in the private practice of law.

A Union of Property Owners

(Continued from page 2886)

protection of all free institutions

Now I don't suppose that I have to spend any time here presenting the thesis that there is no difference between human rights and property rights. It is utter nonsense to talk about any human freedom, freedom of religion, the right of assembly, freedom of the press, any other freedom, if you strip a man of the fruits of the ownership of his own property. Beggars are not choosers, nor ever can be.

Now, we have gone down a path these many years in which one by one the rights of the private ownership of property have been stripped away. We have seen a vicious and one-sided administration of OPA which became profit control—not price control at all.

We have seen eight million men and women who were the owners of rental housing in this country—most of them little people; 95% of them only owning one house—we have seen these men and women marked for liquidation. We have seen a policy of confiscation of rental housing practiced by OPA. You can't freeze rents absolutely, and double costs, without confiscating property; and Herr Hitler never more ruthlessly confiscated property than the Rental Division of OPA have confiscated the property of the small men.

Effect of Rent Control

And what has happened? What has happened? It wouldn't seem to need a super intelligence; it wouldn't seem to need a brain trust to point out that when you destroy the producers of housing, you destroy the housing for the consumer. When you destroy landlords you destroy tenants. Oh, the landlord hasn't been particularly hurt in the main. He has sold his house under the artificial scarcity produced by a planned scarcity at twice what it is worth. He has gotten out all right. He has gotten out of business, and gone to Florida for a vacation.

But the man who has been nailed to the cross is the returning service man, the homeless tenant. About one-third of all the rental housing in the nation sold, or forced into sale, out of the rental market! Nothing new can be produced. Only an insane man will build new housing at twice the cost and be absolutely helpless before the OPA as to the setting of his rental with no redress at court—stripped of his constitutional rights. You can't build any new houses. The old housing is forced out of the market. Our figures indicate that between three and five hundred thousand empty units are standing idle today throughout this nation in homes, in houses, in apartment houses, because of the one-sided provision of OPA that virtually confiscates possession, and you dare not let a person in your house because you can't get them out. And that still further crucifies the returning service man and the man who would have found a home—making shortages, making shortages, making shortages! Planned economy for scarcity!

Dwelings Increased Faster Than Population

And what other strange thing happened? Well, actually, as you probably know, there are in this country today about two hundred sixty-seven—according to the Bureau of Census — dwelling units per thousand; and there were about 10 years ago about two hundred forty dwelling units per thousand. In other words, the total supply of dwelling units in this country has increased about 18%—or something like that—per person in the last 10 years, and still we have the greatest housing shortage ever. Why? Well, the same and precisely the same economic laws which applied to all commodities applies to rents. When you arbitrarily maintain at a very low level rents, and you double the income of the renter, he consumes twice as much space. It is the cheapest thing he can buy. And the result is that the density of occupation in our metropolitan cities, as far as we can now figure it, has decreased about 40%. In other words, where there were three girls occupying an apartment, there is now one. In other words, we followed a policy, in order that our returning servicemen and our homeless might not have any homes, of, when housing was scarce, having everybody who had it consume twice as much of it, and, of course, that produced scarcity.

And we have followed a policy where, if we had sat down in the beginning and said, "Let us do the thing which will guarantee to produce the least possible housing to rent, and give the least possible chance to our servicemen and others," we couldn't have designed a more perfect policy for that purpose than the one we have followed. And now, as though it were a great surprise, our friend, Paul Porter, announces—the other day—as though it were a great surprise that there is less housing now than there has been at any time. Well, of course there is less housing now than there has been at any time. He and his ilk have planned it that way. Of course there will be less housing six months from now than there is now. Of course there will be less housing a year from now than there is six months from now, and of course we will pursue from scarcity to scarcity as long as we insist on following this un-American plan for the production of scarcity under a planned economy, planned this way.

Economic Laws Apply to Rent Control

Now, for some strange reason the President of the United States, now happily vacationing in Key West, in the warm sunshine, while the rest of the nation faces freezing to death, announced the other day that we, as a nation, had now discovered that it was necessary to strip off controls before we could have building. Yes, the nation had found it out at last, and the electorate had confirmed it. And then that same President went on to say that despite the fact that these economic controls, and this economic planning for scarcity had now proved that we wouldn't have supplies in abundance under that plan, that we would continue rent control. Well, precisely the same economic laws apply to rent control as apply to any of the rest of the economy. Yes, perfectly true, Mr. President, you will have no housing under rent control. You had no meat under meat control; you will have no rent under rent control, and if you wish more and more scarcity, more and more confusion, just continue your controls. No, rental housing hasn't had a strike; it has had a stroke! It is half dead; it is paralyzed, and a great industry is in liquidation—planned that way.

Now, it is necessary, if we are to be effective in the service of our country at all, that these economic facts, that these great principles which apply to the foundation of all prosperity, which is the one-third of all human activities of this country, which pertains to the building, financing of home building, real estate, the things that deal with the land—it is necessary, if we are to continue as free men, that we stand on our own land as free men, and not become wards and serfs of the state in rabbit hutches built by the Federal Government, and controlled politically.

Destroying Economic Structure

If the land is sound, if the real property is sound, then we will have prosperity for all, but you can't destroy property without destroying the whole economic structure. And so, as I said in the beginning, the thing about which we are engaged is entirely a very simple thing; it is the protection of the right to enjoy the fruits of the private ownership of property without destruction from any source whatsoever, such as the OPA regulation I have just quoted in the case of rental housing.

If every home owner, if every mother of a family, had the right kind of polaroid glasses to put on, she could go out and look at her home right now in this bright sunshine and see about an $8500 mortgage on every home. That is her share of the Federal debt created by deficit spending, and the production of little dollars in man-made inflation, planned that way. If she could see the fact, real property paying what? Twice as much taxes per dollar of value as personal property!

Now, why is it that progressively the forces of taxation, of regulation, and of control have undermined and destroyed the right to enjoy the fruits of private property ownership in this country, and why is it that we stand by knowing full well that the destruction of those rights means the destruction of all human rights that go with it? Why do we stand by? Why are we helpless and inarticulate? Are we without numbers? No! 27,600,000 of us in the last census—30,000,000 now—30,000,000 men and women who own the land, pay the taxes, are the true stockholders of the nation. God help us if they ever get organized. If we could ever call together even one in ten in a united and intelligent unit, the men and the women who own the land, we would have a voice more powerful than any in the land that might say, "So far thou shalt go, and no farther" — a great voice sleeping, dormant, dead, inarticulate, unorganized, sleeping itself into oblivion.

The power of the united proprietary interests, crossed politically—our democrats—Jeffersonian Democrats, at least, who believe in the Constitution, are more solidly in favor of the private ownership of property than even the Republicans of the North.

Here is a medium, a community of interest, the common belief at the level of philosophy that in the private — private — private — ownership of property lies the maintenance of free institutions, and the protection of our liberties.

Here is the balance: On this side is the conception which our founding fathers had, that the individual is important; that the individual is sovereign, and the state is the servant; the conception that power flows from the bottom up; the conception that the government derives its just power by the consent of the people; the conception that in the private ownership of property in millions of small hands lies the protection of free institutions. And here is this new theory, lately so dominant, that we should create bigger and better bureaucracies, greater and greater Stateism, more and more cradle-to-the-grave controls over the lives of every individual, the centralization, the adopting of all of the very philosophies we fought abroad. In the balance hangs that decision.

Property Owners Should Unite

And there were many men, and there may still be men who, say, "It is too late; that the die is cast; that we might as well go fishing." And, "It is no longer possible to maintain the conception which has made us great." But brave men, men fit to be free, dare not say, "It is too late." It just isn't too late, but it is late, and the time has come, as never before, when those of us who are on one side had better choose up sides. Not your trade group, not my, nor any other trade group, but all of us, the twenty-five million men and women who own homes, the property owners, the owners of farms, all of us, had better get together, unite, and give a proprietary organization of the people who believe in property ownership a chance to give the stabilizing influence in this picture which the country has a right to expect of us.

I don't know, Mr. Chairman, whether there is anybody in this room who thinks that a change of political parties is going to cure our troubles. I can say to you, anybody who believes the election of a Republican Congress and a Republican President will cure our basic troubles is in for a very great disappointment indeed, and I speak as a very devout Pennsylvania Republican.

I have just spent the last five days in the State of Ohio, and I have toured the State of Ohio in the interests of the organization of property owners. We had 19 great meetings in that State this week, beginning Monday; and if you think that the Republicans, now in power, are going to correct and turn, alone, unaided, without the pressure of public opinion, the trend towards the socialization of property, the socialization of medicine, the socilization of jobs, and the whole leftwing movement, you might read in the papers, about four days ago, the statement of the senior Senator of Ohio, Mr. Taft. Mr. Taft, who we always believed was on our side, and who is supposedly a conservative Republican, and the son of a great Republican President, and whom we have always thought opposed the creation of deficits, now proposes to reintroduce the Wagner-Ellender-Taft Bill, and has announced he will do it in the first of the opening of the new Congress, a bill which will add to our debt, as nearly as we can comput it in the mystic, and incomplete, and concealed, and deceitful figures in that bill, a matter of some ten billions of dollars of dishonest deficit spending. The man whom we had supposed did not believe in the concentration of further vast bureaucracies in the Federal Government now proposes to set up, under this so-called housing bill, the largest bureaucracy of all. Always before these great powers have been limited to two years, or 18 months. This is permanent—45 years—to control the interest rates, the financing, the building, the construction industry, and to socialize practically, and to all effects, the entire home building and construction industry, proposing an immediate building of a matter of half a million new 100% subsidized, as to principal, tax exempt, units to make more political pawns spread around the country, more land serfs living as wards of the State, less free men standing on their own lands. He proposes that.

And further, he enters into a bill which is a fraud. He calls it Veterans' Housing Private Enterprise Bill. There is no veterans' housing in it, believe me, at all, and it is 80% public enterprise, as far as the donation or the allotment in the bill. It is neither private enterprise nor is it veterans' housing. And that is proposed by the senior Republican Senator from Ohio.

So if you have any tendency to relax, if you have a tendency to let down, if you have a tendency to quit, forget it. This battle is barely opened. We have stood with our backs to the post, dug in, fighting for our lives, for the maintenance of private enterprise in these last 15 years. Maybe we have a little break. Maybe we have that ball just a bit out from the goal post, but if the bee was ever on us, if the challenge was ever before us, if we were ever on the spot, we are on the spot now, because we must make this thing in which we say we believe work.

Private Enterprise No Sacred Cow

This is no sacred cause. Private enterprise is not a sacred cow. Even the Constitution, as but an instrument, is not sacred in itself. And unless this system of free man and free enterprise, and Constitutional government in a representative republic under government by law, and not by the whims of men, works, unless we lay it on the line, unless we produce in the shortest length of time possible a good home for every American family, unless we perfect and put into force plans for slum clearance, and the redevelopment of our outworn and blighted cities, unless we make it work we are licked, we are gone ducks.

The challenge is on us; every one of us, and not a one of us. you or me, or any of the rest of us, dare turn our backs, not for one moment, to escape the immediate personal responsibility which is ours.

Now, all of these things can be done. We have the skills, we have the energies, we have the engineers, we have the builders, we have the magnificent financial genius of you men, and the financial genius of our bankers, we have the productive power of a free America. But underneath all, and more important than everything else, is the mobilization of a sustaining and supporting public opinion—the power of an enlightened public opinion. You won't get it. Your voice will be turned aside. We won't get it in the National Association. The Home Builders won't get it. The lumber dealers won't get it. The National Association of Manufacturers won't get it. The Chamber of Commerce won't get it. No: too small, too inadequate, in the wrong class! And, unless we are so dumb that we don't just deserve to live, the time has come that we must grow up, that we must be adult, that we must take hold of this great question of public relations intelligently; and there is just one place to grasp it. It is in the organization of the property owners of the nation.

A Union of Property Owners

Now, starting a little less than a year ago, some of us, some of you—some of your members are on the Executive Committee, some of them are trustees, many of them have been very prominent in the crystalization and the early life of this organization—we started out to mobilize right down through the political structure, state by state, Congressional District by Congressional District, political precinct by political precinct, an organization, a congress, if you please, of property owners—a political action committee, if you choose, moderated a little bit—of property owners; a union, if you choose, of property owners—again, moderated quite a bit. We have so far been able to set up in 38 out of the 48 states paid, highly trained executives to organize property owners. In the other 10 states we have some activity. We have set up an office in Washington where we have about 30 people. We have excellent, able men on the Hill whose first job is to know what is happening, to get the facts, to be the bird dogs, so that we are not asleep at the switch, and something happens before we know it. We have facilities for disseminating widely that information to the points of crystalization of public opinion. Our little paper, "The Property Owner," is now going out. I hope one day it will be one of the most powerful instruments in this land. It is now going out to about 250,000 people, and we hope within a year to have it go to two and a half million property owners throughout the nation, informing them of the facts, mobilizing sentiment, calling local meetings, having the property owners from the grass roots level bringing their influence on their Congressmen through the representative form of government under our Constitution.

We are out to mobilize and activate in order to see to it that legislation is properly guided; that the foundation is laid for the exercise and the performance of a free enterprise. Now we are in our extreme infancy. We have made about all the mistakes we can think of. If we didn't make them it was just because we missed them by accident. This is a gigantic problem. It is a terrible problem. No man in his right mind would undertake it.

For years I have sought, personally, and I am very sure that you have, for something to do about it. I have never been comfortable alone with political affiliation. I recognized if there were to be, it seemed to me at least—if we were to reverse this conception that the government owed the people a living, and turn it back to where the people supported the government; if we were to have a renaissance of new support and responsibility, and new performance, there had to be a great movement at the level of education, at the grass roots movement. I have sought these many years for something to do about it. Not until this great chance came did I see any way that I, as a little individual, could do something about it. So I have been around the country trying: if I could, to get the support of men such as myself to help us organize, to get us members, to give us leadership and direction and advice, and to join with us in this great crusade.

I said a moment ago no man in his right mind would undertake it, and I assured you that if I thought for one second we were doing this in the power of our own strength I wouldn't undertake it, but I have the feeling that the God of the nations has always in the proper time brought forth movements when their time has come.

Victor Hugo, you remember, said, "There is no power like the power of an idea whose time has come."

I believe that this has the power of an idea whose time has come, and that no power on earth will turn us back. Together and united we cannot fail. Join us! help us put this thing over.

Teamwork in Industry

(Continued from page 2891)

labor the responsibility for working out their differences in a peaceful manner. To me the President's action presented both labor and management with a challenge. For some time past labor has been demanding the lifting of wage controls and a return to free collective bargaining. Likewise producers, distributors, and manufacturers have been loudly calling for an end to price controls. Both employers and workers have in effect been demanding a complete return to an economy of free enterprise based on the American system of free competition for profit. All of us have thus indicated our faith in that system. The elimination of controls presents at once a challenge and an opportunity to all who believe in and have boasted of the superiority of our American system of free enterprise. We must meet the challenge implied in the words of President Truman and seize the opportunity which has been presented to us, to once again prove to the world the superiority of our free economy.

Requirements of Real Teamwork

How can we achieve the degree of teamwork necessary to discharge our obligations to the country as a whole in this critical period of our nation's history? Well, I am sure we can all agree that this is a big question and one that would call for a large degree of presumption on the part of an individual who would attempt to give the answer to it. Without attempting to give the answer, may I point out, however, certain requirements which I feel are essential to the achievement of real teamwork between management and labor.

First, I believe that management and labor jointly must recognize fully the national interest in all our undertakings, in all our problems and in whatever solutions we may find for those problems. High levels of production with full consumer purchasing power through full employment are essential to the maintenance of the dynamic economy that we speak of when we refer to the American way of life.

We proved during the late war that we had in our possession here in America the resources, the manpower and the machinery to provide jobs for all those who wanted jobs. We proved that we could produce the weapons of war in quantities that staggered the imagination of the entire world. We need that same full production and full employment now. It is up to the private employers and free labor, the same people who yesterday provided the nation with full production of war goods, to meet the nation's requirements today, in the full production and consumption of peacetime commodities.

Labor must recognize that private enterprise means that management possesses the right and responsibility of directing and managing the operation of industry. Also that it is within the province of management to determine policy in the operation of private enterprise. Labor must recognize that private enterprise is quite naturally motivated by a desire for profit.

After all, it must be conceded that there is not much sense in bargaining over the amount that is to go into the pay envelope unless the bargainers definitely figure that the fellow who is supposed to fill the pay envelope is going to stay in business for the life of the contract. On the other hand employers must recognize that freedom of enterprise implies no license for the exploitation of the worker. The right to a profit on funds invested in an enterprise must always run second to the right of the worker for a fair day's pay in return for a fair day's work. Let me put it this way—after conceding the right of the owners of industry to manage, of the investors to a fair and reasonable profit—that any business that depends for its continued existence on the payment of less than a decent fair wage to its employees should cease to exist.

In the final analysis, if we are going to have the full production of peace-time goods that we need to maintain our post-war economy, we must have a continuing market for the things we produce. This market must be found here at home if it is to be found anywhere, and it must come from the best customer the American producer has ever had in peace-time —the American worker. And gentlemen, the consumer purchasing power of the American worker must come from his pay envelope.

Right of Workers to Organize

There is another factor which we must take into consideration when we contemplate the probability, or I might say, the possibility of reasonably tranquil labor-management relations in the years just ahead. This factor, if it comes into the picture, will not I can assure you, be conducive or helpful in achieving the teamwork in labor-management relations that we so earnestly desire.

Are the workers of this nation who believe in the trade union movement going to be forced once more to fight, as they have many times in the past, to preserve their right to form and maintain trade unions?

Are we going to be allowed to work out our problems with those who employ us as free men selling our labor in a free economy, or are we going to be compelled to devote all our energies to a struggle for survival?

There is considerable evidence that there will be a serious attempt in the near future to destroy the effectiveness of unions of organized labor by repressive legislation. There has been much big talk lately from some politicians who profess to see in the results of the recent election a mandate from the American people to crack down on labor. We hear of proposals to enact legislation outlawing the closed shop and of placing a definite limitation, if not a complete prohibition, on the right to strike. Well, labor has been through this sort of thing before. Our industrial history is saturated with struggles against every type of device that the ingenuity of entrenched wealth could think up for the destruction of the trade union movement. Labor has had to fight for its existence since the early days of our nation's history.

In a sense the efforts of capital to deny the workers the right of collective action was responsible for the growth of trade union organization in this country. In the early days of the republic there were few trade unions—mainly of the craft type scattered through the principal cities. Their efforts were not in any way coordinated. Each group was concerned with its own craft problems and confined its activities to the limits of a particular city. In the days immediately following the Civil War, there was a strenuous attempt made on the part of capital to revive the so-called conspiracy doctrine of colonial days under which there was a generally accepted philosophy that it was criminal for two or more workers to simultaneously stop producing for a private employer. Under this doctrine, the workers who collectively exercised their right to stop work were looked upon as conspirators against the public welfare.

In 1864, one branch of the New York State Legislature passed an anti-strike bill which embodied this doctrine of criminal conspiracy. The comparatively few labor unions then existing in the State of New York formed themselves into a coordinating group for the purpose of defense against this type of legislation. When they were successful in preventing the final enactment of this anti-strike bill, these unions formed themselves into a state-wide organization which was the forerunner of other state-wide and nation-wide coordinating groups. It was the combined efforts of these various groups which finally culminated in the formation of the American Federation of Labor in 1881.

For 40 years after the New York State Legislature attempted to pass this conspiracy legislation, a tremendous struggle was waged in the courts and in the various state legislatures which involved the right of workers to collectively quit their employment. In the essence it was really a fight during this period for the right of workers to establish and maintain such an instrumentality as a trade union. In fact records will show that the vast majority of strikes which were conducted during the last three decades of the 19th century were strikes where the main demand of the workers was for recognition of their right to form a union on the part of the employer.

Down through the years since the formation of the American Federation of Labor we have had to contend with the company spy, corporation dominated sheriffs and their thug deputies, with anti-labor judges, with the so-called "American plan" and with every other type of devilment that those who would destroy us could devise. So when I tell you that labor will fight any new attempts to destroy our right to maintain and operate effective trade unions, I can point to the record as evidence of the fact that we have so fought in the past.

You may perhaps wonder why at a gathering such as this representing an industry that has had so few major strikes in the last 25 years, that I should lay great stress on the high value we place on the right to strike. Well, let us remember we have been talking about free enterprise, about a return to an economy free from government interference and control, about the rights of management to manage, of investors to a reasonable profit, in short, we have been talking about the free American way of life. I submit that there can be no free enterprise for the owners and managers of industry to enjoy if freedom is denied to the worker. And the basic foundation of a free society insofar as the worker is concerned is his right not to work for the profit of another if for any reason satisfactory to himself, he does not care to work.

The right of an individual not to give his labor to another closely parallels the right of an individual not to invest his money nor to engage in business if for any reason at all he does not desire to do so. Labor firmly believes that the only effective trade union is a free trade union. We have seen the other kind in Hitler's Germany, Mussolini's Italy and in Stalin's Russia, and we want no part of that type of so-called union. Experience has shown that the American system of free employers and free labor, with all the faults there may be in that system, brings better results for those who toil than does any other system.

American Worker Is Best Paid

The American worker today is without question the best paid, the best clothed and the best housed worker in the world. The children of America's workers have greater educational opportunities than do the children of any other workers in any other country on earth. The wives and families of our workers have greater comforts and opportunities for social and cultural development than have the families of workers in any other land.

During and prior to the recent war, spokesmen for the dictatorial states referred to our American system of free enterprise with a certain amount of contempt. They contended that our system involving as it did a full measure of individual freedom could not function successfully against the dictatorial systems where decisions affecting the entire population of a given nation were made by one individual and immediately carried out upon his order. However, the war proved the efficacy of the American free enterprise system without enslaving labor, without giving away our cherished rights and liberties. American industry in cooperation with American labor out-produced and out-fought the slaves of Hitler, Mussolini and the Japanese war lords. The American system which had proved itself as best from the viewpoint of wage earners in peace-time, likewise proved the best system for the defense of our national sovereignty during the most terrible war of all time.

Labor's faith in the future of America is based on the firm belief that what has been accomplished in the past could only have been achieved under a system which recognizes the dignity and freedom of the individual. What has been achieved is perhaps best summed up by an advertisement which appeared recently in one of our leading periodicals. This advertisement, by the New York Stock Exchange, referring to what they call the "Miracle of Opportunity Here in America" makes this statement: America with only 6% of the world's population produces 25% of the world's goods and possesses 50% of the world's wealth.

So if in the months and years immediately ahead you see the organized workers of America engaged in a struggle to preserve certain rights which they feel are basic and fundamental to the continued existence of our free trade union structure, keep in mind that the major difference between our philosophy of government and that which prevails in totalitarian countries lies in the freedom of the individual. Remember if you will that there never has been a free trade union where a dictatorship existed nor a dictatorial government where there were free unions.

There are no strikes in Russia. There are no closed shops in Russia. Then again there are no profits for private employers in Russia. Incidentally, there are no private employers in Russia.

Mail Service to China

Postmaster Albert Goldman announced on Nov. 20 that for postal purposes, Taiwan (Formosa) and Leased Territory Kwangchowwan (Fort Bayard) are now regarded as part of China. Kwangchowwan (For Bayard), moreover, has been given the new name of "Chankiangshih." Mr. Goldman's advices added:

"Consequently, effective at once, all surface mail matter, including parcel post, for Taiwan (Formosa) and Chankiangshih (Kwangchowwan) will be accepted subject to the conditions and at the rates of postage applicable to China. For the present, no air-mail service to these places is available.

"The Treasury Department has issued a circular under the Trading With the Enemy Act removing Taiwan (Formosa) from the category of enemy territory."

New Branch Office for Newburger, Loeb & Co.

Newburger, Loeb & Company, 15 Broad Street, New York City, members of the New York Stock Exchange, announce the opening of a new branch office at 4 East 28th Street, in the Hotel Latham.

The new office, one of four branches maintained by Newburger, Loeb, will have complete facilities for fast, efficient brokerage service.

Other locations of Newburger, Loeb & Company branch offices are at 2091 Broadway at 72nd Street; 57 West 57th Street at 6th Avenue; and 525 7th Avenue at 38th Street.

Arthur Seligmann Dies

Arthur R. Seligmann, retired stockbroker and former member of the New York Stock Exchange, died of a heart attack at the age of 53. He was formerly a partner in the New York Stock Exchange firm of G. & A. Seligmann.

R. L. Bouse Dies

Robert L. Bouse, President and Director of Mackey, Dunn & Co., 123 South Broad Street, Philadelphia, died at his home at the age of 61.

Making Labor Legislation Work

(Continued from page 2888)

lieve that we were "doing all right." There wasn't much more we needed to consider. But you said that with the years almost the mark of an experienced conference delegate came to be his frank admission of his problems—of the things he hadn't achieved. He came seeking help from other states who had met and perhaps solved a similar problem. I was very impressed by that spirit of humility. And I think it's a pretty good guide for me—and perhaps for you—not only here but throughout the year. Anyway, this conference will offer you an opportunity to report on your State situation. Of course, if you have had triumphs we want you to tell us so that we may rejoice with you and with the wage-earners who will benefit from them. But you may be sure of a sympathetic audience if you tell us of your headaches. We have a lot of the same ones.

One of the things I'm sure you are thinking about is your next legislative session. Forty-four such sessions will be held next year. You are already planning to have new labor legislation or amendments to existing laws introduced. Your thinking about them—and the thinking your legislature will do—indeed, the prospects for success—are all affected by the kind of economic conditions which will prevail in this country in the next year.

We are now at one of those critical times in our economic life when everyone expects a turning point of some kind. But there is a wide variety of opinion as to just what kind of turning point it will be and when it will come. During the war, the pressure was always toward maximum utilization of scarce manpower. With the end of the war, there was much argument about whether the large scale readjustment would be deflationary or inflationary. Actually, for the last 15 months, although take-home pay and other incomes were reduced temporarily, reconversion was sufficiently rapid to prevent widespread unemployment and loss of purchasing power. When we are in the midst of a general upward or downward swing in our economic life, it is easy to speak freely of a continuation of that trend.

Peak of Economic Activity

We are, today, crowding the peak of economic activity. We have virtually full employment. Out of a labor force between 61,000,000 and 62,000,000, we have 57,000,000 to 58,000,000 at work and another two and a quarter million in the armed forces. In the last year and a quarter since V-J Day we have absorbed ten and a half million veterans into peacetime employment. Less than a million are seeking work and one and a half million—most of whom are in school—are not seeking work. Even women's return to the kitchen—so widely predicted for the postwar period—has not been as great as some people expected. There are 17,000,000 women employed today. They constitute 30% of all employed workers. They are being hired faster than men in most industries. Despite a leveling-off of employment for youngsters since the war, two and a quarter million 14 to 17-year-olds are still at work full or part-time.

Over-all unemployment today is about 2,000,000—out of 60,000,000. That's pretty close to a minimum in a period of great economic change in a country so vast as ours—with a large number of overlapping but distinct labor markets in which there cannot be complete mobility of labor. A cloud on this generally sunny sky is the growing number among the remaining unemployed who need considerable attention in solving their employment problems. Forty percent of the unemployed are veterans, although they represent only 20% of the labor force. About one-third of the veterans now receiving compensation for unemployment have been on the rolls 20 weeks or longer.

Now we Americans have had a good deal of experience with booms followed by depressions. Are we now approaching a danger point? If you read the business pages, you know business analysts predict some kind of economic break in 1947. Consumer expenditures appear to be slowing down. Business inventories are rising. But I am not willing to agree that a recession in production and employment is either inevitable or necessary, although it would appear to be possible. Most of those who do expect a downturn, anticipate a moderate and short-lived recession. But everybody seems to agree that underlying demands for many kinds of goods and services are great enough to assure a strong recovery if a recession occurs.

Of course many people are concerned about what prices will do. BLA price analysts see little price relief in sight for the next six to nine months. They expect that consumer prices may rise still further. But overall increases will probably be moderate. Some prices will fall as others rise.

Runaway Prices Unlikely

Growing consumer resistance—the break in cotton and stock prices—the many evidences of caution and restraint on the part of business and labor—all suggest that runaway prices are unlikely. Most helpful of all is that the "make-ready" period for post-war production is about over. We may expect an enlarged flow of goods to market without any considerable rise in current incomes. There will be more goods in relation to our dollars—and that is the ultimate check on high prices.

As a nation we had the foresight, too, to recognize the instabilities in our economy, especially in the postwar period. We passed the Employment Act of 1946. It is now our prime national policy to try to stabilize the economy and to maintain high levels of business activity. With the removal of most remaining wartime controls, we now face the crucial test of whether we can do it. I realize we face difficulties. But I point out that maintaining the high levels we now have is considerably easier than pulling up an economy from depression lows. We might have had to attempt the latter, if reconversion employment and incomes had slipped to prewar levels.

Proposed Labor Legislation

What does all this mean in terms of proposed labor legislation and administration? It means that you in the States and we in Washington will be thinking more as we thought during the war than as we thought during the thirties. There are certain obvious conclusions to draw from this fact, both for us in Washington, and for you in the States. But before I do that, I want to report on the expanded resources that this year has brought to the U. S. Department of Labor. These resources, I hope, will better enable the Department to meet the responsibilities growing out of the conclusions we draw. When you gathered here last year, we rejoiced together that a repeated conference recommendation for the consolidation of labor functions in the Department had progressed substantially. But the consolidation had taken place so shortly before the conference, that about all we could do was to introduce the new agency heads and ask them for a brief report on their problems as they then appeared. This year you will find the evidence of their greater integration into the Department, in the committees which have been set up for this conference.

Since last we met, an Act of Congress was passed which today permits me to introduce to you the Under-Secretary of Labor, Keen Johnson. He is the administrator of the Department through whom all division and bureau reports and problems channel. I want you to know Keen Johnson. You will find him, as a former Governor of Kentucky, thoroughly appreciative of the basic role State labor departments play in promoting the interests of wage-earners. He knows how important it is to strengthen the states so they may efficiently meet their responsibilities.

The same Act of Congress established three Assistant Secretaries of Labor. One of them, John Gibson, is well known to you as a former labor commissioner from Michigan. He has met with you in these conferences for many years.

Many of you know Phil Hanna, also an Assistant Secretary of Labor. He has a rich background in labor and administration.

The other Assistant Secretary is David A. Morse, who has assumed responsibility for the international labor affairs of the Department. International developments in the labor, economic and social fields vitally affect the American worker. Participation by the United States in all phases of international relations is growing fast, as we all know. Consequently, there has been a substantial increase in the duties and responsibilities of the Department of Labor in connection with international problems.

I know you are deeply interested in this expansion of our activities in the international field. We want to count upon your cooperation to assist us in the proper performance of these functions. I have therefore asked Mr. Morse to speak to you a little later this morning and tell you about these developments himself.

Promoting understanding in the world and on the domestic scene are equally important. On your chairs this morning is one evidence of a revitalization of our Departmental Information Service. It is a copy of the first issue of a modernized Labor Information Bulletin. The Department's activities today—in operation, research and publications—cover a tremendous scope. It is my hope that by this bulletin and other means, we can keep the nation's labor, industry and people informed simply and truthfully about what we are doing to carry out our Congressional mandate to the wage-earners of America.

Coordination of Labor Information

Coordination—like understanding—is important in meeting the Department's expanded responsibilities. The Retraining and Reemployment Administration came to the Department just before our last conference. This agency was authorized by Congress to coordinate the activities of all Federal agencies, except the Veterans' Administration, engaged in retraining, reemployment, vocational education and vocational rehabilitation. This year it has brought many groups together to work out common policies. One such joint committee recommended a set of employment principles for veterans and other workers. Designed to minimize the competitive disadvantage of long-term absence from civilian employment, it is hoped that these principles may be a useful guide in reducing some of the employment problems of those job-seekers I mentioned a few moments ago. It has also helped to develop common policies for the promotion of employment opportunities for handicapped veterans and civilians.

The Department's agency whose facilities have strained to meet these special employment problems is the United States Employment Service, while doing its major job—matching jobs and job seekers in an economy where both opportunity and public policy require high levels of employment and production.

I am confident that the challenge of the months ahead will be met by the State agencies to whom the State and local employment offices were returned on Nov. 16. Between 1933, when the Wagner-Peyser Act was passed, and 1942, when those services were loaned to the Federal Government, they made enormous advances in the variety and quality of services rendered. Throughout the war period, these services were further expanded. Since V-J Day, they have handled commendably initial peacetime employment problems. I am sure that the gains made will be retained under the Federal-State relationship provided for in the Wagner-Peyser Act, as amended. I wish to express my appreciation for the fine cooperation we have received from the States in working out the necessary details incident to the transfer of local office operations to the States. Although only a few of the State services were returned to State labor departments, you will have an opportunity this afternoon to consider the job to be done and the transfer at a committee meeting on the subject.

Fortunately State labor departments are well equipped to meet the need for training workers in scarce skills, although their primary concern is for the long pull. There are now 29 apprenticeship agencies in State and territorial labor departments. The Federal Apprentice Training Service reports enormous increases in this program. In the year ending last October, the number of establishments with apprenticeship programs increased from 26,000 to 68,000, and the number of registered apprentices rose from 20,000 to 84,000.

I also want to commend the State apprenticeship agencies for their maintenance of high standards of apprenticeship in spite of pressures brought to bear by the passage of the GI bill. I hope they will continue to use their influence to prevent the breaking down of wage standards and other standards of apprenticeship.

Labor Education Service

Education of a different sort has been furthered this year by the establishment in the Division of Labor Standards of a small Labor Education Service. This service does no teaching but prepares basic teaching guides on labor legislation, history and economics, grievance procedure and other aspects of contract administration. It offers a national clearing house for sound experience in labor education. It assists universities, unions and other groups engaged in labor education to develop their own programs. Last March I appointed a national labor education advisory committee composed of representatives of the AFL and CIO to review their own educational needs and to assist us in developing educational standards. The establishment of such a service was a recommendation you made at last year's conference and I am glad we have been able at least to make a start. You asked then for a committee on labor education to be set up at this conference. You will see from your agenda that we have met this request.

Labor-Management Harmony

I am especially glad this morning to be talking to so many representatives of organized labor and State labor officials who are concerned with maintaining labor-management harmony and avoiding work stoppages. I assure you I lose no opportunity to say the same thing to management every time I get the chance.

Now anybody who understands such things, recognizes the need of working people to seek reasonable wage adjustments in periods of rising prices. These adjustments have been going for some time now, many, many of them without interruption of production. Indeed 90% of the disputes handled by the U. S. Conciliation Service have been satisfactorily adjusted before a stoppage occurs. As an administrator I am proud of the assistance which our conciliators have been able to render. As a citizen, I am even prouder of the sense of public responsibility shown by those representatives of American labor and management who made this record. Their patriotism has not received the public appreciation it deserves.

Wartime controls have been virtually removed. Labor and management again have full opportunity and responsibility for genuine collective bargaining without recourse to Government. Many have availed themselves of this opportunity and responsibility. Their ability to resolve differences without crippling strikes is basic to our efforts to stabilize the economy. All I have said about our opportunity to maintain high levels of employment and production and avoid disastrous inflation, is predicated on the absence of unreasonable wage demands and serious strikes and lockouts. Every major and prolonged stoppage endangers our stability. It further exasperates the people and their elected representaitves. It risks the transfer of that exasperation into hasty agitation which will make more difficult the attainment of healthy industrial relations.

At the 12th National Conference, a resolution was adopted summarizing the common purposes of the Federal and State Governments in the mediation and conciliation of disputes. Since that time, we have been trying to carry out the spirit as well as the letter of that resolution. Recently we sent to each labor commissioner a copy of our instructions to our field staff. These instructions clearly pointed out their responsibilities in working with State mediation agencies. In addition I have told the commissioners that we would be glad to sit down and work out the details needed to carry out our mutual commitment last year.

Another recommendation you made last year became an actuality during the past 12 months. A Federal Interagency Committee on Migratory Labor was set up by General Erskine of the Retraining and Reemployment Administration. For several years you have been concerned to improve living and working conditions for migratory workers in industry, agriculture and transportation. You felt that a good deal might be done under existing Federal and State authority and you wanted an official statement of what further legislation was needed. This Interagency Committee is composed of representatives of the Labor and Agriculture Departments, the Federal Security and National Housing Agencies and the Railroad Retirement Board. And I can assure you that many people in the Labor Department have worked very hard on this committee. While its final report is not quite ready, subcommittee reports have progressed to a point where their findings may be shared with you and tested against your experience. There will be a committee on the subject held this afternoon. I hope it will also consider methods of developing public understanding and support for meeting the needs of these displaced people.

Fair Labor Standards

Last year you went on record for an increase in the Fair Labor Standards Act minimum to 65 and ultimately to 75 cents. If 65 cents was justified last year, it is imperative now after a further 15% rise in the cost of essentials, as shown by the consumers' price index. Congress set 40 cents in 1938 to provide "a minimum standard of living for health, safety and well-being of workers." It would appear that 65 cents today would not even restore that standard. A committee on wages and hours will meet this afternoon. Here we hope you will give us your best judgment on this problem. I know you have considered this question because 16 States and the District of Columbia are active in raising their own minimum wage standards. Nine States have issued wage orders in the past year. All except one have hourly standards as high or higher than the 40-cent minimum. Four States issued orders guaranteeing weekly wage rates from $20 to $22.

The high levels of employment and production expected next year will place the same pressure behind the enactment of State wage and hour standards and their extension as we find behind the Fair Labor Standards Act. Those high levels should increase their acceptance by industry, which cannot induce competent people to work for sub-standard wages.

The great demand for women workers today raises anew the threat which their traditionally lower wage rates offer to pay levels of male workers. Furthermore, those rates are basically unfair to women doing substantially the same work as men. I'll repeat what I said a month ago to a group of women union representatives meeting with the Women's Bureau: the U. S. Department is unwavering in its opposition to discrimination as between employees. Seven States have already taken the lead in equal pay legislation. And the economic outlook again would seem to call for further efforts on the part of other States next year.

The large number of young people still employed has kept both State and Federal enforcement problems boiling. They also keep the goal of a 16-year minimum age for factory employment or during school hours right before the eyes of State administrators. Georgia was added this year to the list of States attaining that goal. The legislative sessions in 1947 offer opportunity for other States to try for this standard.

This child labor discussion has probably caused you to wonder what we in the Labor Department are doing in this field since the transfer of the child health and welfare functions of the Children's Bureau to the Federal Security Agency. The Industrial Division of the Children's Bureau, which administered the child labor provisions of the Fair Labor Standards Act and carried on programs of research and promotion of child labor and youth employment standards, remained in the Department. I transferred it intact to the Division of Labor Standards where it is now known as the Child Labor and Youth Employment Branch.

The Division of Labor Standards will tell you this move was salutary for them. For example, they have been enabled to integrate even more closely their general safety and health work with the need to safeguard special hazards for young workers. Many of you know concretely how the Division has attempted to convert the best of its war safety experience into long-term use for peacetime production. You will recall that that was one of your recommendations last year. Modest budgest increases permit them to offer State labor departments technical assistance in developing State-wide safety programs similar to the war industry safety drives. A Committee on Safety and Health and Workmen's Compensation meeting this afternoon will bring you a report and seek your advice on improvements.

Workmen's Compensation

Workmen's compensation is a field where more improvement in State laws has occurred in recent years than in any other. But we have a long way yet to go. Indeed in one important respect, we are failing today to enforce the basic goal of workmen's compensation as it was conceived over a generation ago, that is to pay the injured workman up to two-thirds of his average weekly earnings. At present wage levels, most States award him less than half his earnings. Although 20 States since 1940 have enacted second injury funds to facilitate the employment of handicapped workers, 14 States still have not acted to remove this excuse for discrimination against their disabled veterans and civilians. Although 33 States provide compensation for some occupational diseases, only 16 have all-inclusive laws. Surely today there can be no argument that a worker injured or killed by an occupational disease — and his family — needs workmen's compensation just as badly as the one who suffers or dies from an industrial accident. Many States lacking these tested safeguards will have legislatures sitting in 1947.

On your seats this morning you have a series of Legislative Fliers showing the States which have and those which do not have any of the laws I have discussed. We hope they will serve as signal flags for you in checking the progress of your own State, in determining what you as a labor commissioner or a labor leader think you should do to stimulate interest and support for needed changes in your laws next year.

On your chairs too is a masterly document which — whatever else you lack time to read—I hope you will make your own. It is a speech on "The Future of State Labor Legislation" by Ed Witte of the University of Wisconsin, and formerly here with the War Labor Board. It is really an extension of his address to the International Association of Governmental Labor Officials at their recent Milwaukee convention. Some of you heard it. The Association printed it and were kind enough to let us all have copies.

Mr. Witte indicts our American failure to keep our labor laws up-to-date—better to repeal our labor laws, he says, than to keep on kidding the American public that they are adequate. Little new legislation has been developed since 1937—less has been passed since the Supreme Court gave the constitutional green light than when it was red or at least yellow. He says our laws are spotty —with many gaps—and I am sure you and I agree. Only 15 million dollars a year is spent by all the 48 States in the administration of labor law.

Economic changes have made our old legal standards well-nigh meaningless—this despite the fact that ours is a progressive economy calling for constantly rising levels. It's no protection to young people to keep maximum 48-hour week laws on the statute books when the industrial pattern is 40 hours for everybody.

Ed Witte calls us back to fundamentals—and that's good in a period of change. He reminds us that labor law basically protects the weak and unorganized. But it also protects organized labor against the threat of undercutting. It safeguards progressive employers against unfair competition. Its ultimate sanction of course is whether it promotes the general public welfare. Most of our labor laws won't meet this test because they have become meaningless. But labor legislation can be of great public value. In a civilized society, Mr. Witte says, all our people must somehow be supported—and at standards which society deems decent. When workers are unemployed—or are paid less than living wages—the public foots most of the bill for their support. In addition, labor legislation is a safety valve in our economic system. The best way, he says, to keep our workers from turning communistic is to make our system work. It must work for the benefit of all. We must constantly raise our sights. We must achieve a better life not only for the well-to-do and the strong, but also for the poor and the weak. This is the true challenge that faces not only you and me but all Americans. It faces us not only against the economic backdrop of 1947 but against all kinds of economic conditions and for many years to come.

French Policy in Germany

(Continued from page 2884)

pooling of the proceeds of all exports to pay for authorized imports; one should note as early as October 1945, French concurrence in a plan setting up a central allied agency, with a German staff, for the purpose of implementing imports and exports for Germany as a whole; later, French concurrence in a plan on banking and currency control.

II

French Views on Central Administrative Agencies

Whether the Allies can or cannot run the German economy without the assistance of Germany is no point of discussion, nor is it relevant to Allied control. In the French opinion, there remains a certainty that agreement could have been reached many months ago on the extent and timing of German administration, if the fundamental issues of economic unity had been generally accepted by all parties concerned.

The French believe that, if a German staff is necessary to build up central economic agencies as provided for in the Potsdam agreement, still the responsibility cannot yet be delivered entirely into German hands. One simple question should make this clear: Does anyone believe that a German official taking alone the whole responsibility of foreign trade would make his utmost efforts to balance the imports by exports and moreover obtain a surplus? The French answer is: No, and would point out that any conscious German would rather make a point of getting free deliveries of wheat from abroad than get his fellow countrymen hard at work to pay for it or eventually have a surplus of exports pay for occupation costs or, as has been lately suggested, for reparations out of current production. The French believe that top directives on imports and exports, if firmly established by some Allied agency, should also be implemented under the immediate control of an allied body or official with a German staff. This is merely an illustration of the French proposal, issued in last August, on the establishment of central agencies with an allied control board atop.

In other fields such as food, industry or transport, similar reasons will lead to the same conclusion.

The occupying countries will obviously commit themselves into further responsibilities if they follow the proposed French policy. One should nevertheless remember that as long as one single allied soldier remains on German soil any misfortune, collective or private of the German people will be charged by them against "occupation" as a whole.

At a further stage, it may well happen, very soon in some instances, that the Germans are able to control their own activities in some definite field. France will not object to that, provided the general frame of German administration has been drawn, on a decentralized basis, provided that the basis of such overall management is firmly settled, i. e. that the Lander agencies have been established previously and can implement in the field such directives as settled by control agencies, under allied supervision.

American readers should notice that the aforementioned French proposal was identical in its terms to the interim solution put forward by the U. S. element in an earlier plan, of May 1946. A similar view has been adopted by the three western powers concerning allied control of banking. This too has failed, due to insufficient preparedness of all the occupying powers to concur on the basic financial principles proposed for Germany as a whole.

The French proposal on central agencies may have been once termed as a mongrel, which it may well be; the hurriedly proceeding American project may well be termed as a brave horse trying to push an unfinished cart.

III

Financial Policy, Trusts, Cartels

The Dodge plan has been generally considered, in French circles connected with the Control Council, as a sound basis for the rehabilitation of the German financial system. Although discussions are still pending on the various terms of the American proposal, no major difficulty will probably arise from the French attitude. No more will the French argue against any provisions which tend to eliminate excessive concentrations of economic power in German hands, either at home or abroad. Some slight difference has appeared, however, between the American and French view points, as regards trusts, i. e. "Konzerne" on the one hand and cartels or "trade associations" on the other. Americans as a whole, seem to foster their chief prejudice against the latter, as conceived in American law; whereas the French would rather consider that big concentrated firms, with their technical and financial connections, constitute the main factor of war potential in German industry. The French would therefore stress the elimination of the trusts, and accept to maintain some of the cartels, under permanent allied control. This view has not, however, prevented excellent American - French understanding during the discussions on so-called and ill-called "decartelization."

IV

French Views on Merger of American and British Zones

France has declined General McNarney's proposal to join the bi-zonal organization already adopted by the British. One should bear in mind that, doing so, the French have stood on a determined principle, abandoning the numerous advantages in kind and facilities which they might have derived from their connection to the neighboring zones: Wheat, coal steel and other commodities are in the hands of France's Western Allies, and standing alone the French zonal authorities have to fight hard and pay cash to secure these commodities, with doubtful success, the prospect of famine and certainty of comparative weakness in the French zone economy. The French definitely hope that nobody will blame them on their determination, on considering that they did their best, on this occasion, to maintain publicly the original quadripartite agreement and dim a profound disagreement between the allies, which all concerned and Germans not last, noticed as soon as the American proposal was issued.

The French do believe that the British - American merger, more than any other instance, has meant the renouncement of interallied agreement and thrown a vivid light on basic differences in the handling of German economy. This statement of opinion means no blame, but the French joining into the Western New Deal would definitely have made even worse the cleavage with eastern conceptions, which, in the present circumstances, can still possibly be avoided.

As soon as some degree of understanding can be reached between all occupying powers in this respect, the French are ready to play their part.

V

American Economic Policies in Germany as Seen by French

The French admire the impressive effort of the American element in Berlin and in the zone to reach promptly a semi-permanent organization of German economy. There is some doubt, however, as to the relevance of centralizing policies at this present stage. Time will obviously diminish this difference between American and French views. The American treat the Germans with a mixture of lavishness and complacency; the French treat them with caution.

Bitter experience has taught the French that their eastern neighbors are haughty if victorious, cringing if defeated, and both plaintive and insistent when they recover. German economy is still weak, yet it bears within itself great, and the French believe, dangerous potentialities. United allied policies, backed by the most appreciated American good will, will not eliminate further evil developments unless they are implemented with proper caution.

Phila. Electric Pfd. Offered by Langley Co.

An investment banking syndicate headed by W. C. Langley & Co., and Glore, Forgan & Co. is offering today (Dec. 5) an issue of 300,000 shares 3.8% preferred stock (par $100) of Philadelphia Electric Co. The shares are being offered at $104.11 per share and accrued dividend. The issue was awarded at competitive sale on Dec. 3 on a bid of 102.289 per share. Proceeds from the sale of the new preferred stock and a new bond issue of $30,000,000 (to be awarded at competitive sale Dec. 10) will be used to pay off $18,000,000 of 1½% promissory notes and to finance part of the company's construction program now under way and planned through 1947, requiring approximately $42,000,000.

Other members of the selling syndicate include: White, Weld & Co.; Salomon Bros. & Hutzler; A. G. Becker & Co. Inc.; Alex. Brown & Sons; Coffin & Burr, Inc.; Dick & Merle-Smith; Hallgarten & Co.; Hornblower & Weeks; Lee higginson Corp.; R. W. Pressprich & Co.; Spencer Trask & Co.; Tucker, Anthony & Co.; A. C. Allyn & Co.; Blair & Co. Inc.; and Equitable Securities Corp.

J. M. Doroshaw Heads N. Y. Office for Allied Home Products Corp.

J. M. Doroshaw, Financial Vice-President of Allied Home Products Corp., Beloit, Wis., will manage the company's newly opened office at 20 West 43rd Street, New York City. Mr. Doroshaw in the past was in the investment business in Chicago.

Europe's Future in Our Hands

(Continued from page 2882)

tually expand them—but Europe is also short of coal.

Europe today is producing approximately 72% of the coal that she produced before the war. She is importing approximately one-half of her prewar average, and with the present strike in the United States, in the next few weeks she will import considerably less than that amount. I need not emphasize the importance of coal in rebuilding any industrial economy anywhere in the world.

Now, this shortage of coal is, of course, due to many factors. One is a shortage of miners.

The largest coal-producing area in Europe, as you know, is the Ruhr. Those mines were maintained in large part during the war by slave labor. As soon as Allied troops entered the Ruhr, these people scurried for home.

Those German miners that still remained in existence were underfed. They had no shelter. And the result has been that even in those areas where you have something like the necessary labor supply, you have high absenteeism. People take a day off to go out looking for food. They take a day off to repair the roof or get their houses in living condition, and this eighteen months after the Allied troops came to the Ruhr.

Moreover, there has been virtually no replacement of mining equipment. Not only has a tremendous amount been destroyed, but that which wore out in normal operation has not been replaced.

If you take that single factor in the economy of Europe, there is little hope for real revival and expansion of industrial activity without very radical changes.

How much of that situation could have been avoided had the approach to the mining of coal in Germany been different from what it actually was no one can answer. But American mining engineers who have been there in recent months have unanimously agreed that it would be possible with a different type of administration and by turning the operation of mines over to mining engineers rather than to distribution engineers much more coal could be gotten from the Ruhr area.

Transport Situation

Europe is short of transport. Locomotives, freight cars, bridges and rails are all acutely short. Rights of way still have to be repaired and rebuilt. Many a double-line track has become a single-line track because of the fact that there were not enough rails avaliable to maintain both tracks in efficient operation.

Despite the difficult situation that prevails in Europe, one must admit, after looking the situation over, that Europe has actually accomplished miracles in the past year and a half.

In many instances output has tripled and quadrupled, and, if one were to point to any one factor that accounts for the revival that has taken place thus far, I think that that one single factor is UNRRA.

At a meeting in September at which 21 nations were represented in London, it was the unanimous opinion of everyone present that if it had not been for UNRRA many of the railroads that are now operating could not have been operating; that much of the progress that has been made would not have been made, and political chaos as well as economic chaos might have reigned in many parts of Western Europe.

Need for Raw Materials

The problem that Europe faces at the present moment, namely, how to build beyond where she has gotten—how to build on that base that has been created since the war ended, is for the most part one of the importation of raw materials.

Europe is short of everything that we are short of, plus a lot of other things. Europe is short of lumber; Europe is short of hides; Europe is short of steel. She is short of lead, coal and coal byproducts, zinc, tin and many of the other essentials that go to maintain modern industry. And Europe is short of fundamental productive equipment in terms of machinery and of parts for that machinery.

Europe does not have the financial ability to buy these things. Certain countries that are able to purchase certain things are, of course, getting them, whereas other countries that need them much more badly and where the possession of these things would do much more to stimulate the economic recovery of Europe are going without it.

Europe cannot purchase these essentials and move very rapidly beyond where she is at the present time without credit, and the longer the availability of these credits is delayed the longer will be the period of reconstruction that will follow.

Europe cannot reach the stage of production where she can pay for the imports she needs until credits are made available which will make it possible for her industries to get going at a rate in excess of what they are now operating on so that she may have surpluses to export.

A second factor which is delaying economic recovery, and without which Europe cannot progress very rapidly beyond the stage she now is in, is a decision on what we are going to do about Germany.

The German Problem

All of Germany's neighbors at the present moment are asking that same question, "What is going to happen to Germany?" And until the Big Four get together and decide once and for all what is going to happen to Germany, these countries cannot make decisions as to what their next steps will be.

Concretely, Belgium, for example, used to secure a large amount of foreign exchange from transportation through Belgium waters and through Belgium ports of German products. Belgium asks: "Are we going to have anything like that traffic or shall we have any traffic at all in the future?" They are not asking that that traffic be revived. All they ask is: "Tell us whether it is going to be revived or not so that we can tell which way we will have to turn if we are going to have sources of foreign exchange to pay for the things we need to import."

Holland, which was an important user of German machinery, is short of spare parts. She asks: "Shall we have to re-equip our plants with machinery from other countries or shall we be able to continue in the future to get spare parts from Germany?". She is not asking that we enlarge the machine tool industry of Germany but she wants an answer as to whether she is going to be able to get spare parts from Germany so that she can make her plans for the future.

Czechoslovakia, which depended upon certain raw materials and which sold a considerable amount of goods to Germany, is asking the same question: "If we are going to plan for the future of our industries, we must know how much of a market we are going to have in Germany and how much we can depend upon Germany for raw materials."

In want to emphasize that in no instance did the officials of any of these countries ask that Germany be revived along the lines of the past. All they asked was: "Tell us the direction Germany will be permitted to go, so we can make our plans accordingly."

A third factor which is going to determine the extent and rate of European economic revival, is the future course of international trade.

Europe is literally covered with bilateral agreements, many of which are uneconomic, many of which the governments of the various countries would rather be relieved of. But they have had no alternative other than to make such bilateral agreements.

Belgium needs wood pulp and the only way Belgium could get wood pulp, having no foreign exchange with which to buy it elsewhere, was to make a deal with Sweden whereby she is sending to Sweeden steel, of which Sweden herself is a big producer, and taking back wood pulp at a price in excess of what she could get it for in Finland.

We found hundreds of bilateral agreements of that sort in existence. They were the result of necessity. Foreign credits were not available and, consequently, no foreign exchange was available which would permit buying in the markets where they would prefer to buy.

Finally, a fourth factor is going to affect conditions in Europe during the next year or two, that of fertilizer.

Such figures as we have at the present time are to the effect that such allocations as have been made to Europe will cover about 70% of the 1947 fertilizer needs. Unless means are found for increasing that supply, the crops of certain countries of Europe are going to be smaller than they otherwise might have been, with the result that food will have to be found elsewhere for these people rather than in the fields that they themselves cultivate.

If one is to look into the future, it is quite evident that there are certain responsibilities that rest either on the United States or on the international organizations of which we are a part.

The Need for Credit

There is no way of getting around the question of raw materials without credit. That answer is going to have to be faced both by our own government and by the International Bank.

As I said a minute ago, and I want to emphasize, the longer credits are delayed, the longer will be the length of time required to get many of these countries back to the point where they can produce enough to take care of their own needs and still have a surplus to sell abroad to pay for the things that they need.

The Extinction of Private Enterprise

One other matter that needs emphasizing is the fact that private enterprise as we know it in the United States is no longer existent in Europe.

For example, in England if you are a businessman and want to expand your plant, you must get permission from the Board of Trade to expand that plant. The probability is that the Board of Board of Trade will say: "You can expand it on the condition that you build your new plant down in South Wales." In other words, the right to invest as you will and where you prefer is no longer a free right in Great Britain. In more aggravated form this is true everywhere in Europe.

Similarly in regard to foreign trade—both imports and exports. Businessmen can sell their goods in those areas where they can get the type of foreign exchange that is needed and then can import only those things that are essential to the maintenance of the economies of their respective countries.

The private investor no longer has the freedom to invest where he will. The private international trader no longer has the right to buy and sell where he will.

Nor are these restrictions merely ideological. In many instances there is no alternative other than for the governments to determine the policies of the business interests of their respective countries in order to be assured that first things come first.

All of this, I think, in the last analysis, leads to one definite conclusion as to which way Europe is going to go.

Europe's Future Up to Us

Europe will go the way that the United States wants it to go, because only in the United States is there the financial and the economic power to make it possible for Europe to develop economically in the immediate future.

The possibility of expansion and growth, with the exception of one or two countries in Europe—and those countries are countries that have received large loans from the United States already—is going to be determined by what we do directly and what we do through the International Bank—because after all we are the biggest subscribers to the International Bank and have a lot to say about it. That will determine which way Europe goes.

But we must remember one thing: What our policy will be will, in effect, be determined by one other thing: The economic picture in the United States in the next few years.

I think the most significant question that I was asked was: "Is there going to be a depression in the United States?" If you probe behind that question, you see behind it all of the fears, all of the prohpecies of European disintegration, all the talk of nationalization and Communism in Western Europe. There is not a single country in Europe that does not feel absolutely convinced that if our economic system sags, they go down with it.

There is no longer any way for Europe to isolate itself from the repercussions of what happens here.

Observations

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payment is a thorn in the side of our capitalistic system. At times of depression the repercussions are cataclysmic.

Our "Ponzi System"

In our long-term corporate lending practice we have been completely disregarding sound technique and purposes in borrowing, such as are followed by banks and other short-term creditors in their commercial lending. Despite debtor corporations' indisputable obligation to provide for the repayment of their debts at maturity, in this country corporate behavior has been woefully lax in safeguarding the rights of the creditor class.

Our fiscal custom legitimises perpetual "chain"-refunding in lieu of repayment at maturity. We engage in the "Ponzi system" of debt; that is, Paul is paid by borrowing from Peter, and if there is no Peter available when a debt is due, Paul just does not get paid. This has resulted in recurring injury to bondholders and in frequent creation—as in the railroads—of topheavy and unwieldy debt structures. Unwisely we have not followed European practice in providing sinking funds to retire entire debt issues at their maturity.

A chief cause of abuse in "milking away" assets which should properly constitue the backing for debt obligations, and in resultant over-borrowing, has in many cases been rooted in the above-cited excessive dividend payments. In the railroad and traction spheres such unsound dividend policy has in specific instances led to actual default on debt. In the case of the railroads, we find that the aggregate debt during the period from 1916 through 1934 showed a net increase of approximately 21%—from $9,916,000,000 to $11,835,000,000, in the face of dividends concurrently paid out in the sum of $7,157,000,000.

The Impact on the Stockholder

Another illusion advanced by the proponents of undistributed profits taxation is the claimed benefit accruing to the stockholder class. Actually, however, it harms equity holders as well as the creditor class. For, despite temporarily inflated dividend receipts, the legitimate investing stockholder is penalized by the *arbitrarily and irreverantly directed* dissipation of reserves and working capital covering his equity; by resultingly increased dependence on banks and creditors in times of depression; and by an increase in reorganizations and receiverships through the accentuation of the cycles in corporate health. In thus increasing the degree of speculation borne by the bondholder and stockholder, such tax policy runs directly counter to the basic aims of the SEC.

The Discrimination Against Small Stockholders and Little Business

The procedure discriminatorily penalizes both small stockholders and small business. The differential between the 27½% and 38½% imposts in correlation with the $100,000 dividing line of retained earnings, means that the predominating numbers of smaller shareholders in the bigger corporations pay personal income taxes at a higher rate than do the wealthier owners of the majority of smaller businesses. And this additional impost further aggravates the evils of double-taxation—actually creating *triple-taxation*.

This tax discriminates against the relatively weaker corporations. The strong corporation, possessing large reserves, can escape the levy by simply disbursing its earnings, while weaker companies are definitely prevented from building up the reserves of which they may be in dire need.

Present Untimeliness

The contemplated tax policy is particularly indefensible at the present time. Strikes have severely depleted the cash positions of many industries; the resources of many businesses are being undermined by the cost-price squeeze; and liquid assets are required for the maintenance of increased inventories on the higher plateau of prices.

Presumably two cornerstones of our current economic aims are increased production of durable goods and full employment. But this tax, in hindering the devotion of accumulating earnings to constructive investment in earnings assets like building and machinery, assuredly retards expansion in heavy goods industry and employment. It fallaciously assumes that "profits" are an arithmetical expression of accumulated idle *cash*. And, basically, it embraces the fiction that purchasing power rather than production is the mainspring of full employment and a high national income.

Government and Business

(Continued from page 2888)

economic processes have been completely disrupted, and it is only through government that the economic life of the country can be reconstructed. We must recognize that a considerable degree of socialization is not necessarily inconsistent with the preservation of the basic personal freedoms in which we fervently believe.

The degree of socialization, however, is still to be determined, and there can be no doubt that our example will affect the political and social movements in many countries. I am speaking, of course, of those countries where the will of the people is still permitted to find expression. The success we attain in developing a stable and expanding economy in this country will influence the trend of opinion abroad. So far since the end of the war our example has not been encouraging. From abroad our economic and social life appears chaotic with our series of strikes and with our price inflation.

In spite of the many difficulties, I personally feel that our accomplishment in reconversion has been in many ways remarkable. The speed with which we turned from war to peacetime production has been a great achievement. With our 57 million people gainfully employed, our national economy is on a record peacetime high. We have, of course, many problems and many difficulties ahead. But I take great encouragement from the fact that these are widely understood and can, I believe, be effectively dealt with.

Labor-Management Problem

The labor-management problem is certainly one of the most serious. The power of labor leaders has grown to a point where we find one man defying the government and the nation. There is not time this morning to analyze all of the factors that have brought this situation about. It seems evident that in the coming session of Congress measures will be proposed with the objective of clarifying the relationship between the rights of labor unions in representing their members and their responsibilities to the public.

I only hope that any action taken will be based on due regard for the rights and responsibilities of both management and labor and will give a lasting basis on which a sound relationship between management and labor can be built, designed to serve the interests of the people of the country. The National Association of Manufacturers can make an important contribution to an equitable solution particularly in using its influence to see that legislation is practical in its application and not unfairly restrictive of labor. An opportunity to do a really constructive job will soon be given in the hearings of the Labor Committees of the Congress. Members of these committees have been grappling with the details of labor legislation for many months, and according to their own observations, they are still seeking assistance in formulating precise measures which will deal with the present situation. It is easy to point out the difficulties and abuses of present conditions, but if you desire to be effective, it will be necessary to have specific corrective proposals which will protect the public and at the same time obtain the active cooperation of your employees in fulfilling the responsibility of industry to serve the nation.

Question of Inflation

Another immediate problem is the question of inflation—of rising prices, with the attendant day of reckoning. We are still in the period when production has not caught up with the consumer demands pent up by the war. Steady and increased production is, of course, the basic cure for this situation. If industry is permitted to produce without stoppages from strikes, production will rapidly come in balance with demands in many lines. In the meantime, however, until our economy gets into a more normal balance, every effort should be made to check as far as practicable price increases. The greater the price increase, the more difficult will be the day of reckoning. When consumer pressure begins to ease off, prices will turn downwards, in agricultural as well as industrial commodities. The public has a right to expect both management and labor to show restraint and real statesmanship at the present time in their own long-term good as well as that of the country. During the last six months, the cost of living has risen sharply, and thus real wages have fallen. But labor can contribute to the avoidance of a further spiral of price rises and eventually gain a firm increase in real wages if it will show restraint now in its wage demands. By the same token the public has the right to expect that management will adopt pricing policies based on long-range consideration and not immediate profit.

The government has practically withdrawn from the control of prices and wages. This is now in the hands of management and labor to deal with.

Your Association urged decontrol by government. Now that the controls are off, certainly the public is looking to you for constructive policies and actions to aid in the avoidance of a further price increase spiral.

Fiscal Policy

The policies of government can, however, affect inflationary pressures. It is the President's policy that government capital expenditures should be kept to a minimum. These needed expenditures can be more beneficially made at a later time when supply of material and labor is more plentiful. The same policy should be adopted by state and municipal governments. Industry should also defer as far as practicable its capital expenditures for construction. Housing for our veterans and other inadequately housed must have special consideration. Industry should do everything it can to avoid competing for materials needed for this essential requirement and in other ways assist in furthering low-cost housing construction.

Various government fiscal policies can be helpful both during the inflationary period and later when deflationary tendencies appear. I for one feel that high tax levels should be maintained for the present in order to avoid further inflationary pressures. Of course, taxes must be reduced to give incentive to enterprise, but reductions can be more useful to our economy at a later date. Now our energies should be applied to check as far as possible inflation, but we must at the same time be prepared to deal with the deflationary tendencies when they appear.

On these questions government, management, labor, and farm groups should work together to understand fully the factors involved and attempt cooperatively to deal with them effectively. May I suggest that the National Association of Manufacturers can play a useful role in developing wise policies and recommendations in these areas.

Monopolistic Practices

Another field that is causing businessmen concern is that of monopolistic practices and anti-trust administration. In this question we find business on both sides. There are those who are complaining of discriminatory acts on the part of other business, and those who fear that restrictions are being applied which make orderly conduct of business difficult. This is no new problem. I quote from a statement of President Wilson made in 1914: "The business of the country awaits also, has long awaited and has suffered definition of the policy and meaning of the existing anti-trust law. Nothing hampers business like uncertainty — surely we are sufficiently familiar with the actual processes and methods of monopoly and of the many hurtful restraints of trade to make definition possible, at any rate up the limits of what experience has disclosed."

This was President Wilson's attitude in 1914 and I understand many of you feel that the problem he was then considering still exists today. Certainly the whole question is one to which continued study should be given.

I believe that all enlightened businessmen recognize that private unregulated monopolies and overconcentration are a danger to our free enterprise society. I do feel that business itself can assist through its own policies. In considering proposals for absorptions or integration, Boards of Directors should give greater thought to whether these proposals are really in the public interest or whether they tend to limit free enterprise. In our democracy and our free enterprise system, new and growing business is a life-giving force. I feel that more thought should be given by both government and business to the way in which new, small and growing business can be fostered. Certainly, our free enterprise cannot survive with overconcentration. Our problem is to retain the values of mass production which have done so much to raise the standard of living of our people and to maintain conditions under which new, small, and growing business can develop and prosper. Here again I believe the National Association of Manufacturers, whose membership includes big and small business, can, through the development of policies for business itself and in its recommendations to government, render important service.

How to Develop an Expanding Economy

To, my mind, however, the vital long-range question is how we can develop in this country a stable economy as well as an expanding economy. I have spoken of the urge for security that exists in the minds of men the world over. This desire for security is certainly in the minds of the people of this country. Security of a job, security in sickness, security for one's family, security of the farmer in the possession of his land, security of the businessman, particularly the small businessman.

America and the life of Americans have been developed by opportunity. Opportunity is a cherished inheritance that must be preserved, but our free enterprise system cannot survive unless it develops stability. Free enterprise has developed the ability to produce which is the envy of other nations. Every industrial nation desires to learn from us our techniques of production. There are, however, doubts abroad as to whether we can attain order under the dynamic forces of free enterprise. I have no such doubts, but I do feel that greater attention must be given by all groups—government, management, labor, and farm—to the methods by which we can attain greater stability in our economy as a whole than we have had in the past. We certainly know how to produce. We must learn how to maintain a high level of distribution. Here again I suggest that you give this fundamental question thorough study.

In the questions I have mentioned and in others that vitally affect our economy, I hope that the Department of Commerce can play a useful role. The statutory responsibility of the Department is to promote and foster commerce and industry. It is largely a service agency. It collects and distributes much useful information. Through the analysis of this information and through special studies I hope that the Department of Commerce can develop policies which will be useful in shaping the actions of government and in assisting business to shape its policies in dealing wisely with the current and long-range economic problems that the country faces. I hope that your Association, and all other business groups will come to the Department of Commerce with your problems and work with the Department in dealing with them. The Department of Commerce is the place in government where businessmen should feel free to come at all times with their problems. I hope during my tenure of office I can assist in developing a proper relationship between business and government. In this I invite your assistance.

No Pressure Group in Commerce Department

I do not wish to be interpreted as meaning that the Department should be the representative in government of business as a pressure group, but the Department should direct its efforts toward the development of policies in the economic field through which industry and commerce can best serve the public interest.

I believe that this period is a time in the history of the world and in the history of our country when our actions will leave a permanent mark. I earnestly believe that it is a time for cooperation of all American groups. It is no time for narrow thinking. Greater study must be given by all groups to our problems as a whole to develop policies that are in the common welfare. We must all have greater understanding, greater objectivity—in fact, more economic and social literacy. In all of this I hope the Department of Commerce will be useful and effective.

It is easy to find areas of disagreement. It is difficult to find full agreement between groups on all questions. But I earnestly believe that in approaching the various problems, large and small we should attempt to find the areas in which agreement can be reached, and gradually we can perhaps arrive at a greater and greater degree of agreement in wider and wider areas.

The people of the world look to us for leadership and aid in the reconstruction of the world economy. Our government has developed policies for international economic cooperation. The International Monetary Fund and the International Bank have been brought into being. At our initiative discussions are proceeding toward the formation of a World Trade Organization to break down barriers to trade and to expand multilateral world commerce These steps have been taken with an unusual degree of bipartisan support but our foreign economic policies need further implementation. There is well-nigh complete bipartisan support for our foreign political policies.

It is equally necessary to work for bipartisan agreement on the further development of our foreign economic policies. I hope your Association will work diligently in this field in which business has such a vital interest. Certainly the objective of all is to promote an expanding world economy through an expanding world commerce.

The vitality of the American people was supreme in war. It opened higher vistas for our country. That vitality is our heritage. It can be effective in peace in developing a much fuller life for all our people, and in contributing to world prosperity. I cannot believe that it takes war to unite us in common effort and make us great. The people of the world want peace and security. The American people want peace, security, and the preservation of opportunity which has been traditionally ours.

Peace does not come alone from political settlements made by diplomats. Peace rests on economic considerations as well. An expanding economic life for all of the people of the world is an essential to permanent peace. In this field American business—American free enterprise—can play a leading role. Today we have the opportunity for great service to ourselves and to the future. It is a responsibility as well as an opportunity. I have confidence that you industrialists and businessmen in cooperation with your government are prepared to seize your share of the opportunity and responsibility, as you did so magnificently in the war, to contribute now to world economic progress, and thus to contribute to peace.

Listed Cos. Must Notify Exchanges 10 Days Before Declaring Div.

Both the New York Stock Exchange and the Curb Exchange have issued reminders to listed companies regarding notification to the Exchanges of the declaration of dividends in advance of the record date of stockholders set by the corporations.

The Stock Exchange in its notice dated Dec. 2, issued by Vice-President John Haskell, said:

"In view of the policy of a large number of companies of declaring dividends payable on the closing days of the year, your special attention is invited to the listing agreement to notify the Exchange at least 10 days in advance of the record date of stockholders taken for any purpose and to give prompt publicity to any dividend action.

"This notification is essential for the conduct of business on the Exchange and is particularly important now in view of the recently adopted 'Three-day Delivery Rule' under which securities are traded 'ex-dividend' at least two full business days prior to the record date set by the corporation.

"If you encounter any difficulties in setting up a schedule for the distribution of a year-end dividend, please communicate with the Department of Stock List so that our staff can assist you in working out a mutually satisfactory plan."

The announcement of the Curb Exchange, also released Dec. 2, said in part:

"In a move designed to assure its ability to give uniformly adequate public notice regarding all ex-dividend dates established by it, the New York Curb Exchange has requested all companies having stock issues dealt in on its trading floor to inform the exchange of the declaration of dividends as far in advance as possible of the date on which the record of stockholders entitled to the dividend is to be taken.

"In a letter mailed over the week-end by Martin J. Keena, Director of its Department of Securities, the Exchange seeks the assistance of the managements of all companies with stocks either listed or admitted to unlisted trading privileges on its floor, in two respects. It asks first that the companies, in declaring dividends, allow as long an interval as possible prior to the record date and, second, that they notify the exchange immediately after the declaration."

Dangers of Restrictive Labor Legislation

(Continued from page 2889)

tire world, we see that the economy of every other great nation is controlled and dominated by government. In a very real sense, these foreign economic systems constitute a grave challenge to our own.

The postwar world in which we live is not a free world. Our victory in the war has not appreciably extended the economic borders of democracy. On the contrary, the trend away from a free economy and toward Statism has been accelerated even among our Allies. England has adopted socialism and is putting into effect government ownership and operation of major industries. France and Italy have swung even further to the left. Soviet Russia has not only maintained complete sway over industry and labor and agriculture in her domain, but has also extended the same totalitarian system over neighboring countries in eastern Europe.

These economic changes abroad will bring government-subsidized competition to our own way of doing business in the field of foreign trade. In time, this competition may even develop into hostility and economic warfare.

We must face this threat. But we must also face and overcome an even more serious threat from within our own land.

True, our free enterprise system survived the test of total war. American labor, industry and agriculture demonstrated to the entire world that we can unite and produce for military purposes in record-breaking quantity and speed which no other nation and no other economic system can match.

But we will not be permitted to rest upon these laurels. We must now demonstrate to the world that the free enterprise system can produce for peace with equal effectiveness, that it can triumph over recurring cycles of disastrous inflation and deflation and that it can provide progressively higher standards for all our people.

Our free enterprise system must demonstrate its superiority over nationalization of industry and all forms of socialism if it is to be publicly supported and maintained. It will be supplanted by experimental forms of collective and government ownership if those who possess wealth and who own and operate industry use it for purposes of exploitation and oppression. Under a free enterprise system the right to own and possess property and to manage industry is both sacred and fundamental. The exercise of that right is guaranteed by the laws of the land and protected and enforced by the courts of the nation. But working men and women do not own or possess material wealth. They must work for wages and salaries in order to earn a living. Their labor is their capital. They own it. They possess it. Like those who own capital they must invest or withhold it. They may serve in industry or refuse to do so. It is inconceivable that under our free enterprise system, anyone who possesses money or capital should be forced by the government to invest it in industry against his will. It should be equally inconceivable that under the same system any worker should be forced to give his labor—that is, invest his capital—against his will. Freedom of choice must apply equally to capital and labor. That is the essence of our free enterprise system.

However, in the exercise of these rights, both capital and labor should use good judgment and self-restraint. They should place the public welfare above private gain. In this discussion of the virtue and value of our free enterprise system, it seems appropriate for me to point out that at the present time there are leaders of industry who are appealing for and advocating the enactment of legislation designed to limit labor's rights, to substitute compulsion for freedom and subject it to governmental domination and control.

I solemnly warn industry against the pursuit of such a policy. Such action would strike a damaging blow at our free enterprise system. Can we maintain individual freedom for capitalists if we create regimentation of labor?

The leaders of industry here cannot afford to follow the same course as the Tories of England. They exploited, regulated and regimented labor. They seemed to forget that working people were sovereign citizens as well as laborers. Now the workers of Great Britain have abandoned the free enterprise system and embraced socialism. Might not the workers here do the same thing under similar circumstances?

Let me caution American businessmen against employing the same methods against labor which they fear and dread when directed against themselves. Anti-labor legislation is nothing else than government control of labor. Would it be consistent or even safe for the spokesman for free enterprise in the business world to denounce government controls in one breath and urge government controls in the next? Once the entering wedge is achieved, government controls inevitably will be applied against private industry as well as against labor. Gentlemen, any businessman who advocates government control of labor through legislation is digging his own grave and the grave of the free enterprise system.

There is another important consideration which we must take into account. That is, what good would such legislation accomplish? Does any practical businessmen believe that you can prevent or abolish strikes merely by passing a law? Don't we have sweeping laws on our statute books today, laws under which the government can exercise almost unlimited wartime powers even though the war ended more than a year ago? Have these laws served to prevent work stoppages? Has it come to the point where the only remedy industry and management can find for the settlement of labor-management disputes is the law of force and compulsion? Does American industry prefer to deal with slave labor rather than free labor?

For your own interests, for the interests of business as well as the nation as a whole, I advise you to reject and spurn the policies of the vengeful but vociferous minority who would turn over control of your relations with your employees into the hands of the bureaucrats.

Surely any good businessman is capable enough of handling his own labor relations in a fair and square way without government intervention and all the evils that go with it.

Management and labor have learned and are learning through experience that serious vital postwar problems are subjecting our free enterprise system to a very severe test. However, these costly and trying experiences have again taught us the simple truth—that the law of economics is inexorable and cannot be modified or changed through artificial means. The experimentation of the government in the setting up of wage and price patterns must be classified as a complete failure. We must respect and conform to the operation of stern economic law. Otherwise, all classes of people will be the victims of black markets, inflation and varied degrees of food shortages and human suffering.

The major economic problems facing the nation today and demanding constructive solution are all closely related. They are the problem of inflation, the problem of labor-management relations, and the problem of security against future depressions.

Our first and most immediate problem is the inflationary spiral which began with the war but has not ended with peace. It keeps pushing the cost of living continuously higher and makes it impossible for either labor or industry to establish any kind of order or stability in the economic life of our nation.

To prevent inflation from reaching runaway proportions during the war, drastic legislation was adopted placing supreme power over prices and wages and production in the hands of the Federal Government. Before the war ended, the American Federation of Labor foresaw that these controls could not continue to be exercised indefinitely during peacetime without destroying the free enterprise system. Therefore, we began advocating even before V-J Day that the Government undertake to relinquish price and wage controls as soon as such action could safely be taken. Our advice was unheeded. The Government persisted in maintaining its tight grip on the nation's economy until a rebellious Congress adopted a new law which kept the name of price control but tossed overboard every effective means of maintaining prices at a stable level.

Caught in a tight squeeze between fixed wages and rapidly expanding prices, the workers of the nation grew restless and impatient. Responding to their demands, the American Federation of Labor at its annual convention last October in Chicago urged the abandonment of the pitiful remnant of price control, the abolition of wage control and the resumption of high volume production.

Our reasoning was clear and logical. We were convinced that Government controls had outlived any usefulness they may have had during wartime and were acting as a dangerous brake on peacetime expansion of production. We felt then and we believe now that the only eventual antidote and cure for inflation is full production. Once supplies are adequate to meet the demand, prices are bound to revert to their natural level and the inflation balloon will be burst.

The Government, however, hesitated and delayed. It was not until after the November election that it finally ordered the end of wage controls and the abandonment of price controls, except on a few items which are fated to remain scarce for some time to come.

Perhaps it is still too soon to judge the results of this action. But, as of this moment, production has not yet responded sufficiently to the stimulus provided by the elimination of controls. High prices are mounting even higher. Shortages still plague the nation.

These are danger signals which we cannot afford to ignore. Production can no longer be safely delayed or limited. We must restore a new spirit of confidence and enterprise to our regained free economy. We must dispel the accumulating suspicion that depression is just around the corner.

In my opinion, no greater boon to public confidence, business confidence and labor confidence can be found than the solution of the recurring labor-management difficulties which curtail production, discourage investment and choke off the income of both industry and labor.

Gentlemen, I assure you that this solution lies within our grasp. Labor is just as anxious to achieve it as the leaders of industry. It is perfectly simple, feasible and practical. It involves no injustice to either side. All it requires is the exercise of a little more common sense and good judgment—and that applies to everyone involved.

First, management and labor should be conscious of their personal and public responsibilities. They should willingly, freely, honestly, and sincerely enter into a cooperative relationship. Goodwill should be substituted for hatred, confidence for distrust and sincerity for suspicion.

Second—On the basis of this mental attitude, employers and employees should accept and freely engage in collective bargaining in the negotiation of wages and conditions of employment. Both employers and employees should participate in collective bargaining without mental reservation, inspired by a sincere purpose to reach a settlement based upon the economic facts, fair and just to both employers and employees.

Third—While the right to strike must be recognized and maintained, employers and employees should explore the field of voluntary arbitration and wherever possible employ that procedure for the settlement of differences which cannot be negotiated through collective bargaining.

Fourth—In order to develop and maintain cooperative relationships between employers and employees, management-labor committees should be created for the purpose of dealing with production problems and improving industrial techniques. Labor and management can make contributions toward volume production, economies in operation and the establishment and maintenance of understanding, goodwill and cooperation—all of which are essential to the realization of both high quality and high volume production.

Fifth—The right of labor to organize into unions and the right of management to manage, free from interference of any kind whatsoever, must be fully recognized and conceded by the owners of industry, labor and public.

The most valuable service which management and labor can render to themselves and to the public would be to concentrate upon the acceptance and application of this simple plan in management-labor relationships. Where collective bargaining has been genuinely and frankly accepted by management and labor, it has proved itself to be a complete success. There are important industries in which genuine collective bargaining has been practiced over a long period of time. The record shows that in industries where collective bargaining machinery functions with the sincere support of labor and management, new wage agreements are regularly negotiated for definite, fixed periods of time, through peaceful methods. In fact, no strikes have occurred in some of these industries for almost half a century. If such an achievement can be attained in some lines of industry, why cannot it be reached in others? Is there any other solution for labor-management problems? What other rule could be followed? The law of the jungle and the survival of the fittest can no longer apply to industry and to management and labor relationships in America.

After all, why shouldn't all of industry pattern its labor policy on a plan which is a demonstrated success, instead of persisting in following the paths of repeated failure?

I assure you that labor will respond willingly and wholeheartedly to such an approach by business. Collective bargaining is the very root of our trade-union philosophy in the American Federation of Labor. It is our industrial religion. In the past we have welcomed many converts from the ranks of management who have become true believers. We invite you all, here and now, to join the faith.

For faith in collective bargaining is, after all, faith in the American way of life. It is based upon the philosophy that management and labor are co-workers in a common enterprise—a free enterprise in the highest meaning of that term—an enterprise which has as its goal the fulfillment of the needs of all the American people with generous rewards to every one who contributes to that goal.

Working together in amity and cohesion, management and labor can achieve heights of production in America hitherto undreamed of. They can create a tremendous fund of purchasing power, distributed equitably among workers, farmers and employers alike, which will assure the prompt consumption of that production. They can attain, if they will, a progressively higher standard of living for all Americans and banish permanently the fear of depression and privation.

The free and enterprising workers of America offer this opportunity to management and industry with complete sincerity and trust that the offer will be accepted.

Willard S. Bain Opens Firm in San Antonio

SAN ANTONIO, TEX.—Willard S. Bain is engaging in the securities business from offices in the South Texas Building. Mr. Bain was formerly with Russ & Co. and prior thereto conducted his own investment business.

Kupfer With Smith, Hague

(Special to THE FINANCIAL CHRONICLE)

DETROIT, MICH.—Raymond A. Kupfer has become associated with Smith, Hague & Co., Penobscot Building, members of the Detroit Stock Exchange. In the past he was with Crouse & Co.

Strauss Bros. Incorporated

Strauss Bros., 32 Broadway, New York City, is now doing business as a corporation. Officers are Abraham Strauss, President; Robert Strauss, Vice-President; Frank Ginberg, Secretary-Treasurer; and Howard V. Bullock, Assistant Treasurer.

Peeler Bros. in Houston

HOUSTON, TEX.—G. D. Peeler and R. M. Peeler are engaging in the securities business from offices in the Mellie Esperson Building under the firm name of Peeler Brothers. Both were partners in the firm in the past.

John Witt Co. Admits

CLEVELAND, OHIO—William C. Witt has been admitted to partnership in John P. Witt & Co., Union Commerce Building.

Now Proprietorship

Rudolph W. Zimm is now sole proprietor of Keiper & Zimm, 30 Broad Street, New York City, H. J. Keiper having withdrawn.

Dean Titus Admits

ANN ARBOR, MICH.—Dean W. Titus has admitted F. L. Cavan to partnership in Dean W. Titus & Co., State Savings Bank Building.

With Herrick Waddell

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, MO.—Herrick, Waddell & Co., Inc., 1012 Baltimore Avenue, has added Ira J. Layton to the firm's staff.

Austria's Future Dependent on American Help

(Continued from page 2895)

The goods shortage which might be expected to have lessened with the steps taken to rebuild industry and restore normal conditions is almost as bad as it was six months ago. Here and there stores are newly open, but the volume of supplies is kept to an almost negligible amount by the depletion of raw materials and the inability to find machine parts and to accomplish a vigorous reconstruction.

The lack of confidence in the schilling, which is not catastrophic, amounts to a general uneasiness and a hesitation to part with goods for money. So strong is the sentiment with regard to future dangers that many people think the financial crisis, if it comes, will develop suddenly, and perhaps irrationally, out of some small event. Similarly it is a general view that small evidence of concrete assistance, even though not resulting in large amounts of foreign exchange, or imports into Austria, might easily turn the tide and give the necessary board basis for continued control and new monetary reforms. It is striking to observe that all black market prices have declined considerably over the past 12 months, including the price of the dollar.

In spite of considerable talk, negotiations, and conferences, the attempts to open up trade and bring in imports have yielded few results. Negotiations with Czechoslovakia, Italy, and Poland have made possible barter agreements with regard to a few commodities, but the volume of actual imports into Austria, as well as the volume of exports from the country, have continued to be too small to affect general conditions substantially. The recently concluded agreement with Great Britain will give Austria some wool and result in the export of some timber to Great Britain. As a means of opening up trade with England it can be regarded as important, but the commercial values are not expected to exceed the $6 million (1.5 million pounds sterling) set for wool imports into Austria. Thus, at the pace at which things are going, it is not likely that industry will secure essential raw materials for many months. Hope still centers for the most part on the application for a loan from the Export-Import Bank. But there is considerable disappointment at the slow pace at which this matter has moved.

Dearth of Foreign Exchange

It is hard to imagine the seriousness of the continued difficulties because of the virtual nonexistence of foreign exchange assets. The slight improvement which has taken place within the last six months is so little that it scarcely alters the basic position. Whereas a few months ago travellers from Austria were beggars even for the funds to pay their board and room in Switzerland, France, England and elsewhere, it is now possible for most travellers to secure pocket money for their most essential expenditures. It is not possible, however, for any number of persons to enter into contracts abroad for future purchases of any size, or to buy small essentials for immediate delivery. With few exceptions they are still cut off from practical business.

The discouragement resulting from a continuance of an impossible economic situation in a world in which distance has in other respects and in the case of other countries been so greatly reduced, has produced a significant shift in the attitude of many Austrian officials and businessmen. A few dramatic incidents can be cited to illustrate a tendency which may, in fact, become more general if conditions do not improve in the near future. There are cases of able young businessmen and also government officials who have eagerly sought to confirm their hopes that financial assistance, at least on a limited scale, would come from the U. S. When they have seen no concrete evidence of help from the U. S. or other western powers, they have become involved, directly or indirectly, with business opportunities opened up for them by Russia. In some cases well-confirmed rumors indicate that there have been agreement to deliver Austrian production which was needed in the country, and there are suggestions of contracts for future business relationships which seem not to be in the interest of Austrian reconstruction.

The dangers resulting from this change in attitude, in the sense that Austria cannot develop a real independence, are obvious. Those who have been close to the economic and political struggle are inclined to believe that the only thing which can turn the tide in the other direction and reinforce the natural desire of Austria to keep her boundaries open in all directions and to carry on a free and diversified trade, will be prompt and adequate assistance from the U. S. and from competent international organizations.

The temptation of some businessmen and officials to sell out Austria's interests for the sake of short-term gains offered in an attractive manner by those who seem to guide policies of neighboring countries, is not confined to the younger and less experienced individuals. There are indications that this tendency may go further and permeate many circles of Austrian economic life.

Austria Can Survive

There is reason to believe, on the basis of analysis of Austria's economic potential, and also the political intentions as expressed in the elections, in the press, and also more informally, that Austria can survive as a reasonably prosperous economic unit with a considerable degree of economic freedom. There is no evidence convincing to most students of Austria's economic resources that the present borders are too confining, or that the area is too small to permit a sound economic development. The necessity for prompt reconstruction and assistance is based rather on the threat of a political and psychological nature which might bring about catastrophic inflation or unhealthy economic alliances. Austria's future can, in all likelihood be democratic, and could permit a reasonably high standard of living if the crisis presently feared can be surmounted in the near future.

Austria already has to her credit the execution of a vigorous monetary program, despite delays and difficulties resulting from failure to agree in the Allied Council. It is generally known, although not officially recognized, that the conversion program would have been very much longer delayed, and perhaps have failed, without able leadership on the part of U. S. financial officers, notably Lt. Col. Arthur Marget. The withdrawal of the Reichsmark, which meant a quick and somewhat brutal amputation of the Austrian economy from Germany, was not, in fact, a monetary reform measure. There are expectations that at a later period, when the future becomes clearer, tax, loan, and other measures will be put into effect and withdrawal is planned of at least portions of blocked funds which are now temporarily frozen. The behavior of the Austrian financial authorities indicates a firm determination on their part, supported fully by public opinion, to avoid inflationary excesses.

Expanded Production Possible

From a general economic point of view there are other events which would make it possible to expand production above the levels obtained between the two wars. Notable in this connection is the present and prospective increase of electric power, which will free Austria almost entirely from coal imports. While the oil resources cannot be fully counted on for the Austrian economy, there is no doubt that considerable advantages will be reaped, even in spite of the present political complications limiting Austria's access to this wealth.

There have been some developments in industry less striking, but still increasing the potential output. In addition to new prospects for valuable exports, the possibilities of greatly increasing the returns from the tourist trade have impressed the Americans in Austria. Some feel that by increasing the number of tourists from the U. S. and other Western countries to replace some of the reduction in number of tourists from Eastern Europe, they will greatly increase the net value of exchange from this source. It is probable that the beauty of the Austrian countryside and the possibilities for sports, motoring, and cultural enjoyment, have never been fully exploited.

While the American authorities in Austria are insisting on the importance of a political unification of Austria in the sense that her economic potential is expanded on a national basis, it is still interesting to observe that many of the lines of production of interest to Americans are largely situated in the Western Zones. The export of specialties, novelties, and luxury goods has always been of interest to Americans. Nevertheless, it is a general opinion that Austria's trade must not be largely concentrated on any one country or even closely allied groups of countries. Misconceptions with regard to past gains has led many to exaggerate dependence on Hungary and the Eastern Danubian countries, and on Austria's economic relationship with Germany. Actually trade between Austria and neighboring countries has been fairly well balanced. Trade with the U. S. and England has always been small. It is probable that the sound development of Austria's trade program will call for fully as much diversification in the future as in the past.

While forecasts cannot be satisfactory in view of the uncertain conditions now prevailing, the prospect of Austria's increasing exports and bringing her external payments approximately into balance, can be anticipated. Some have said that in 1950 or 1951 payments could even be made on foreign credits, provided the necessary imports can speed up current recovery. The paradox of Austria's position is somewhat characteristic of a number of countries in Europe, but is more strikingly evident, perhaps, in Vienna than elsewhere. Grave dangers surround the next steps in economic reconstruction and the adjustment to the grim necessities for the postwar period. On the other hand, close observers say recovery is possible and inflation can be avoided.

With Marshall Adrian

(Special to THE FINANCIAL CHRONICLE)

DENVER, COLO.—Roy S. Price has been added to the staff of The Marshall Adrian Co., Colorado Building.

With Livingstone & Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF. — Walter T. Togni has been added to the staff of Livingstone & Co., 639 South Spring Street.

Balancing Civilian & Military Educational Needs

(Continued from page 2887)

practioners. It requires a careful survey of our entire manpower needs and the insistence of a definite balance between military and civilian interests with equal inducements for those of high ability to enter into all fields of education.

This balance between military and civilian needs is numerically even more significant when considering the Army sponsored program for compulsory military training. The plan of one-year compulsory military service for some would be six months' basic followed by six months' further training in vocational and technical schools and colleges is more insidious than the former proposal for one year of uninterrupted military training. It is an admission that it is not the military skills that are important, but the indoctrination of attitudes. And, even more, it enlists the cooperation of established educational institutions in the indoctrination of the inevitableness of war—that armed might is the only basis of world organization at the very time when we are struggling to form an effective international organization for world peace. It is sheer hypocrisy to assume that we can at one and the same time counsel our youth in the skills and attitudes of war and yet build in them a will to peace — the only defense against the hideous self-destruction of atomic and general war.

With this view of certain aspects of the national picture, it will be well to reverse the title of this address and to consider briefly local functions in terms of national need. The fundamental strength of American democracy and American education is in the self-sufficient autonomy of local groups. The present situation is no exception to this rule. That the soundest approach to counselling in terms of national needs lies in strenuous and intelligent efforts to expand and improve our educational facilities to meet local needs.

Let me recapitulate briefly. We have abnormal situations now in employment and in college enrollment as well. Our placement procedures face only mechanical problems so long as we have "full employment." But in order to guard against the valleys and peaks of a normally unregulated economy we should now take three immediate steps: First we should seek to increase the effectiveness of our educational process. Education has become largely a mass production effort. Classes are too large and emphasis is still placed too much upon memory instead of thinking. The present teacher shortage could be met if we could inspire youth with the job of teaching others and pay them a decent wage to follow their profession. Second, we should evaluate within our individual institutions the functional relationship of our schools and colleges to the concentric communities around each institution. No overall pattern can be laid out. It must be a soul searching yet fact finding appraisal by every college and university. And third, until reliable national data can be made available, and it must always be compounded of local information, this organization may well encourage the development of counselling and guidance procedures already in effect in many of your institutions. This includes: (1) a survey of employment opportunities in your local communities in the various fields represented in your curricula; (2) a survey of your graduates in terms of the relationships of their present jobs to their fields of preparation; (3) formalized efforts at improving the personality inventory procedures in use at your institutions; and (4) a concerted and sustained effort to secure the sympathetic understanding of the whole faculty with regard to the functions and resources of the counselling program. This entire process presupposes an ever-increasing awareness of the professional status of the counsellor and further suggests the strong desirability of expanding existing counselling staffs to a size commensurate with the present and anticipated levels of college enrollment.

The implications of these general statements have been elaborated too often to be repeated here.

Urges Lower Prices Not Higher Wages

(Continued from page 2895)

studies of the impact of wage and price changes upon the economy as a whole lead to the conclusion that the wage increase method is at best uneven in its operation and restricted in its effects, said the speaker. When, as a result of technological progress in any given line of industry, wage rates are increased, the immediate benefits are confined to the particular group of workers involved; they are not extended to the consuming public generally. Even if there were a more or less general increase in productive efficiency in manufacturing industry as a whole, the benefits would, immediately speaking, be confined to the laborers in the manufacturing industries. The buying power of other labor groups, of the farm population, and of the professional and public service groups would not be directly affected. Only by gradual processes could the benefits be broadly distributed throughout the economic system.

In contrast, when prices are reduced (without a reduction of wages) the benefits automatically accrue to the entire population. That is to say, it not only adds to the purchasing power of the labor group, but it increases the real income of the non-wage urban populations and of the farm population as well. Since the benefits are distributed throughout the entire economic system, a better balance is maintained between the different divisions of our economic life.

Now that price control has at last been eliminated, the industries of this country have a grave responsibility, Dr. Moulton declared. In numerous cases where government controls have eliminated or unduly restricted profit margins, prices will have to be increased somewhat. But it is of the utmost importance for the future of American industry and the free enterprise system that businessmen—knowing that purchasing power is abundant — should not follow a short-sighted policy of raising prices in order to take advantage of a seller's market. Such a policy could only serve to shorten the period of good business and lay the foundations for subsequent collapse. This is the plain lesson of the 1919-20 period. Profits should be made out of production, not out of advancing prices. Profits derived from mark-ups are uneconomical and fictitious in character. Moreover, they quickly evaporate the moment the business tide turns.

Industrial price policy in the months ahead should obviously be to sell at the lowest rates possible, said the economist. It is of course idle to talk of absolute reductions of prices when wage rates are sharply rising. It is, however, still the part of wisdom to insist that price rises should be held within the narrowest possible limits. Only thus can continued freedom from government control be assured and only thus can enduring prosperity be maintained.

Tomorrow's Markets Walter Whyte Says—

By WALTER WHYTE

Individual stocks will dominate, not abstract theories of bear or bull markets. Uptrend of last week appears over. Look for dull reaction for next few days.

A lot has been written and said in recent weeks whether or not we are in a bear or bull market; how much further it has to go, if it is a bear market, and lots of other folderol. All of this I find highly interesting, or at least stimulating. But in its final essence leads to little of financial importance.

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Theoretically, a buyer in a bull market will make money if he holds on long enough. By the same token, an abstainer during a bear market will save money if he doesn't buy anything. Both theories, or rather the two facets of the same theory, are fundamental. When quoted they usually evoke a sage nod of the head indicating complete agreement.

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Unfortunately theory and practice have nothing but a nodding acquaintance. There are few laws that help everybody. Arguments about behaviorisms of bull and bear markets are always plentiful. Yet there are stocks which will go up during bear markets and stocks which will go down in bull markets. Actually there is nothing fixed, nothing axiomatic about markets.

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Based on all the news you read now there is little reason for the market to go up. The coal strike is slowing industry to a walk. I don't have to give you the ramifications. You can read about them in your daily paper. But despite the pessimistic news, the market isn't acting too badly. You can interpret this any way you like. I don't particularly care what the conclusions are. I'm interested only in one thing: what stock can I buy (or sell) and where can I get out of it with a profit?

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Even the probable action of a Republican Congress means little. I say this because everybody is agreed that many of the laws which theoretically hampered business will be changed. But one thing I don't agree on, that social progress can be halted by legislation. All history disproves that.

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Last week the market indicated an incipient rally. The day that was written the familiar averages were at 164.37. Before the week ended they were at 170.66. So far so good, so far as the market is concerned. But as I pointed out before, the action of averages, while nice to point to, doesn't mean anything to individual accounts. It is the action of individual issues you have in your list that is your primary concern.

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Gulf Mobile and Ohio hasn't done much since it was bought at 12. At its price it is not expected to become a dynamo. At best it's a long-pull proposition. However, the stop at 10 should be maintained. Stock is now about 14.

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Dresser bought at 17, with a stop at 15, is now about 18½. Profit isn't much, but its promise of more to come is still present.

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Anaconda bought at 37, stop 33, managed to get across 40 last week. Hold on until it gets across 42 and then take your profits.

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International Paper bought at 43 was sold last week when it got to about 51 and a fraction. Advice here was to take profits when it crossed 50. Stock may do better after a while, but I don't aim to pick tops or bottoms.

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Southern Pacific was to be bought between 42 and 43. Last week stock was available between those figures time and again. So I assume you managed to get it. How long you will have to hold it before you can see a profit, I can't say. I can't even guarantee you a profit. Every time you buy a stock you must also prepare yourself to take a loss. I try to limit the loss by placing a stop at a figure I consider wipes out all the promise. In the case of Southern Pacific the figure is 38.

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For the time being I'm not recommending any new purchases. Maybe in the next column the picture will have changed.

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.]

CIO's Wage Policy

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ment and the threat that only high prices would remedy existing shortages of goods and materials.

Profit-hungry lobbies sought to blackmail the housewife hunting desperately for meat, the veteran in search of a home, the starving peoples of the world looking to America for food, upon the argument that only with rising prices can full production be obtained.

During the early part of 1946 these same powerful employers persisted in their campaign against American wage standards by denying pleas for wage adjustments to restore cuts in take-home pay and resorted to the iniquitous carry-back provisions of the tax law which subsidized their conspiracy against the public welfare and which permitted them to blackmail labor and the public without financial loss.

As part of the conspiracy to depress wages, to break the strength of labor, and to gut OPA, industry engaged in a program of deliberately creating scarcities and speculatively hoarding goods. This conspiracy has now borne its bitter fruit. The American people are now faced with the spectre of unlimited price increases and shrinking earnings.

In the midst of this conflict, the role played by so-called leaders of labor outside CIO has been pitiful and in its historic context, tragic. When the successful outcome of the vigorous CIO struggle brought in its wake increases for workers throughout the nation, these leaders of the rocking-chair brigade, who had watched the fight from their front porches, leaving their rank and file to fight alone, sought to recover some stature in the eyes of American workers by claiming credit for achieving without strikes those wage increases which came to their membership as a result of the determination and sacrifices of the militant fight of the CIO workers in steel, auto, electrical manufacturing, and other industries. When big business redoubled the fury of its attack and sought by the final destruction of price control to beat down the gains which American workers had succeeded in achieving, these same so-called leaders of labor not only turned tail to run from the battle-front on which labor sought to protect its living standards, but actually joined the ranks of labor's enemies by mouthing the fraudulent slogans of big business.

As the result of the Administration's policy of a wage freeze and its program of discouraging wage increases, the increases which the workers actually received were totally inadequate to make up for their decline in earnings. By September, 1946, despite the wage increases, weekly earnings in manufacturing industries were far less than in April, 1945. Moreover, the skyrocketing of prices and the spiraling increases in the cost of living has reduced the worker's earning power by almost one-fourth. With tax reductions—the real purchasing power of workers' income is even further reduced.

But there is no immediate prospect that runaway prices will be checked. By the end of this year further rises in the cost of living are inevitable. With the complete abolition of OPA, industry is running amuck with ever advancing prices; rent increases are imminent. Unless the worker receives substantial wage increases he and his family face dire want.

Despite the false propaganda to the contrary by American industry, industrial profits have soared steadily. During the peace-time years of 1936-39, American corporations earned an average of annual net profits, after taxes, of approximately $4 billions. During the war years the annual average of net profits, after taxes, increased to approximately $9 billions. It is anticipated that the annual net profits, after taxes, for 1946 will be $11,300,000,000. It is also anticipated that with continued sustained high production the last quarter of 1946 will show a profit return, after taxes, at an annual rate of approximately $14 billions.

While profits soar the workers' share of the national income steadily declines. Millions of American workers today find themselves totally unable to meet a budget providing for the minimum necessities of living. This situation can only result in an early and inevitable economic depression as in 1929 with the accompanying human misery and chaos.

Under present conditions it is therefore imperative that American industry in collective bargaining give substantial wage increases. Our people must have sustained purchasing power and a decent living wage to avert the swift economic tragedy which now confronts us.

This is the important task for CIO unions in their approaching collective bargaining conferences.

Oil Production Outlook

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crease to about 8,350,000 barrels per day by 1950—an increase of 16%. Ability of the industry to meet this demand will be largely determined, it seems to me, by three things:

1. Will there be adequate quantities of petroleum?
2. Will oil technology keep pace with general technical progress?
3. Will the employer-employee teamwork necessary for maximum efficient production and distribution be maintained?

Let's look at each of these questions in turn.

The future holds plenty of liquid fuel. Our geologists believe that in this country alone we will discover new reserves of oil at least equal to the vast quantities already discovered. The truth of the matter is that, under the stimulus of vigorous competition and the profit system, the art of finding oil has been steadily improved. Furthermore, we have learned how to extract more of the oil we find. A few decades ago it was not unusual to recover only about 20% of the oil in a new field. Today, we recover as high as 80%.

Also, this country possesses large reserves of natural gas almost equal in energy value to proved reserves of petroleum. Modern science has taught us how to convert this natural gas to gasoline at a cost already approaching the cost of gasoline from oil. And back of these reserves are the country's shale oil and coal, which are great sources of liquid fuel.

We may look forward to the steady development of oil resources in other parts of the globe. If imports are needed, they can supplement our domestic supply and enable us to keep production of our own fields at maximum efficient rate.

We are hopeful, too, about the rewards of continuing research and development. We are already prepared with equipment and processes to produce the new high-octane fuels of tomorrow—just as soon as the automobile industry can produce the cars to take advantage of them.

As most of you know, the oil industry has been particularly fortunate in its employee relations. Over the past two or three decades there has developed a general willingness among employers and employees to sit down together and find solutions to the human problems created by modern industry. Out of this spirit and practice of cooperation have come good wages, healthful working conditions, thrift plans, annuity benefits and insurance. Productivity, aided by technological advances, has increased. Most important of all, a practical basis has been established for continued progress toward the goals of all of us who work for a living—better opportunities for individual improvement and advancement, more satisfactory safeguards against insecurity.

We believe that men can learn to do a better and better job of getting along together. We are determined as practical men and women to do our best to that end.

Conclusion

Now if this quick appraisal of the outlook for oil in the world of tomorrow sounds optimistic to you, it is because the facts themselves make it so. The hundreds of thousands of American men and women all over the world who make their living out of oil have played a significant part in bringing a new standard of living to their fellow-citizens and neighbors. Because they have seen their own efforts bring the American oil industry to a position of world leadership in finding oil, adapting it to human use, and getting oil products to consumers at ever lower costs, they know the great benefits of human freedom and the stimulus of vigorous free competition.

These people—the people of the oil industry—with confidence in the American pattern of individual freedom and competitive enterprise, approach the challenge of tomorrow with hope and enthusiasm.

With Harris, Upham & Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF. — Paul J. Anderson has become associated with Harris, Upham & Co., 523 West Sixth Street.

Galloway With Rollins

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL. — Gordon M. Galloway has become associated with E. H. Rollins & Sons, Incorporated, 135 So. La Salle Street. Mr. Galloway was previously with Chesley & Co.

Labor and Management Must Bury the Hatchet

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cerning the company with which I am associated.

Studebaker, unlike most of its competitors, was able to reconvert to peacetime operations without a strike in its own plants. Nevertheless, the indirect cost of strikes to us has been tremendous. From Oct. 1, 1945, to June 30, 1946, Studebaker was scheduled to produce 134,500 passenger cars and trucks. But what happened? Through no fault of ours, we produced only some 43,000 units during this 9-month period, and our failure to attain scheduled production was due almost entirely to strikes and slowdowns in plants of our suppliers. This failure cost our employees approximately 15,000,000 man-hours of work, or more than $20,000,000 in wages, and deprived our transportation system of some 90,000 badly needed automotive vehicles.

Must Bury the Hatchet

From figures such as these it is apparent that labor and management must bury the hatchet if our economy is to survive. We cannot long continue to suffer the staggering losses that have befallen us during the past year. In my opinion, two major moves are necessary. First, we must have a new set of ground rules controlling collective bargaining. In this connection, an intensive study of the entire problem is being made by a special committee of the Committee for Economic Development. To show you what I mean by a new set of ground rules, let me tell you about one of the many suggestions that has been made before our special committee. It has been suggested that the rules governing collective bargaining should by their very nature put pressure on both management and labor to rely upon persuasion rather than coercion for the attainment of their objectives. For example, management should be prevented from entering into collective bargaining negotiations with the authority from the owners of the business to stage a lockout if its terms are not met. Similarly, labor leaders should not be permitted to enter negotiations with a blind strike vote in their pockets. True bargaining cannot be carried on when either party is pointing a loaded and cocked gun at the other. If management and labor fail to reconcile their views after negotiations under the new ground rules I have outlined, then both sides should be forced to tell their story in full and in writing to the people who would suffer most as a result of a strike or lockout—management disclosing the terms of its most favorable offer, labor leaders revealing their reasons for refusing to accept it. Then, and only then, should the people involved—the owners and the workers—be asked to empower their respective representatives to resort either to a lockout or a strike. This illustrates what I have in mind.

Change Attitude of both Labor and Management

The second major move required is a change in attitude on the part of both management and labor. Today, emotion plays too great a part in collective bargaining negotiations. Both parties too often enter negotiations with a chip-on-the-shoulder attitude. They are both ready to fight at the drop of a hat. Rather than to hanker to fight each other, both employers and labor leaders should be determined to fight for peace—to fight for a quick settlement of their differences. And the major responsibility for a change in attitude must rest with the employers. We've had long experience in leadership and it's strictly up to us to prove to our own people and to the general public that above all we propose to fight and fight hard for industrial peace. Only if we are able to achieve this change in attitude can we hope to make collective bargaining work.

Unless management and labor demonstrate quickly a desire and an ability to bargain collectively, they face the risk of legislation based on emotions rather than reason. The public already is in a dangerous mood as a result of our strike experiences since V-J Day. The results of a Gallup poll published only a few days ago reveal that fully 50% of the people reached by this poll favor legislation which would prohibit all strikes and lockouts for a year! Some 66% of the people canvassed are in favor of Congressional action which will control labor unions. If this mood should express itself in the form of punitive legislation directed against labor unions, the results would be as unfortunate for management as for workers. We want new ground rules, yes, but ground rules that will promote peace rather than bitterness and conflict.

Obstacles to Straight Road Ahead

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1935 to 1939. But wages are up nearly 100%, too, so the cost of labor in dollars per car is four times as great as prewar times.

What does that mean to the worker? Today he gets twice as many dollars as he used to get—but he can only buy half as much as he used to be able to buy. If everyone was paid a million dollars a day, and nobody did any work, the million dollars would be worthless, because there wouldn't be anything to buy. So let us find the basic truth and tell it to everyone: it is more production that makes the wages worth more.

Worker Slow-Downs Threat to Economy

The workers in many places have been taught by their leaders that to slow down would "spread the work" and that the slow-down would provide more work and more jobs. That false theory became prevalent during the thirties and has been revived since the war for sinister purposes. It appears logical to the worker because he sees only the job on which he is assigned. He does not see clearly that the slow-down increases the cost of the article he is making. He only sees that the things that he buys for his living today seem to go up in price. So he wants higher pay, and in fact, he does need more money to maintain his living standard. But higher pay only adds further to the costs and his accustomed living standard goes out of reach again. The immediate result is strikes and then shortages and more slow-downs. It is a vicious cycle that, unchecked, can end only in death to our economy.

"The worker must be taught the truth. He must unlearn the false theories of the thirties and learn that it is greater production per hour that makes abundance at lower cost and his pay check worth more to him and his family.

The worker must learn that the slow-down brings inflation and that the speed-up will stop it. He must learn that the slow-down at work brings poverty and misery, while the return to normal production brings abundance and happiness for all. He must learn that the important thing is not the dollar—but what the dollar will buy. The high standard of living in America was built by inventive brains and hard work. Strikes and slow-downs will kill it.

The auto workers who slow down on the job, also buy automobiles. When this worker does half the work for twice the pay, the labor cost in his new car is four times as much as it was before. If he slowed down to doing only one-fourth the work for four times the pay, the labor cost in the car would be 16 times as much, and pretty soon the automobile business would shut down.

In automobiles, in refrigerators, in washing machines—in every line—it is the same story. The carpenter who loafs on the job makes the house that his G.I. son buys cost more than his boy can afford. The plumber who doesn't want to work on Monday, but insists on 16 hours pay for 8 hours work on Saturday, is building toward the day when he will live in a hovel in misery and poverty. Production is what really counts in any system. A man, a faimly, a nation, gets rich by working—not by loafing on the job. America was built by hard work. The great American standard of living was no miracle—it was the product of brains and hard work. The American people will live only as well as the average man does his work.

Eugene Meyer Resigns From World Bank

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thereafter Mr. Beyen's forecasts were thrown down by "a high Bank official" in the institution's Washington headquarters. The New York "Times" headlined this story: "World Bank Heads Contradict Beyen." The New York "Journal of Commerce," under the caption "Blame World Bank for Secretiveness," discussed the "repudiation" of the Dutch executive director. A later news report described investment groups as "bewildered by the lack of information" while the New York "Herald-Tribune's" financial columnist entitled a weekly review: "World Bank Seen Off to Bad Start."

Not only investment circles and the press, but also American Government agencies express—although in private—dissatisfaction with the evolution of the Bank's affairs to date. Some seem to think that the Bank has been too slow in getting going, even after allowance for the delay in designation of its President, and that this has placed an unnecessary burden on the Export-Import Bank. Others comment that the fact that World Bank securities are still ineligible for savings bank and insurance company investment in many states is attributable to remissness of the Bank.

The conditions described above, however unjustifiable they may seem from the Bank's viewpoint, seem to spell the need for a public relations job. In addressing itself to this task, the Bank of course must tread carefully. That the institution exists at all is due in large part to a tremendous publicity campaign conducted by Government departments and agencies, notably the Treasury, State and Commerce Departments, in connection with the Bretton Woods conference and resultant Congressional bills. The echoes of that campaign have not completely died down even yet, as witness the editorial, "The Cost of Propaganda," in the New York "Times" of November 30. Similarly, as reported in the current issue of the "NAM News," Congress has become very conscious of official press agents. It also has become conscious of the existence of the Fund and Bank, and according to financial reporters will devote some attention to those institutions in the session which begins in January.

Some Washington officials are interpreting comments yesterday by E. G. Collado at the Investment Bankers' Association Convention in Florida as reflecting the American Executive Director's personal discouragement at the rate of progress which has been made by the World Bank under the presidency of Mr. Eugene Meyer. Some officials here feel that the Bank has been unduly cautious in initiating its first borrowing and lending operation.

Unionization of Bank Employees Against Public Interest: Baker

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hardly be appropriate for me to predict that such will be the case, but our stockholders and our staff may rest assured that the management of our bank is conscious of the opportunities which lie ahead and is making plans so that it will be in a position to play an important role in the nation's economic expansion when the conditions necessary to greater business activity are again present."

Mr. Baker declares that:

"The outstanding need of our times is for a greater degree of enlightened cooperation between management, labor and government, stemming from a common recognition of the fact that each performs a vital function but can avail little single-handed. To achieve this spirit of coherence will require responsibility of the highest order on the part of our leaders and a willingness to exercise self-restraint in the interests of the whole nation. Until this unity of purpose is realized, we shall continue to fall short of achieving our full production possibilities."

Turning to the bank's financial operations, Mr. Baker said in part:

"Based on actual figures for the first nine months and estimated figures for the last three months, the net operating earnings for this year, not including net profits realized on the sale of securities and without deducting taxes on such profits, will amount to slightly more than $5,000,000 compared with $6,248,000 for 1945.

"Gross operating income for the current year is estimated at $20,300,000 which will be about 7½% greater than last year. During the war years interest received from investments in U. S. Government obligations accounted for a substantial part of this income. For the past six months interest received from government securities has been declining with the decrease in this portfolio while the amount of other interest has been increasing due to higher rates on our loans and discounts.

"Expenses for 1946 are estimated at $15,200,000 or 75% of gross operating income and will be about 20% more than last year. As in other lines of business, it appears inevitable that our costs of operation will continue to rise so long as the national trend to higher prices continues, but extremely careful attention is being given to all expenditures."

Mr. Baker likewise stated:

"The average rate of return on our earning assets has shown some improvement due to a general firming of interest rates and will amount to approximately 1.80% compared with 1.70% in 1945. The average yield on our government obligations so far this year has been 1.51% per annum as against 1.54% last year."

It is noted in the report of Mr Baker that "from 1941 until the latter part of 1945 the bank assisted members of its staff to meet the rising cost of living by the payment of supplemental compensation at increasing rates." The report adds:

"About a year ago it was decided to make a part of annual salary the aggregate 15% of such supplemental compensation payments. During the year and especially since the expiration of the Price Control Law on June 30, last, the cost of living continued to rise so a further salary increase of 10% was granted, effective July 1, 1946, to all members of the staff other than officers.

"In addition to the over-all salary increase which has been made in connection with the cost of living, the salaries of our employees have continued to show a steady upward trend to the higher levels generally prevailing today."

Union Official

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union and a spokesman for the union said comment on the issue of a proper collective bargaining unit would have to await the decision of the board on this phase of the question.

Mr. Berney's reply to Mr. Baker, made in the form of a public statement, follows:

"J. Stewart Baker, Chairman of the Board of Directors of the Bank of the Manhattan Company, challenged the rights of his employees to join a union for the purpose of collective bargaining. He said, in a statement to the stockholders, 'The management of the Bank believes that it is against sound public policy to have unions of employees of banks which have public and trust functions.'

"It is interesting to note that the officials of this Bank are among leaders of the reactionaries shouting loudest for free enterprise and the right to run their business without any government controls. Mr. Baker would deny his employees rights granted to all other employees in private enterprise. This head of a Wall Street corporation thinks he can decide better what is good public policy than the elected government of the State and the nation. Both the State Labor Board Act and the National Labor Relations Act grant bank employees the right to collective bargaining.

"The UOPWA, CIO, is determined to compel the management of this and every other major bank to deal with their employees through collective bargaining as a right guaranteed by the laws of the State and the nation.

"The UOPWA faced the same fight with the largest financial corporation in the world — the Metropolitan Life Insurance Company — some ten years ago. The President of that corporation at that time also stated that his employees, because they work for a company that has a 'Public and trust function' should be denied the right to collective bargaining. The Metropolitan took the right to all of the courts. It lost. The UOPWA has contracts for increased pay and job security for more than 35,000 insurance employees in nation-wide agreements."

The United Financial Employees, a hitherto independent union, voted last Friday to affiliate with the AFL and it is understood that the AFL has accepted that union's application for a charter. The vote for affiliation ran six-to-one in favor, it was announced. Last Wednesday, the UFE lost 2-7 in a State Labor Relations election on the issue of collective bargaining agent among the runners of Auchincloss, Parker & Redpath. Announcement was made yesterday also that the UFE and the New York Curb Exchange is expected to be signed within a few days.

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 Fidelity Co., Montpelier
Dec. 2 (letter of notification) 10,000 shares (no par) capital stock, to be offered to present stockholders. **Price**—$59 a share. No underwriting. For additional capital funds for expansion purposes.

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.

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.

● Associated Magazine Contributors, Inc., N. Y.
Nov. 26 (letter of notification) 400 shares each (no par) $5 preferred and (10c par) Class A common and 100 shares ($10 par) Class B common. **Price**—$100 a unit for 1 share of preferred and one share of Class A common and 10c per share of Class B common. No underwriting. For organization of magazine publication.

● Associated Manufacturing & Foundry Co. N.S.L., Albuquerque, N. Mex.
Nov. 25 (letter of notification) 10,000 shares ($10 par) common. **Price**—$10 a share. **Underwriter**—E. H. Martin & Co. For erection of modern grey iron foundry and for working capital.

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. Offering temporarily postponed.

Australia, Commonwealth of (12/16)
Nov. 27 filed $25,000,000 20-year 3½% bonds due Dec. 1, 1966. **Underwriter** — Morgan Stanley & Co. Price by amendment. **Proceeds** — Net proceeds together with treasury funds will be used to redeem on Feb. 1, 1947, $18,000,000 New South Wales external 5s due 1957 and to pay at maturity Feb. 15, 1947, $8,700,000 State of Queensland External 6s.

Bachmann Uxbridge Worsted Corp. (12/23-31)
Nov. 27 filed 45,000 shares of 4% preferred stock (par $100) and 200,000 shares of common stock (par $1). **Underwriters**—Kidder, Peabody & Co. and Bear, Stearns & Co. **Proceeds**—Will go to selling stockholders. Price by amendment.

● Basic Food Materials, Inc., Cleveland, Ohio
Nov. 26 (letter of notification) 5,000 shares (no par) common, to be offered to stockholders; 295 shares of ($100 par) preferred, 4,750 shares (no par) common and $50,000 10-year 5% debenture notes, all to be offered to the public. **Prices**—$5 per common share to stockholders; $10 per common share to public, $100 per preferred share and debentures at face. No underwriting. To increase working capital.

Beaunit Mills, Inc., New York
Sept. 27 filed 180,000 shares ($2.50 par) common. **Underwriter** — White, Weld & Co., New York. **Price** — By amendment. **Proceeds**—Of the total, 140,000 shares are being sold by St. Regis Paper Co., New York, and the remaining 40,000 shares are being sold by I. Rogosin, President of Beaunit Mills, Inc.

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.
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.

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**—Company is offering the stock on a share for share exchange basis to holders of its $7 preferred stock and $6 pre-

NEW ISSUE CALENDAR

(Showing probable date of offering)

December 5, 1946
7-Up Texas Corp.......Cl. A and Cl. B Common

December 6, 1946
Dobbs Houses, Inc......Common

December 9, 1946
General Engineering & Mfg. Co.....Pref. and Com.
Kerite Co. ......Common

December 10, 1946
Carson Pirie Scott & Co.......Preferred
Continental Car-na-var Corp.......Common
Gulf Mobile & Ohio RR.......Equip. Trust Ctfs.
High Vacuum Process, Inc.......Common
Philadelphia Electric Co. (11:30 a.m., EST)...Bonds
St. Regis Paper Co.......Preferred

December 11, 1946
Kansas City Power & Light Co., (12 noon, EST).......Bonds and Pref.
Minneapolis-Honeywell Regulator Co.....Preferred
New York Central RR. (noon, EST)..Equip. Tr. Ctfs

December 12, 1946
Drayer-Hanson, Inc.......Class A
Westinghouse Electric Corp.......Preferred

December 15, 1946
Read (D. M.) Co.......Common

December 16, 1946
Australia, Commonwealth of.......Bonds

December 17, 1946
Hartman (Wm. H.) Corp.......Capital Stock
Ohrbach's Inc.......Preferred
Pennsylvania Turnpike Commission (Noon, EST) ....Bonds
Pittsburgh & Lake Erie RR. (noon, EST)....Bonds

December 23, 1946
Bachmann Uxbridge Worsted Corp....Pref. & Com.
Kingsport Press, Inc.......Debentures and Com.

January 15, 1947
White's Auto Stores, Inc.......Pref. and Common

ferred stock, plus a cash adjustment. Exchange offer expires 3 p.m. (EST) Dec. 23. 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.

Blumenthal (Sidney) & Co. Inc., New York
Aug. 30 filed 119,706 shares (no par) common and subscription warrants relating to 30,000 shares thereof. **Underwriting** — None. **Proceeds**—For reimbursement of company's treasury for funds expended in redemption of 3,907 shares of 7% cumulative preferred on April 1, and for funds deposited in trust for redemption on Oct. 1 of remaining preferred shares. Although it was proposed to offer the stock for subscription to stockholders at $10 per share, company on Sept. 20 decided to withhold action at this time.

Book-of-the-month Club, Inc., New York
Oct. 28 filed 300,000 shares ($1.25 par) capital stock. **Underwriter**—Eastman, Dillon & Co., New York. **Offering**—Of the total, the company is selling 100,000 shares and six stockholders, including Harry Scherman, President, and Meredith Wood, Vice-President, are selling the remaining 200,000 shares. Price by amendment. **Proceeds**—Company will use its net proceeds for working capital to be used for expansion of inventories of paper and other raw materials and book inventories.

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.

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.

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.

Carson Pirie Scott & Co., Chicago (12/10)
Nov. 15 filed 50,000 shares ($100 par) cumulative preferred. **Underwriters**—William Blair & Co. and A. G. Becker & Co. Inc. of Chicago. **Price**—By amendment. **Proceeds**—Proceeds will be applied toward the redemption of 19,900 outstanding $6 preferred shares, redeemable at $105 a share plus dividends; balance for general corporate purposes.

Central & South West Utilities Co.
Aug. 30 filed its ($5 par) capital stock. Company's name is to be changed by post effective amendment to Central & South West Corp. (Del.) Prospectus will be issued in connection with the public invitation for sealed bids for the purchase of a sufficient number of such shares as same will be constituted upon consummation of a proposed merger into the issuer of American Public Service Co., to provide funds for retiring the preference shares of the issuer and American Public Service Co., not exchanged for shares of the merged corporation. Underwriters by amendment. Possible bidders: Glore, Forgan & Co.; Lehman Brothers-Lazard Freres & Co. (jointly); Smith, Barney & Co.-Harriman, Ripley & Co. (jointly); Blyth & Co., Inc., Stone & Webster Securities Corp. and First Boston Corp. (jointly). Price by amendment.

Central Soya Co., Inc., Fort Wayne, Ind.
Aug. 21 filed 90,000 shares (no par) common. **Underwriter**—None. **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.

Colonial Airlines, Inc., New York
Oct. 25 filed 150,000 shares ($1 par) capital stock. **Underwriter**—Auchincloss, Parker & Redpath, Washington, D. C. and Hornblower and Weeks, New York. 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

(Continued on page 2930)

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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 subscribe. 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 89,540 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 20,320 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.

● **Conlon Corp., Chicago**

Nov. 26 (letter of notification) 15,109 shares ($1 par) common to be offered for subscription to present stockholders. **Price**—$2.50 a share. No underwriting. For additional working capital.

Continental Car-na-var Corp., Brazil, Ind. (12/10)

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 Oil Co., New York

Nov. 25 filed an unspecified number ($5 par) capital stock shares. **Underwriters**—None. **Offering**—The shares will be offered for exchange on or before Feb. 1, 1947, to holders of $2 par capital stock of Texon Oil & Land Co. The exchange ratio will be filed by amendment. **Proceeds**—If substantially all of the stock of Texon is acquired by the company pursuant to this offer or otherwise, merger, consolidation or liquidation proceedings subsequently may be instituted.

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.)

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.

● **Dallas (Texas) Railway & Terminal Co.**

Nov. 27 filed 40,000 shares ($25 par) 5% participating preferred stock. **Underwriters**—Names to be supplied by amendment. **Probable Underwriters**—Kidder, Peabody & Co., Merrill Lynch, Pierce, Fenner & Beane; Rauscher, Pierce & Co. Price by amendment. **Proceeds**—Proceeds will be applied to the redemption of 3,843 shares of 7% preferred stock and for purchase of new equipment and for construction as part of its modernization and expansion program. **Business**—Railway, trolley and bus transportation.

Danly Machine Specialties, Inc., Cicero, Ill.

July 26 filed 62,000 shares ($25 par) 5% cumulative convertible preferred stock and 71,950 shares (par $2) common stock 40,000 by company and 31,950 by certain stockholders. **Underwriters**—Paul H. Davis & Co., and Shillinglaw, Bolger & Co., Chicago. Price by amendment. **Proceeds**—Company will use proceeds, together with a $1,000,000 bank loan, to purchase machinery, buildings and to retire bank indebtedness. Offering date indefinite.

Delta Chenille Co., Inc., Jackson, Miss.

Oct. 2 filed 300,000 shares (20¢ par) common. **Underwriters**—Names by amendment. Price, $8 a share. **Proceeds**—Of total, company is selling 150,000 shares and remaining 150,000 shares are being sold by Apponaug Manufacturing Co., Inc. Principal stockholder estimated net proceeds to company of $1,007,913 will be added to general funds to be applied for corporate purpose. Company anticipates expenditures of $300,000 in 1946 and $300,000 in 1947 for equipping and absorbing costs of starting operations of four plants, two of which already have been contracted for. The balance will be added to working capital.

Delta Hybrids Co., Tuscola, Ill.

Nov. 19 (letter of notification) 500 shares ($100 par) common. **Price**—$100 a share. No underwriting. For production, harvesting and marketing of white hybrid seed corn now growing to be sold for planting in Spring of 1947.

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. (12/6)

Sept. 27 filed 75,000 shares ($1 par) common. **Underwriter**—Emanuel, Deetjen & Co., New York. **Price**—By amendment. **Proceeds**—Net proceeds will be used for expansion of business consisting of airline catering and restaurant and coffee shop operations.

Drayer-Hanson, Inc., Los Angeles (12/12-13)

Aug. 12 filed 80,529 shares ($1 par) 60c cumulative convertible Class A stock. **Underwriters**—Maxwell, Marshall & Co., Los Angeles. **Price**—To public $10 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.

Eastern New York Power Corp., New York

Nov. 15 filed $9,861,000 of first mortgage bonds, sinking fund series, due 1961, and $3,000,000 ($100 par) preferred stock. **Underwriters**—To be determined by competitive bidding. Probable bidders include Halsey, Stuart & Co., Inc.; Blyth & Co., Inc. and Kidder, Peabody & Co. (jointly); Smith, Barney & Co., The First Boston Corp. and Eastman, Dillon & Co. (jointly). **Proceeds** — Proceeds, supplemented by other funds, will be used to redeem the outstanding International Paper Co. 1st & ref. 5% sinking fund mortgage bonds, due 1947. These bonds were assumed by Hudson River Power Corp. which together with System Properties, Inc. will be merged into Eastern New York Power, subject to approval of the SEC.

Empire Millwork Corp., New York

Aug. 28 filed 50,000 shares of $1.25 cumulative convertible preferred stock, (par $25) and 150,000 shares of common stock (par $1). **Underwriters**—Van Alstyne, Noel & Co. **Proceeds**—Corporation will receive the proceeds from the issuance of 50,000 shares of the common stock which will be used to increase productive capacity, add new lines of products and expand the business. The remaining 100,000 shares of common stock and the preferred shares will be sold by present stockholders. Offering temporarily postponed.

Ero Manufacturing Co., Chicago

Sept. 5 filed 105,000 shares common stock (par $1). **Underwriter**—Straus & Blosser, Chicago. **Price**—$11.50 a share. **Proceeds** — Shares are being sold by stockholders. Offering date indefinite.

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.

Films Inc., New York

June 25, filed 100,000 shares ($5 par) class A stock and 300,000 shares (10 cent par) common stock, of which 200,000 shares reserved for conversion of class A. Each share of class A stock is initially convertible into 2 shares of common stock. **Underwriters**—Herrick, Waddell & Co., Inc., New York. **Offering**—To be offered publicly at $8.10 a unit consisting of one share of class A stock and one share of common stock. **Proceeds**—$201,000 for retirement of 2,010 shares ($100 par) preferred stock at $100 a share; remaining proceeds, together with other funds, will be used for production of educational films.

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.

● **Fowler Farm Oil Corp., Duncan, Okla.**

Nov. 25 (letter of notification) 80,000 shares of common. **Price**—$1 a share. **Underwriter**—John G. Fowler, President. For drilling oil well.

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. (12/9-13)**

Oct. 21 filed 50,000 shares ($10 par) 5% cumulative convertible preferred and 100,000 shares ($2 par) common. **Underwriters**—Dempsey, Tegeler & Co., and J. W. Brady & Co., St. Louis. **Price**—$10 a preferred share and $5 a common share. **Proceeds**—Net proceeds, estimated at $893,000, will be added to working capital and will be used to finance the company's new product, the "Gemco" space cooler (an air conditioning unit) and other corporate purposes.

Glen Industries Inc., Milwaukee, Wis.

July 31 filed 50,000 shares of $1.25 cumulative convertible preferred stock series A ($20 par) and 150,000 shares (10c par) common, all issued and outstanding and being sold by eight selling stockholders. **Underwriters**—Van Alstyne Noel & Co. Price by amendment. **Proceeds**—To selling stockholders. Offering temporarily postponed.

Glencair Mining Co. Ltd., Toronto, Can.

Oct. 2 filed 300,000 shares ($1 par) stock. **Underwriter**—Mark Daniels & Co., Toronto. **Price**—40 cents a share (Canadian Funds). **Proceeds**—For mine development.

Glensder Textile Corp., New York

Aug. 28 filed 355,000 shares ($1 par) common, of which 55,000 shares are reserved for issuance upon the exercise of stock purchase warrants. **Underwriter** — Van Alstyne, Noel & Co. **Offering**—The 300,000 shares are issued and outstanding and being sold for the account of certain stockholders. Company has also issued 55,000 stock purchase warrants to the selling stockholders at 10 cents a share entitling them to purchase up to Aug. 1, 1949, common stock of the company at $11 a share. Price by amendment. Offering temporarily postponed.

Grand Canyon-Boulder Dam Tours, Inc., Boulder City, Nev.

Sept. 3 filed 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.

● **Greenbelt (Ind.) Consumer Services, Inc.**

Nov. 26 (letter of notification) $190,000 of Class B common and $10,000 of Class A common. **Price**—$10 per unit. No underwriting. Erection of commercial building in shopping center of Greenbelt.

• Green Mountain Mining Co., Dixon, Mont.
Nov. 22 (letter of notification) 70,000 shares (25c par) common. **Price**—62½c a share. No underwriting. For exploration and development of mining property.

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. **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. Registration statement became effective Nov. 18 and orders for stock may be solicited subject to final determination of price. Provisionally offered Nov. 18 for seven business days, but time has been extended to Dec. 18.

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. Offering date indefinite.

Hammond Instrument Co., Chicago
Aug. 8 filed 80,000 shares ($1 par) common. **Underwriter**: Paul H. Davies & Co., Chicago. Price by amendment. **Proceeds**—Net proceeds will be used to redeem its outstanding 6% cumulative preferred stock at an estimated cost of $213,258, exclusive of accrued dividends. It also will use approximately $402,000 toward the purchase of a manufacturing plant in Chicago; balance for working capital. Offering date indefinite.

Harman (William H.) Corp., Phila. (12/17)
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.

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.

• High Vacuum Processes, Inc., Philadelphia (12/10)
Dec. 2 (letter of notification) 9,900 shares of non-cumulative preferred stock (par $25) and 29,700 shares of common stock (par 5¢). Not underwritten. To be offered in units of one preferred and three common shares at $25.15 per unit. Proceeds will be used for initial organization and operating expenses, business needs, etc.

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.

• Home-O-Nize Co., Muscatine, Iowa
Nov. 29 (letter of notification) 1,000 shares (no par) common. **Price**—$100 a share. No underwriting. For working capital, raw materials and equipment for manufacturing 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.

• Income Shares Corp., Tulsa, Okla.
Nov. 25 (letter of notification) 25,000 shares ($1 par) common. **Price**—$1.75 a share. **Underwriter**—Bonner & Bonner, Inc., New York. Shares being offered on behalf of Russell F. Hunt, Morris L. Bradford, and George R. Pietch, all officers of the company.

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.

Kansas City Power & Light Co., Kansas City, Mo. (12/11)
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. **Bids Invited**—Bids for the purchase of the securities will be received at Room 1730, 165 Broadway, N. Y. City up to 12 Noon EST Dec. 11.

• Kansas-Nebraska Natural Gas Co., Inc., Phillipsburg, Kan.
Nov. 29 (letter of notification) 2,800 shares (no par) $5 cumulative preferred. **Price**—$106 a share. **Underwriters** Cruttenden & Co., Chicago; and The First Trust Co. of Lincoln, Neb. **Proceeds**—For payment of indebtedness and for improvements.

• Kerite Co., New York (12/9)
Dec. 2 (letter of notification) 5,500 shares of common stock. **Underwriter**—Neergaard, Miller & Co., New York. **Price**—$17.75 per share. **Proceeds**—To selling stockholders: Lee Higginson Corp. (4,130 shares); Donner Estates, Inc. (730 shares), and Worthington Scranton (640 shares).

Kingsport Press, Inc., New York (12/23-31)
Nov. 14 filed $1,200,000 of sinking fund debentures, due 1961, and 60,000 shares ($2.50 par) common. **Underwriter**—Alex. Brown & Sons, Baltimore, Md. **Price**—By amendment. **Proceeds**—Company will receive proceeds from sale of debentures, and common stockholders will receive proceeds from shares. Company will use $577,500 to redeem 5,500 shares of 5% prior cumulative preferred and $281,017 to prepay note to Equitable Life Assurance Society of the United States.

• Kiwago Gold Mines Ltd., Toronto, Canada
Dec. 3 filed 1,000,000 shares (no par) common. **Underwriter**—Jack Kahn, New York. **Price**—70 cents a share, the underwriting discount will amount to 21 cents a share. **Proceeds**—For exploration and development of mining property and for administrative expenses. **Business**—Exploration and development of mining claims.

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. Offering date indefinite.

• Lynchburg (Va.) Gas Co.
Nov. 26 (letter of notification) 5,000 shares ($10 par) common. **Price**—$10 a share. No underwriting. For conversion of company's facilities from manufactured to natural gas.

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.

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.

• Managed Funds Inc., St. Louis, Mo.
Dec. 3 filed 2,300,000 shares (1c par) capital stock. **Underwriter**—Slayton and Co., Inc., St. Louis. **Price**—$5 a share. **Proceeds**—For investment. **Business**—Investment business.

• Manning, Maxwell & Moore, Inc., New York
Nov. 27 filed 160,000 shares of $12.50 par common. **Underwriter**—Hornblower & Weeks, New York. Price by amendment. **Proceeds**—Proceeds will be used to repay $1,000,000 in bank loans with the balance going into general funds. **Business**—The company consists of four principal divisions designated as Shaw-Box Crane & Hoist division, the Consolidated Ashcroft Hancock division, the instrument manufacturing and repair division and the export sales division.

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.

• Meyer-Blanke Co., St. Louis, Mo.
Nov. 29 (letter of notification) 1,200 shares (no par) common, 50% on behalf of George A. Meyer Finance Co., St. Louis; and 50% on behalf of Robert L. Blanke, Jr. and Marian Blanke, both of University City, Mo. **Price**—$31 a share. **Underwriter**—Smith-Moore & Co., St. Louis.

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.

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.

Minneapolis-Honeywell Regulator Co. (12/11)
Nov. 21 filed 24,300 shares ($100 par) 3.20% convertible preference stock, Series A, and 32,400 shares ($3 par) common into which the preference stock is convertible. **Underwriter**—Union Securities Corp., New York. Price by amendment. **Proceeds**—Proceeds will be used to supplement current working capital. **Business**—Manufacturer of automatic control instruments used in a wide variety of fields including heating and air conditioning. Nov. 26 (letter of notification) such number of shares

Modglin Co., Inc., Los Angeles
Nov. 20 (letter of notification) 35,000 shares of ($1 par) capital stock. **Price**—$4 a share. No underwriting. For additional working capital and other corporate purposes.

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● Monroe Sales Corp., Philadelphia

Nov. 27 (letter of notification) 250 shares ($100 par) 6% cumulative preferred and 100,000 shares (50¢ par) common. **Price**—$100 a preferred share and 50 cents a common share. No underwriting. To carry on business of the corporation as factory representative and dealer.

● Moreno-Cripple Creek Corp., Denver

Nov. 27 filed 7,399,500 shares (10c par) common. **Underwriter**—Company is negotiating with James T. Chiles, Denver, who will act as their selling agent. Price by amendment. **Proceeds**—Proceeds, estimated at $438,770, will be used for current property payments, exploration of mining properties and for working capital. **Business**—Exploration and development of gold, silver, lead and other metal deposits.

Mountain States Power Co.

June 6 filed 140,614 shares of common stock (no par). **Underwriters**—To be determined by competitive bidding. Probable bidders include Blyth & Co., Inc.; Kuhn, Loeb & Co. and Smith Barney & Co. (jointly); Harriman, Ripley & Co.; The First Boston Corp. **Offering**—Shares, are owned by Standard Gas & Electric Co. and constitute 56.39% of the company's outstanding common. **Sale Postponed**—Standard Gas & Electric Co. asked for bids for the purchase of the stock on Sept. 4, but the sale has been temporarily postponed.

Murphy (G. C.) Co., McKeesport, Pa.

June 13 filed 250,000 shares of common stock (par $1). **Underwriter**—Smith, Barney & Co. Price by amendment. **Proceeds**—Redemption of outstanding 4¾% preferred stock at $109 a share plus dividends. Indefinitely postponed.

National 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.

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. 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. An altemate plan filed Nov. 25 with the SEC provides for the issue of 77,625 convertible preferred shares (par $100) and 1,246,011 common shares (par $8). Under the proposed plan consolidated funded debt would be practically unchanged from that provided in original plan, the Association to issue $22,425,000 coll. trust bonds. These bonds and preferred stock may be sold, subject to an exchange offer, to the holders of present debentures on a par for par basis. Present preferred would receive for each share held 8 shares of new common with rights to subscribe to 5 new common shares at $9 per share. The present plan does not affect the status of original plan, but determination as to which will be used will be left to the SEC and the court. Hearings on the alternate plan are scheduled by the SEC for Dec. 19.

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.

● O-Cel-O, Inc., Buffalo, N. Y.

Dec. 2 (letter of notification) 89 shares $3 dividend cumulative preferred stock (par $45) and 666 shares common stock (par $5). **Price**—$45 per share for preferred and $5 per share for common. Proceeds will be used in the manufacture and sale of cellulose products.

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 company and the remaining 14,000 are being sold by General Telephone Corp. **Price**—By amendment. Offering indefinitely postponed.

Ohrbach's Inc., New York (12/17)

Nov. 27 filed 40,000 shares ($50 par) cumulative preferred stock series A. **Underwriter**—A. G. Becker & Co., Inc., New York. Price by amendment. **Proceeds**—Company will receive proceeds from the sale of 5,000 shares and five stockholders will receive proceeds from the sale of the remaining 35,000 shares. The company will apply its proceeds to general funds.

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.

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.

Peninsular Oil Corp., Ltd., Montreal, Canada

Sept. 3 filed 600,000 shares of common (par $1). **Underwriter**—Sabiston Hughes, Ltd., Toronto, Canada. **Price**—60 cents a share. **Proceeds**—Net proceeds will be used to purchase drilling machinery and other equipment.

Pharis Tire & Rubber Co., Newark, O.

Sept. 27 filed 100,000 shares ($20 par) cumulative convertible preferred. **Underwriter**—Van Alstyne, Noel & Co. and G. L. Ohrstrom & Co., New York. **Price**—$20 a share. **Proceeds**—For payment of loans and to replace working capital expended in purchase of building from RFC and to complete construction of a building.

Philadelphia (Pa.) Electric Co. (12/10)

Nov. 4 filed $30,000,000 of first and refunding mortgage bonds due 1981. **Underwriters** — To be determined by competitive bidding. Probable bidders include The First Boston Corp.; Halsey, Stuart & Co.; Morgan Stanley & Co. and White, Weld & Co. Price by amendment. **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 for the purchase of the bonds will be received up to 11:30 a.m. (EST) Dec. 10 at company's office Sansom St., Philadelphia.

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.

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.

Quebec Gold Rocks Exploration Ltd., Montreal

Nov. 13 filed 100,000 shares (50¢ par) capital stock. **Underwriter**—Robert B. Soden, Montreal, director of company. **Price**—50¢ a share. **Proceeds**—For exploration and development of mining property.

Read (D. M.) Co., Bridgeport, Conn. (12/15)

Nov. 27 (by amendment) filed 50,000 shares of common stock (par 25¢) and stock purchase warrants. **Underwriters**—Warren W. York & Co., Inc., Allentown, Pa., and Richard J. Buck & Co., New York. **Price**—$5.75 per unit of one common share and one warrant. **Proceeds**—Net proceeds will be used to pay off a loan.

Realmont Red Lake Gold Mines, Ltd., Toronto, Canada

Nov. 20 filed 800,000 shares of common stock ($1 par). **Offering Price**—$0.60 a share to public. Company has not entered into any underwriting contract. **Proceeds**—Development of mining properties and exploration work.

● Red Owl Stores, Inc., Minneapolis

Nov. 29 filed 15,000 shares ($100 par) cumulative convertible preferred and 50,000 shares ($3 par) common. **Underwriters**—Piper, Jaffray & Hopwood and J. M. Dain & Co., Minneapolis. Price by amendment. **Proceeds**—Company expects to use $800,000 of the proceeds for reduction of its bank loans. Of the remaining proceeds, it will use $500,000 for equipment of its general office and warehouse being constructed at Hopkins, Minn.; $300,000 for equipment of warehouses at Green Bay, Wis., and Fargo, N. D., which it expects to construct in the future. Any balance will be used in its modernization and the expansion program. **Business**—Wholesale and retail sale of food products.

Reliance Varnish Co., Louisville, Ky.

Nov. 20 filed 60,000 shares of common stock ($2.50 par). **Offering Price**—$10 a share. **Underwriter**—Bankers Bond Co., and Almstedt Bros., both of Louisville, and Cruttenden & Co., Chicago. Of the total of 60,000 shares, the company is selling 40,000 and seven stockholders are disposing of the remaining 20,000. **Proceeds**—Company will use its proceeds, together with $500,000 bank loan, to finance paints and varnish plant now under construction.

Republic Aviation Corp., Farmingdale, N. Y.

Oct. 9 filed 100,000 shares ($50 par) convertible preferred stock. **Underwriters**—Hayden, Stone & Co., and Kidder, Peabody & Co. **Price**—By amendment. **Proceeds**—Proceeds, together with bank loans, will be used to increase working capital. Such funds are deemed necessary in view of the additional facilities that company intends to acquire and its large backlog of peacetime business.

Republic Pictures Corp., New York

Registration originally filed July 31 covered 184,821 shares of $1 cumulative convertible preferred ($10 par) and 277,231 shares (50c par) common stock, with Sterling, Grace & Co. as underwriters. Company has decided to issue 454,465 shares of common stock only, which will be offered for subscription to stockholders of record Sept. 5 to the extent of one share for each five held. Issue will not be underwritten.

Rowe Corp., New York

July 29 filed 100,000 shares common stock. **Underwriters**—Hayden, Stone & Co. **Offering**—The selling stockholders, who include Robert Z. Greene, President, are offering the shares to the public through the underwriters, for their own account. Price, by amendment. Offering date indefinite

St. Regis Paper Co., New York (12/10)

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; an unspecified amount will be advanced to Taggart Corp., a subsidiary, for redemption of its $2.50 cumulative preferred; advances from time to time to Alabama Pulp and Paper Co., towards proposed acquisition of certain paper mills, etc., from Time, Inc. and subsidiaries; balance for expansion, etc. Company also proposes to issue 50,000 additional shares to Time, Inc. and subsidiaries in connection with acquisition of paper mills, etc.

Scripto, Inc., Atlanta, Ga.

Aug. 7 filed 25,000 shares ($10 par) 5% cumul. convertible preferred stock and 244,000 shares ($1 par) common stock. **Underwriters**—Clement A. Evans & Co., Inc., Atlanta. Price of preferred $10.75 per share; price of common, $5.625 per share. **Proceeds**—Company is selling the 25,000 shares of preferred to the underwriters at $10 a share and stockholders are selling 244,000 shares to the underwriters at $5 a share. The registration stated that 24,000 of the 244,000 shares of common are being reserved for a period of four days following the effective date of the registration for sale to employees, officers and directors at $5 a share. The company also is selling 200,000 stock purchase warrants to executives of the company at 50 cents a warrant. Company will use its proceeds for general corporate purposes. Offering postponed indefinitely.

7-Up Texas Corp., Houston, Texas (12/5-6)

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.

• **Sherman (Texas) Industrial Foundation, Inc.**

Nov. 25 (letter of notification) 2,100 shares ($50 par) common. **Price**—$50 a share. No underwriting. For constructing buildings to attract additional industries to Sherman.

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.

Stanley (C. V.) Furniture Co., Inc., Magee, Miss.

Nov. 20 (letter of notification) 25,000 shares ($10 par) common. **Price**—$10 a share. No underwriting. To purchase real estate for factory site, erection of factory building and organization of business.

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.

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.

Sunshine Park Racing Association, Inc., Tampa, Fla.

Nov. 25 (letter of notification) 120,000 shares (10c par) common and 60,000 shares ($4.80 par) 25 cent non-cumulative preferred. **Price**—$5 a unit consisting of 2 shares of common and one share of preferred. **Underwriter**—John K. Walters & Co., Inc., Wilmington, Del. **Proceeds**—For rehabilitation of race track and as an advance to partnership for operation of track.

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.

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.

Union Telephone Co., Blair, Neb.

Nov. 20 (letter of notification) $56,000 of closed first mortgage 20-year 3¼% bonds due 1966, at 103.75 per unit. **Underwriter**—Wachob Bender Corp. **Proceeds**—For retirement of outstanding 3¾% bonds.

• **U. S. Gold Corp., Seattle, Wash.**

Nov. 25 (letter of notification) 300,000 shares of common. **Underwriters**—Elliott R. Henderson, A. A. Fagnant, and B. E. Holland, all officers of the company. For mine exploration.

U. S. Television Manufacturing Corp., New York

Nov. 4 filed 300,000 shares (no par) 25c cumulative convertible preferred and 150,000 shares of common (par $1) to be offered for special purposes. **Underwriters**—Names by amendment. Price $5 per share for preferred. **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 indefinite.

• **Vandervort (G. W.) Co., Portsmouth, Ohio**

Nov. 26 (letter of notification) 12,000 shares ($25 par) 5% convertible cumulative preferred. **Price**—$25 a share. No underwriting. To retire 7% preferred and to equip foundry.

Velvet Freeze, Inc.

July 24 filed 150,000 shares of stock which are to be sold for the account of certain stockholders. **Underwriters**—Sherck, Richter & Co., and Straus & Blosser. **Price**—$7.50 a share.

Victory Gold Mines Ltd., Montreal, Canada

Nov. 13 filed 400,000 shares ($1 par) capital stock. **Underwriter**—None as yet. **Price**—25 cents a share. **Proceeds**—For developing mining property. **Business**—Acquiring and developing mining properties.

Wakefield Water Co., Narragansett, R. I.

Nov. 20 (letter of notification) $300,000 of first mortgage 2⅞% bonds. **Price**—$1,000 a unit. No underwriter. To pay off outstanding notes and for expansion of service.

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.

• **Wellsville (N. Y.) Ex-Service Men's Club of the Frank B. Church Post No. 2530 of the U. S. Inc.**

Nov. 27 (letter of notification) $50,000 of first mortgage bonds. Price, at par. No underwriting. Pay off indebtedness on clubhouse building and to equip same.

Wentink Industries, Inc., Grand Rapids, Mich.

Nov. 13 (letter of notification) 25,000 shares ($10 par) 6% cumulative preferred and 35,000 shares (no par) common. **Prices**—$10 a preferred share and $1 a common share. No underwriting. For purchase or construction of manufacturing building, purchase of equipment, tools and machinery and for operation of business.

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.

• **Western Air Lines, Inc., Beverly Hills, Calif.**

Nov. 27 filed 1,200,000 shares ($1 par) capital stock. **Underwriter**—Names by amendment. Price by amendment. **Proceeds** — Offering consists of an unspecified number of shares being sold by the company and by William A. Coulter, President and Director. The amounts being offered by each will be stated definitely by amendment and the total number of shares presently stated will be reduced if the offering consists of a smaller number of shares. Company will use its proceeds, together with a $1,000,000 bank loan, toward payment of its promissory notes, aggregating $3,926,946. In addition the company has obligations amounting to $1,667,000 which will be paid following the sale of the stock. It anticipates the completion of its equipment and facilities program next year with a required expenditure of about $8,600,000. **Business**—Air transportation.

Westinghouse Electric Corp. (12/12)

Nov. 20 filed 500,000 shares of cumulative preferred stock, series B ($100 par). **Underwriter**—Kuhn, Loeb & Co., New York, and associates. **Offering Price**—To be filed by amendment. **Proceeds**—The shares are being sold in connection with company's projected $132,000,000 plant expansion, of which $49,000,000 had been expended up to Sept. 30.

White's Auto Stores, Inc. (1/15/47)

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. 12 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.

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.

(Continued on page 2934)

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 2933)

Gulf, Mobile & Ohio RR. (12/10)

An invitation for bids on $3,600,000 of equipment trust certificates has been issued by the company. The bids are to be opened Dec. 10. The certificates, to be dated Jan. 1, 1947, will mature in equal annual instalments of $300,000 each from Jan. 1, 1948, through Jan. 1, 1959. Probable bidders include Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler, and Mid-West banks.

● Michigan-Wisconsin Pipe Line Co.

Nov. 30 The Federal Power Commission approved by a 3-to-2 vote the application of the company for permission to build a natural gas transmission line from Houghton field, in Texas, to Michigan and Wisconsin. The cost of the project is estimated at $70,000,000. Included in the plan of financing, it is reported, is the issuance of $34,000,000 3¼% 20-year first mortgage bonds. Probable bidders, when securities are to be offered, include Dillon, Read & Co.; Glore, Forgan & Co.; White Weld & Co., and Halsey, Stuart & Co. Inc.

● Mid-Continent Gas Transmission Co.

Nov. 30 company, recently organized, has application pending before FPC for authority to build 836-mile pipeline from Houghton fields, in Texas, to St. Paul, Minn., via Kansas City. Otis & Co. Inc., Cleveland, has agreed to underwrite the project, which it is stated, will cost in neighborhood of $73,000,000.

● Montreal (City of)

Dec. 2 reported City is exploring the advisability of early sale in this country of new issue of bonds to retire in part its outstanding higher cost debt. Probable bidders if bonds are sold in United States include Harriman Ripley & Co. Inc., and Dominion Securities Corp. (jointly); The First Boston Corp.; Smith, Barney & Co.; Glore, Forgan & Co.; Halsey, Stuart & Co. Inc.; Blyth & Co., Inc., and Shields & Co. (jointly).

● New York Central RR. (12/11)

Company will receive bids until Dec. 11 (noon) at Treasurer's office, 466 Lexington Avenue, New York, for purchase of $20,000,000 equipment trust certificates, to be dated Jan. 1, 1947, and due $2,000,000 annually Jan. 1, 1948-57. Probable bidders include Halsey, Stuart & Co. Inc., and Salomon Bros. & Hutzler, and First Boston Corp.

Pennsylvania Turnpike Commission (12/17)

Dec. 17 (noon) has been set for the sale of $46,000,000 refunding bonds. Investment banking groups reported preparing to enter competition, are: Glore, Forgan & Co., and Lazard Freres & Co., Inc. (jointly); Shields & Co., and Alex. Brown & Sons (jointly); Drexel & Co.; B. J. Van Ingen & Co., and Blyth & Co., Inc. (jointly).

● Pittsburg, Bessemer & Lake Erie RR. (12/17)

Company will receive bids until noon (EST) Dec. 17 for the purchase of $12,000,000 series A first mortgage bonds due 1966, the interest rate to be fixed by competitive bidding in same multiple of ⅛ of 1% and a bid price of not less than 98 and interest. Bids will be received by E. C. McHugh, Treasurer, c/o United States Trust Co., New York. Probable bidders include Morgan Stanley & Co.; Halsey, Stuart & Co. Inc.

● Transcontinental & Western Air, Inc.

Dec. 23 stockholders will vote on increasing the authorized capital stock from 1,000,000 shares to 3,000,000 shares. Company announced that although no plan for the sale of additional shares had been formulated, it was deemed advisable to place the corporation in a position to obtain additional funds when conditions appear appropriate.

General Freight and Express Embargo Ordered

Shortly after John L. Lewis and the United Mine Workers of America (AFL) were held guilty of contempt of court for disregarding an order designed to avert the soft coal strike, four steps to conserve the nation's dwindling coal stocks were taken on Dec. 3, viz:

1. The Interstate Commerce Commission, at the request of the Office of Defense of Transportation, ordered a general freight and express embargo, effective 12:01 a.m., Friday, Dec. 6. This does not affect essential commodities and supplies.

2. The Post Office Department, also effective tomorrow morning at the same time, limited the weight of parcel post packages to five pounds and the size to 18 inches in length and 60 inches in length and girth combined. A complete ban on international parcel post was also ordered.

3. The Office of Defense Transportation increased the recently imposed 25% reduction in railroad passenger service performed by coal-burning locomotives to 50% effective at 11:59 p.m., Sunday, Dec. 8. Service has been cut 25% at 11:59 p.m., Nov. 24.

4. Effective at 12:01 a.m. on Dec. 4, the Association of American Railroads "froze" all soft coal awaiting shipment to Europe in order to make 1,100,000 tons available for home consumption, and made all export shipments, except bulk grain, livestock and shipments for the armed services, subject to shipment under special permit.

Finds High Taxes Penalize Incentive

The concept of high taxation as an anti-inflationary measure in peacetime may be far from valid, George W. Spinney, G.M.G., President of the Bank of Montreal, declared on Dec. 2 at the 129th annual meeting of the bank. Such taxation, Mr. Spinney said, was accepted during the war as an essential contribution to victory, and in the knowledge that, because of war demands, individual living standards had to be reduced. "As such, wartime taxation was an important weapon in the fight against inflation." "But" he added, "have we not already more than a little evidence that high taxation in peacetime is likely to have an entirely opposite effect? To the extent that it penalizes incentives and leads to additional wage demands to maintain take-home pay, onerous taxation becomes a potent inflationary and disruptive force."

As the same meeting the bank's General Manager, B. C. Gardner, reviewed the progress of the bank during the year and revealed that demand for banking services had reached unprecedented levels. Deposit accounts increased by 100,000 during the year to reach 1,500,000 or 40% more than in 1939.

Mr. Spinney warned that one of the "immediate and urgent tasks" confronting Canadians is to put a sound foundation of production under the present high level of purchasing power. He expressed guarded confidence in the ability of Canada to meet economic conditions of the future, but added that he noted a number of popular beliefs about such conditions which now were "an absolute hindrance to a clear-sighted appreciation of the fundamentals of progress and welfare." He gave as one such belief "the still prevalent idea that purchasing power rather than production is the main-spring of employment income and material well-being."

Of social security measures Mr. Spinney said he believed that a certain amount of social security planning had a place in the Canadian economy but that if it is to supplant the personal integrity that goes hand in hand with rounding out one's welfare in providing for the future, "then I believe that we will tend to become soft" so that both incentive to enterprise and capacity for effort are undermined. "It is good," he said, "to stand on one's own feet — good for the individual and good for the national fibre."

In his general manager's report, Mr. Gardner told of deposits at a new year-end high of $1,736,000,000, an increase of $123,000,000 over the previous year. He expressed the view that this growth was "a tribute to the thrift and common sense of our people and a strong bulwark against the inflationary potential of an increased money supply." Transition from wartime to peacetime production was reflected in the higher level of commercial loans, Mr. Gardner said, and added that "current loans and discounts in Canada at $277,000,000 compare with $202,000,000 at Oct. 31, 1945. This represents a general and diversified increase in advances to manufacturers, merchants, builders, farmers and primary producers."

Appointments to Roosevelt Foundation

The Franklin D. Roosevelt Memorial Foundation Inc., announced on Sept. 15 that its new President would be Henry Morgenthau Jr., former Secretary of the Treasury, according to advices to the New York "Times." Mr. Morgenthau was elected to succeed George E. Allen, who had resigned to take up his new appointment as a Director of the Reconstruction Finance Corporation The announcement added that Mr. Allen had been named head of the new advisory committee, and that Frank C. Walker, former Postmaster General, was elected Chairman of the newly formed Finance Committee. The place of the late Harry Hopkins on the Foundation's board of directors is to be filled by David K. Niles, one of the late President's executive assistants.

REDEMPTION NOTICE

GREAT NORTHERN RAILWAY COMPANY

General Mortgage 4½% Gold Bonds, Series E, due July 1, 1977

to be called for redemption July 1, 1947

NOTICE OF PREPAYMENT

GREAT NORTHERN RAILWAY COMPANY has heretofore irrevocably directed The First National Bank of the City of New York to publish appropriate notices calling for redemption on July 1, 1947 the entire issue of the above mentioned Series E Bonds then outstanding at 105% of principal amount plus accrued interest to said date.

Holders of said Series E Bonds may obtain prepayment of said bonds at the redemption price thereof, viz., 105% of principal amount together with accrued interest to July 1, 1947, by surrendering such bonds with all unmatured appurtenant coupons to The First National Bank of the City of New York, at its office, No. 2 Wall Street, New York 15, New York, on or prior to the close of business December 27, 1946. Payment as aforesaid in respect of bonds so surrendered will be made within five days after the surrender of such bonds.

GREAT NORTHERN RAILWAY COMPANY

By F. J. GAVIN, *President*

St. Paul, Minnesota
November 7, 1946

SITUATION WANTED

SITUATIONS WANTED

Our Reporter's Report

Provided the markets hold to an even keel or develop further improvement it now looks as though next week will be productive of exceptionally heavy volume of new issues and a busy period for the underwriting fraternity.

Investment bankers are feeling a bit less fearful of the influence of the mine strike at the moment, though they are not inclined to discount possible consequences of the conviction of John L. Lewis and the United Mine Workers for contempt.

But at the moment plans are going along for handling the new financing which is in sight for the ensuing week with indications pointing to an aggregate approaching $175,000,000, comprising bonds, preferred stocks and railway equipment trust certificates.

Quality is, of course, the key influence at this time and certainly the issuers with prospective business in sight rank among the best names in their respective industries, with Philadelphia Electric Co., just completing the sale of 300,000 shares of new preferred stock, heading the list with a $30,000,000 issue of new first mortgage bonds.

The impending bond issue will round out the Philadelphia utility company's refinancing program at least for some time ahead, and judging by the brisk bidding which attended the sale of its new preferred on Tuesday, should bring out stiff banker competition.

St. Regis Paper Co.

On Tuesday, the same day set for the sale of Philadelphia Electric Co.'s bonds, the St. Regis Paper Co., through its bankers is slated to sell publicly 150,000 shares of new $100 par cumulative preferred stock.

Of the total new preferred, however, 69,400 shares would be offered initially in exchange for 138,814 shares of outstanding $50 par prior preferred shares on the basis of one new share for each two shares of the outstanding stock held.

Proceeds from the balance of the issue would be used by the company to retire any unexchanged 5% preferred to finance retirement of preferred shares of a subsidiary, Taggart Corp., and for advances to another subsidiary for construction purposes.

Two Issues Wednesday

On Wednesday bankers will be afforded the opportunity of competing for first mortgage bonds and new cumulative preferred shares of Kansas City Power & Light Co., and for $20,000,000 of new equipment trust certificates of the New York Central Railroad System.

The Kansas City utility is offering for bids $36,000,000 first mortgage bonds, due 1976 and 100,000 shares of new $100 cumulative preferred stock which will provide funds for redemption of outstanding 3¾% bonds, due 1966, present preferred stock and for additional working capital.

New York Central's equipment issue, one of the largest in recent months, will as indicated provide funds for partially financing purchases of new rolling stock.

Westinghouse Electric

All things being equal the revised Westinghouse Electric Corp. financing should reach market on Friday of next week in the form of the $50,000,000 of $100 par preferred stock recently placed in registration.

The company had contemplated the issuance of a similar amount of common stock originally, but because of market conditions revised its program and substituted the preferred shares.

Amendment of the registration, due before offering, will fix the dividend rate on the issue which will provide funds for the repayment of outstanding bank loans.

Sizable Spreads

Sale Tuesday of Philadelphia Electric Co.'s 300,000 shares of new preferred stock revealed substantial differences among bankers on ideas of price, though the spread was not too pronounced giving consideration to conditions of the moment.

The successful banking group paid the company a price of 102.289 for a 3.8% dividend rate and proceeded with reoffering at 104.11 for an indicated yield of 3.65%.

Evidently other bidders had been hopeful of affording a slightly better yield since the second highest bid was 101.35 and the low tender 100.9799.

New Description Booklet Of Cotton Exchange

Revised and enlarged edition of the New York Cotton Exchange's descriptive booklet is being prepared for early distribution to visitors and correspondents requesting information concerning the Exchange and the operation of its cotton futures market. An announcement by the Exchange on Sept. 14 stated that the new publication—"Cotton Futures"—is larger and far more comprehensive in its coverage than the Exchange's previous booklets. The subject matter is presented in three sections. The first is devoted to a short history of the cotton plant—its introduction to the United States and spread of cultivation in the Cotton Belt. The second section contains a history of the New York Cotton Exchange, and describes the conditions which led to its founding in 1870.

The final section describes the trading floor, the manner in which trading is conducted, and outlines some of the technical features of the cotton futures contract and its use by all segments of the cotton industry. This section is presented in a style designed for easy interpretation by the layman. The booklet is fully illustrated by half-tone cuts. Copies of the booklet may be obtained from the Office of Public Relations of the New York Cotton Exchange.

Pershing, 86, Visited By President Truman

General John J. Pershing, commander of the American Expeditionary Force during World War I, celebrated his 86th birthday anniversary on Sept. 13, and received a call on the occasion from President Truman who visited the General at Walter Reed Hospital where he has resided since suffering a severe illness in 1938. On his way into the hospital the President paused for a few minutes in the central plaza, where, according to Associated Press advices, he addressed briefly a crowd of several hundred convalescing veterans, Army physicians and nurses. The President expressed the hope that this country's production line would be used "to create a situation that will make us work as hard for peace as we did to win the war."

Wages and Productivity

(Continued from page 2886)

rarely represent increased effort or improved skill on the part of workers. They are almost always the result of improvements introduced by management, making use of capital supplied by investors, and of materials and methods devised by scientists, and adapting the product to the needs and means of consumers. If any laborers are responsible for the increased output of any plant or industry, they are more likely to be laborers not employed in that plant or industry but in the industry supplying that industry with materials or equipment. It would scarcely be an exaggeration to state that output per manhour is usually a better measure of the actual productivity of almost anybody or anything else than it is of the actual productivity of the laborers on the job.

Output per manhour differs from place to place and from shop to shop. Can anyone maintain that the differences between profitable and unprofitable industries in this respect stem from the differences in the effort, skill, or strength of the workers? Output per manhour also has differed from time to time and has shown a marked tendency to increase over the years. This has not been an automatic process. It would be unsafe to project into the future the same rate of increase that has prevailed in the past—even if agreement could be reached as to what that increase has been. It would be unsafe to project that rate without considering what have been the causes of increased productivity in the past and whether those causes are to be permitted to continue in the future.

The vast increases in output per manhour in the past decade do not reflect any changes in the laborers. Anthropologists will not admit any improvement in the character or intelligence of workers in this country. Some old-fashioned Anglo-Saxons and narrow-minded Nordics would claim that the change has been in the opposite direction. Workers certainly work no harder. On the contrary, not only have hours been decreased but the effort required in each hour has been reduced. There is more power, more comfortable seats, more convenient work benches, better ventilation, better lighting, better sanitary facilities—even music. Not being a jazz hound, I do not say better music. Probably there are fewer illiterate or non-English speaking workers than there were 30 years ago; but on the other hand, there are fewer who have had years of training as apprentices in specialized skills. Consequently the figure obtained by dividing total output by the number of manhours is no measure of real contribution of labor, and its use as such serves only to mislead.

Chief Cause of Increased Output

The chief cause for the increase in output per manhour has been the vigorous enterprising spirit of managers and promoters, and the willingness of investors to take changes. It is only through the medium of managers, promoters and investors that scientific discoveries can be exploited for the benefit of the consumers. The profit motive has been the device by which philosophical and academic speculations have been compelled to serve the wants of the common man. If we wish productivity to continue increasing we must carefully avoid taking steps that will discourage the profit motive.

Marginal Productivity

Although the output per manhour considered as an average has no bearing on the proper remuneration of labor, economists of what is known as the neo-classical school have come to agree that what is called marginal productivity is the proper and in the long run the effective determinant of wages. The value of an hour of labor is the amount by which the output of any plant or operation would be increased by adding one hour or decreased by subtracting one hour. This is obviously not the same as the total output divided by the total number of hours. In all industrial or physical operations (there is a law of diminishing returns and a point at which the further applications of any one production factor increase the output less and less. Labor is a productive factor subject to the law of diminishing returns. Perhaps this is most vividly stated in the old proverb "Too many cooks spoil the broth." But even before the cooks become numerous enough to spoil the broth, the additional cooks are plainly not worth as much as the original staff, and in any well-run kitchen the wage rate will be adjusted accordingly.

This calculation of marginal productivity is a matter of estimates on the part of each employer, sometimes assisted by cost accountants. Hundreds of thousands of employers, their plant managers, superintendents and foremen, each making his own estimate of the value that might be added by hiring another man, determine how many shall be employed at any given wage. The laborers also make their own estimates as to whether they can, wish or must work at the wage offered, and they seek out the employers who are able, willing or anxious to make the most attractive offers. This process is hindered by labor union restrictions and by governmental regulations concerning hours and wages. On the other hand, it is helped by employment offices, whether run by unions, governments or private agencies.

If the average output per manhour is increased for any reason whatever, the chances are that the marginal output will be increased, if not in a particular plant, at least in some plants. Under those circumstances some employers become more anxious to get men and offer higher wages. Growing industries usually pay higher wages in order to attract men away from established industries. Even within a given industry the growing concern usually pays higher wages than the others. In this way laborers obtain part of the increased output in their capacity as laborers. In their capacity as consumers they get even a larger part, because the increasing productivity of industry increases competition and causes prices to be reduced for goods of equal quality. In this way the benefits of increased productivity, although obtained in the first instance by the management and stockholders of the firm initiating the increase, are speedily diffused throughout the community. If, however, laborers exert their power, through organization, to demand for themselves a large part of the increased product, the forces and motivations that lead to increasing productivity will be killed off and the laborers themselves will suffer along with everyone else. In other words, "the-ability-to-pay" theory of wage determination, if adopted, would be an effective device to end industrial progress and to bring about a perpetual depression.

Purchasing Power of Wages Has Increased

Everyone knows that during the last century the purchasing power of laborers' wages has increased enormously in nearly every part of the Western world. This increase took place not because of the activities of labor unions, since it occurred in places where unions were not strong or where they came into existence later; not because of the activities of the government, since it was most conspicuous in countries where the government did the least about it; not because of any altruistic or sentimental attitude on the part of employers; not because of the acceptance of any economist's fine-spun theories—but merely because entrepreneurs are at all times anxious to increase their profits and have found that the most reliable way to do that is to produce more and better goods at a price that more consumers can afford to pay. And to the extent that they have succeeded in increasing their sales they have found it necessary to hire more labor, bidding for it against each other. Consequently, money wages in the United States rose 346% between 1860 and 1932 and, after adjustment for the cost of living, real wages rose 85%. This was at the rate of 2.1% per year for money wages and 0.9% per year for real wages. Even in 1860 real wages were higher here than anywhere else in the world, to such an extent that millions of Europeans migrated here to share in the workers' prosperity. We all, I think, would like to see the increase in real wages continue indefinitely. The only way to ensure it shall do so, is to maintain the essential conditions and motivations that have made it possible in the past.

Re-election of Directors Of Atlanta Reserve Bank

Directors of the Federal Reserve Bank of Atlanta for a three-year term beginning Jan. 1, 1947, will be W. D. Cook, President of the First National Bank of Meridian, Miss., and Donald Comer, Avondale Mills, Birmingham, Ala., it was announced on Nov. 19 by Frank H. Neely, Chairman of the Board it is learned from the Atlanta "Constitution" of Nov. 20, which added:

Mr. Cook was re-elected by member banks in Group 2, as a Class A director, and Mr. Comer re-elected by member banks in Group 3 as a Class B director.

Two With G. Brashears

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF. — Lipman Duckat and Michael J. Flannery are now connected with G. Brashears & Company, 510 South Spring Street, members of the Los Angeles Stock Exchange.

Fairman Adds Markson

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF. — Marcus C. Markson has been added to the staff of Fairman & Co., 210 West Seventh Street, members of the Los Angeles Stock Exchange.

Three With Slayton & Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF. — Kenneth E. D'Orsay, Roy W. Swafford, Jr. and Mrs. Nellie K. Warburton are with Slayton & Company, Inc., 3277 Wilshire Boulevard.

Hannaford & Talbot Adds

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, CALIF. — Frank E. Bumb has joined the staff of Hannaford & Talbot, 519 California Street.

Bowen With Calif. Bank

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF. — Francis B. Bowen has become associated with the California Bank, 625 South Spring Street.

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